PNG Pulse
Keeping you informed

Tax amnesty announced
The IRC has announced a tax amnesty that applies for the period from 1 November to 31 December 2017. It has been introduced under the auspices of the Treasurer's 100 Day, 25 point plan. Both annual income tax as well as monthly withholding tax returns (for example GST, salary and wages tax etc.) are within the scope of the arrangements.

According to the notice released by the IRC, late lodgement penalties will not be applied and late payment penalties will be remitted in full for all taxes covered by the amnesty. However, in order to benefit, taxpayers must pay in full all base tax applicable to the returns being lodged under the amnesty within the period from 1 November to 31 December 2017.

A further pre-condition for application of the amnesty is that all annual and monthly lodgements for all taxes are up to date through to 31 December 2017.

For taxpayers that are currently paying outstanding taxes under an agreed payment arrangement, the amnesty does not appear to override the agreed arrangement, unless the taxpayer is able to completely settle the relevant base tax during the period through to 31 December 2017.

This is the not the first time that the IRC has undertaken this type of arrangement, with a particular focus on tax collections through to the end of the calendar year. Given that late payment penalties can be significant through the application of flat fee and time based penalties for monthly taxes this may provide a significant opportunity for taxpayers that have outstanding tax filings to bring themselves up to date. We recommend that taxpayers who believe that they may be able to take advantage of the amnesty make contact with their adviser or the IRC to clarify the administrative mechanisms associated with its application.

2018 Budget, is a preview possible?
Although the date is yet to be formally announced, the 2018 Budget is expected to be brought down on 21 November. Beyond the Treasurer's comments in the 100 Day Plan in relation to the need to work on a medium term revenue strategy, there has been no formal comment on what, if any, taxation changes are expected. It is possible that due to the recent finalisation of the election process, and the short period of time the Treasurer has been in place there will be limited new initiatives. The Prime Minister has also appeared to signal a 'no new taxes' message during and even after the election period. Nevertheless, an alternative view is that the focus of the government is on the fiscal situation and there is a wide recognition of the need to implement a medium term fiscal plan. This could still deliver some taxation surprises on Budget day.

At a minimum, there is an expectation that legislation will be introduced to reinstate the dividend rebate that was eliminated in the legislative changes passed in March 2017. At the time, this seemed to be an unintended consequence of amendments brought in to clarify the changes in dividend withholding tax from the previous budget. Calls also continue for clarifications or revisions of other changes introduced in last year's budget, for example to clarify the application of Additional Profits Tax to pre-existing resource projects. Arguments have been put forward for APT to be applied to future projects only, or that transitional rules should be considered to implement the rules for existing projects.

The supplementary budget has already addressed import duties and excise changes for a number of goods (with changes to take effect on 1 January 2018). Therefore, this may be one area in which it is unlikely that further substantive changes will be announced as part of the Budget.

As is our practice, PwC makes a submission to Treasury each year in relation to changes that we believe are important to clarify and simplify tax administration, or to give effect to stated policy through the amendments to legislation. In this year's submission, we suggested administrative, policy and some technical amendments. Included in administrative suggestions were:

- To align lodgement dates for all monthly returns and then enable the development of a single monthly compliance form to reduce the level of administration for IRC and taxpayers.
- To eliminate interest withholding tax within domestic company groups, as the tax is effectively collected through corporate provisional and income tax.
- To amend regulations in relation to the administration of the (now terminated) R&D concession in order to allow for the resolution of outstanding claims dating back a number of years.

We remain hopeful that these and other suggestions will have been considered for inclusion.

If recent budget history is a guide, then the Tax Reform Committee from late 2015 continues to be a useful reference point for predicting the budget. All the tax changes introduced since the issue of the report were identified by that committee. Although major changes to significant taxes (eg changing the rate of GST or introducing a Capital Gains Tax) remain unlikely – there are a number of recommendations in the report that may yet be introduced including a review of personal income tax brackets and rates, limits to accelerated depreciation, and strengthening and simplification of transfer pricing rules. Whatever the changes, those who can join us at the PwC/Badili Club Budget Breakfast will be able to hear our views on the budget on 22 November 2017.

New publications

PwC will be releasing the results of the latest APEC CEO Survey in conjunction with the APEC CEO forum from 8-10 November. These will be available on line and will be of particular interest in light of PNG's host year for APEC in 2018. We also highlight the growing popularity of cloud accounting in PNG in the latest of our "Let's Chat" series.

These publications and others are available here.

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.

Contact
Peter Burnie
Partner, Tax
(675) 321 1500 | (675) 305 3100
peter.r.burnie@pg.pwc.com