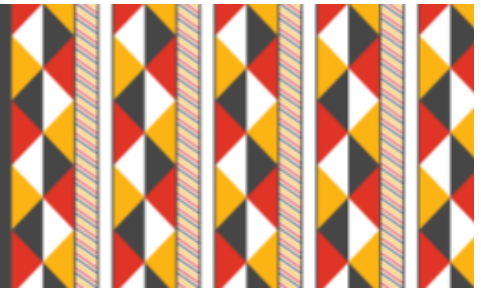




# PNG Pulse

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## May 2024

### IRC update

The early months of 2024 have been a busy time for the IRC as they continue to advance their programs in a range of areas including partnering with other authorities and agencies, internal reform agenda items and enforcement actions.

Of particular potential importance to taxpayers is being aware of the continuing efforts of the IRC at better integrating with global peers and multilateral organisations. Taxpayers should welcome the IRC's efforts in this area to boost their knowledge and understanding of global trends. Partnering with international agencies will be increasingly important as the IRC continues to operationalise global tax trends into our local tax environment.

Over recent months, the IRC has:

- Participated with colleagues from the Pacific Islands Tax Administrators Association (PITAA) in a seminar focussed on the taxation implications for e-commerce, and cross border trade in a digital world.
- Signed an MOU with the Australian Tax Office (ATO). Although there was no indication of any new specific programs to be instigated under this MOU, it does continue to reflect the long term assistance that has been provided by the ATO to a range of IRC functions. This close cooperation would be expected to facilitate the exchange of information and skills between the two agencies.
- Attended a multilateral Partners Program Workshop hosted by the ATO in conjunction with Study Group on Asian Tax Administration and Research (SGATAR) to build tax administration capacity across the Pacific.
- Also in conjunction with SGATAR, attended a workshop for training on the Tax Administration Diagnostic Assessment Tool (TADAT).
- Announced through the OECD their intention to implement the standard for the automatic exchange of information for tax matters, setting an activation date of September 2027 at the latest. This process will continue to align the IRC with their international peers as the OECD continues its BEPS agenda.
- Participated in workshops and meetings with an OECD/Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) team. These consultations were addressing BEPS Pillar 2 issues, BEPS issues associated with the mining industry, consideration of the fiscal aspects of a model mining term sheet for projects, and ongoing training in relation to transfer pricing (TP), international taxes, risk assessments and tax audits.

The lessons and learnings for taxpayers that have cross border operations and interactions is that PNG will not be an island when it comes to global tax trends. We can and should expect to be reflecting global standards for taxpayers and tax administration.

Within the scope of internal reforms, the IRC has also been making headlines with a packed agenda of initiative and actions being announced. These include:

- The long planned restructure is reaching its conclusion with posts being confirmed and appointments of IRC officers expected to be progressively confirmed in the coming weeks. The impact of the restructure on taxpayers is yet to be fully determined and won't be fully known until the staffing of the structure is fully confirmed, with those currently working in an acting capacity being made permanent. The new structure was previewed in November 2023.
- The acceleration of the IRC's recruitment plans. The process of hiring additional offices for a range of roles continues. To some extent the hiring growth also reflects the continued increase in funding that has been made available to the IRC through a number of recent budgets.
- The conduct of awareness sessions in relation to the IRC's Data Management Strategy (DMS). This reflects the importance of data management in tax administration.
- An announcement of actions to improve productivity for IRC officers through the decision to implement salary deductions for staff who demonstrate a pattern of absenteeism, late arrivals, or early departure from work without a valid excuse or proper authorisation.

There have also been initiatives announced by the IRC that have been more directly targeted at taxpayers and in particular, inappropriate taxpayer behaviour, these include:

- The IRC continues to conduct tax investigations and audits and has released details of a range of specific cases where taxpayers have been penalised for breaches. The IRC has also announced details of some ongoing audit programs including Project Masta which targets SWT compliance and work visa related tax evasion.
- The IRC has also reflected on its interaction with other agencies by commenting on reporting in relation to the post 10 January compensation program. Their press release reflects their analysis of reported losses claims against tax compliance records.
- Taxpayers can expect a new and upgraded communication style for various letters that the IRC uses to communicate warnings, demands and other compliance requirements with taxpayers.

The message of the past months is that the pace of change for the IRC in meeting its mission continues to accelerate. The goal of the IRC remains the development of efficient and effective revenue collection to assist in PNG's development. As a result, taxpayers need to keep up to date with the IRC's announcements and react in a timely manner.

### **IPA update**

The new IPA system has been up and running for some months and it appears that most of the transitional issues have worked themselves through. For those entities that reregistered in a timely fashion the system is running smoothly and as expected.

One of the important elements of the new system was to reset the IPA records and require companies to be up to date as of the end of 2023. The IPA has not reported how many entities remain suspended for failing to re register, and while it's still possible to reinstate an entity, this step incurs penalties and is rightly a more difficult process.

One notable change in the new system is that overseas companies are unable to apply for an extension for the time to complete and lodge their annual return. Failure to meet the deadline will result in a late lodgement penalty and can ultimately lead to the entity being struck off the register. In contrast, local entities that believe they may not be able to meet the deadline for lodging their annual return can apply for an extension of time to comply. This eliminates the risk of de-registration, although the application for extension does attract a fee.

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

### **For more information, contact:**

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