

PNG Pulse

Keeping you informed



Tax Clearance Certificate Update

The gazette notice from the Bank of PNG required to initiate the increase in the threshold for tax clearance transactions has now been published. The gazette notice confirms that effective 1 January 2018, a TCC will be required for relevant transactions in excess of PGK 500,000 annually. This is an increase from the previous level of PGK 200,000 annually.

Of course, the position for transfers to certain countries that are considered as tax havens has not changed – there is no minimum threshold and a tax clearance certificate is required for all payments made from PNG to black list countries, including BVI as well as Hong Kong, Switzerland etc.

Recruitment needs highlight audit and review focus

As part of the ongoing focus on the audit and collection activity, the IRC has recently been seeking applications for Assistant Commissioners in the Debt Lodgement and Enforcement section as well as the SME Audit section.

This focus on resourcing continues the IRC's commitment to a range of audit and review programs which are in process across the taxpayer base. A revenue focus is clear with teams investigating taxpayers whose returns show a pattern of reduced tax payments, or a cessation in the filing of taxable returns, as well as more focussed audit programs on GST and the financial sector. The reviews and audits require taxpayers to be able to provide significant supporting documents for a number of historic periods – and often with relatively short timeframes for response. It is a timely reminder that taxpayers need to be up to date with their compliance as well as conscious of their obligations with respect to record keeping.

In a further indication of the boost being given to the audit, review and collection activities of the IRC, the secretariat for the Income Tax Tribunal is also seeking candidates for the role of Chair of the Income Tax Tribunal. This position has been vacant for a number of years and there are a number of long running disputes which have not been brought to a conclusion as the tribunal has not been able to be constituted. With the appointment of a chair, it is hoped that the review and appeal process will be in a position to operate as intended.

Customs to move to electronic payments only

In a similar move to the IRC, Customs have issued a series of public notices that have indicated they will only be accepting payments via electronic means. Cheques will no longer be an acceptable method for payment.

IPA Update

For companies that have a December balance date, the Companies Act requires accounts to be prepared within five months of year end. The annual general meeting is then required to be conducted within one month from the finalisation of the accounts. This will generally mean that accounts and annual returns should be prepared and lodged by 30 June. Companies who are unable to finalise their accounts and hold their meeting by this date should file an application for extension of time with the IPA to ensure that the company remains compliant. The IPA is imposing penalties where the filing requirements are not being met.

Companies also need to check their allocated filing month to ensure that this is in line with their requirements under the Companies Act as the IPA system does not set June as a default.

In other developments, the IPA recently announced that the registry has been migrated to the cloud – rather than servers located at the IPA. It is hoped that this will provide a more stable system and more reliable operation for the registry. Although there continue to be issues with the records in the system, as well some of its operations, the IPA is accepting over the counter lodgements only in very limited circumstances – they continue to encourage and require companies to move to online lodgement.

Australian Budget released

This month saw the release of the Australian Budget. While a full commentary of the budget amendments is available elsewhere, it is worth considering the extent to which the changes announced, as well as those proposed, may have an impact on PNG operations. For example, you may want to consider the impact of the change in Australian personal tax rates for those who have expatriates on expatriate assignment arrangements that are on a net basis. PNG payroll calculations will be impacted. Finally, the Australian Budget also further extends the rules around Significant Global Entities that will be required to prepare Country by Country reports and further changes to thin capitalisation and cross border financing rules have also been announced.

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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