

November 2019

IPA set for deregistrations

The IPA has set a deadline of the end of November for 5000 companies to get themselves up to date or face removal from the Company Register. These companies have been identified as not having met their obligation to file an annual return since 2000, according to the IPA's data. This is the initial phase of a program to enforce better compliance of companies registered to carry on business in PNG. Further lists are anticipated to be published in early 2020.

The list was published in the newspaper however unlike the initial campaign that commenced in 2017, an electronic version of the list is not yet available on the IPA website. Nevertheless, the status of entities can be reviewed and verified online. Lodgements are also generally required to be made online.

The current announcement should act as a reminder that those carrying on business should actively manage their overall compliance with the regulatory environment, including the filing of annual returns. Other changes in an entity's operations are also required to be notified to the IPA on a timely manner including (but not limited to) changes in shareholding, directors and the place of business.

Legislative amendments passed for Papua LNG

The most recent parliamentary session saw the passing of a number of amendments to taxation legislation. Given the content of the amendments, these have been proposed and adopted by parliament in accordance with the provisions of the Papua LNG gas agreement signed by the Government of PNG in April this year. Passing these amendment bills is a significant milestone for the project and indicates that the Government remains committed to implementing the gas agreement.

The amendments reflect the continued policy of the government to consider the merits of significant resource projects and to bring into the legislation changes that are particular to the project. A similar legislative mechanism was used for PNG LNG. For Papua LNG, amendments have been made to the income tax, GST, customs and excise, and stamp duty legislation. This also means that a number of the broader tax changes that had been introduced in recent budget cycles will not be applicable to the Papua LNG project. For example, the efforts of the government to introduce a uniform Additional Profits Tax for all resource projects, and a revision of the GST position of resource companies will need to be reconsidered in light of the project specific amendments being passed.

2020 Budget day approaching

Hot on the heels of the supplementary budget release last month, the 2020 National Budget is expected to be brought down on Tuesday 26 November, although this is yet to be officially determined. This will be the first annual budget to be brought down by Hon Mr Ian Ling-Stuckey as Treasurer and the first for the Marape-Steven Government. There is no official guidance on the content of the budget, although it would be reasonable to expect that the document will continue to follow the path set forth in the current Medium Term Revenue Strategy. We have previously noted that the topics that arise from the MTRS include the potential introduction of a Capital Gains Tax (for which consultation has been conducted and draft legislation shared) and an SME tax regime (again, consultation has been undertaken). Another item that could be addressed in this budget is the implementation of the Tax Administration Act which was passed a number of years ago. Initiatives such as the rewrite of the Income Tax Act as well as the Prime Minister's stated wish that the country should adopt production sharing rather than a concession model for resource projects seem unlikely to be addressed in this year's document given the limited time that has been available to develop the planning and legislation in these areas. However, the expenditure side of the budget could reflect a number of Prime Minister Marape's other manifesto commitments with respect to spending priorities and proportions.

Availability of tax credit transfers

The impact of the media release by the Acting Commissioner General of Taxation in late September continues for a range of taxpayers. The announcing of a ban on the use of GST credit amounts to offset SWT liabilities has been put into effect rapidly and across the board. The implication is that although requests for transfers may have been lodged before the announcement, those that were unprocessed will never be completed. Therefore, those taxpayers who have outstanding SWT amounts as at the date of the media release should ensure cash settlement as soon as possible.

The immediate result of the ban on transfers has been the accumulation of GST refundable balances for a number of categories of taxpayers. These taxpayers should be making refund applications. The IRC is undertaking a review of the GST balance before amounts are available for refund.

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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