

May 2019

IPA spot checks in NCDC

Until the end of May, the IPA will be conducting a series of spot checks of businesses operating in NCD. The IPA team will be accompanied by representatives from other agencies including police, IRC, PNG Power, ICCC and others. The aim is to gather statistical and other information on businesses as well as to investigate and confirm their compliance with a wide range of regulations. For example, the companies being visited will be required to present evidence of IPA incorporation and certification (for foreign enterprises), they will need to be able to present valid permits required for their operations as well as other relevant information.

The spot checks are in line with ongoing efforts to strengthen the regulatory nature of the IPA's mission, and follows from the recently released draft changes to the IPA Act. With further developments in online filing, companies should ensure that all the details in the registry remain up to date. This involves not only lodging annual returns and six monthly reports (for foreign organisations), but also ensuring that registrants have updated share registers, current details of directors and updated any other details of your operations - including operating locations. Penalties apply for delays in notifying the IPA of changes.

Annual income tax return disclosures

The corporate income tax return season is in full swing and we take this opportunity to remind taxpayers that a significant amount of information is required to be disclosed in the schedules to the return. Taxpayers should pay close attention to completing these schedules accurately. Failure to provide full information and full disclosure has the effect of potentially reducing taxpayers rights through increasing the period available for the IRC to review the return. Penalties can also be applied for failure to comply.

Further, given the nature of the information in the disclosures and the enhanced systemisation of the collection of taxpayer information (even within the SIGTAS system) the data from the schedules is increasingly able to be linked to other data sources and is likely to be used in future reviews or the selection of tax audit targets, for example:

- Directors fees and benefits reconciled to salary and wages returns
- Payments to shareholders or associates are an area of interest for non-arm's length relationships
- Rental payments trigger stamp duty obligations, and
- International dealings are a target for cross border taxes and tax clearance applications.

The annual income tax return cycle provides an excellent opportunity to also ensure that other tax compliance is accurate and up to date.

Papua LNG Gas Agreement

Last month saw the signing of the Papua LNG Gas Agreement which will be the basis for the development of another mega resource project in PNG. Although a number of challenges remain before the project licences are issued and the project is up and running, it is timely for those who anticipate working with the project to consider how the tax legislative developments of the past half decade or more since PNG LNG may impact upon planning to provide goods and services to the project.

Developments in the taxation system surrounding the operation of foreign contractors, changes to the GST legislation and the evolution of the foreign exchange market rules are just a few of the elements of the legislative environment which have experienced change. These factors and more can influence investment decisions and structures for those operating in PNG. Potential contractors to Papua LNG or other significant resource projects that are in the pipeline should be reviewing their assumptions and current structures in order to be in a position to participate in these opportunities.

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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