

PNG Pulse

Keeping you informed



Are you ready for the Big 3?

The new accounting standards on revenue recognition and financial instruments (applicable from 1 January 2018) and lease accounting (applicable from 1 January 2019) could have a more significant impact on reported results than expected. Furthermore, the feedback from organisations who have implemented the new standards has been the level of effort required to implement the new standards is significantly more than anticipated.

Therefore the importance of planning for the implementation and the impact of the new standards, including informing stakeholders of the impact on the reported results is paramount.

Organisations should:

- develop an implementation plan
- determine how the new standards, noting IFRS 15 and IFRS 9 are now in effect, will affect their future financial reporting, including half year reporting to stock exchanges where applicable
- determine the impact on compliance with loan covenants or regulatory capital requirements, future tax liabilities, the ability to pay dividends and employee incentive schemes
- identify changes to systems, processes and internal controls that will have to be made.

IPA action

Recently the Foreign Certification Unit of the IPA has increased its level of scrutiny with respect to foreign certified entities. In particular, they are looking into the level of compliance with the terms and conditions that were required to be met at the time of certification. In cases where these have not been met the IPA will not register other required changes (e.g. updates for changes in location etc). This requirement to be up to date and compliant also applies to regular terms and conditions reports (known as six monthly reports). Failure to stay up to date can ultimately lead to entities losing their certification.

Tax Administration Act – Taxpayer representatives

Continuing in our series of updates with respect to the contents of the Tax Administration Act, this month we highlight the provision that seeks to describe the liabilities and obligations of representatives of the taxpayer. Essentially, the provisions of the Tax Administration Act appear

to significantly widen the concept of who may be considered a taxpayer representative, as well as their responsibilities and obligations.

The Act states that “every representative of a taxpayer is responsible for performing any obligations imposed by a tax law on the taxpayer, including furnishing of tax returns and payment of tax” – which is clearly a blanket provision with the intent of imposing any and all taxpayer obligations on a representative, including the payment of any tax due.

Under the current law, only in certain limited circumstances are the tax payment obligations of the taxpayer passed to the representative. For example, the directors of the company can receive a director penalty notice for unpaid salary and wages tax of the company and directors can also be personally liable for GST which is not remitted by the company. These obligations potentially rest with the directors as they represent taxes that are collected and remitted by the company. However, in the current Income Tax Act, there is no basis for representatives to be held personally liable for all taxes. This looks set to change with the implementation of the Tax Administration Act.

On the question of who constitutes a representative, the provisions are similarly very wide. Currently, the representative of the taxpayer for tax purposes will generally be the Public Officer of a company. For trusts and partnerships, the representative is the trustee or partner accordingly. For the purpose of the service of notices, the current Act does extend the scope of a representative to a number of company officers including directors, agents, etc however, this does not extend to a personal responsibility for taxes.

By contrast however, the Tax Administration Act extends personal liability for all taxes to all representatives. A representative can be the Public Officer, as well as directors, CEOs, Managing Directors, company secretary etc. The provisions also address non-resident taxpayers (e.g. foreign companies operating in PNG) to include any manager of the foreign company’s business that is in PNG. As currently drafted these provisions would seem to greatly increase the scope for action by the tax authorities against a wide range of individuals to compel tax compliance for legal entities operating in PNG.

If you would like to know more about these recent developments or have any other questions, please get in touch with your usual PwC contact.

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