

PNG Pulse

Keeping you informed



Changes to cheque payments

The IRC is ringing the changes lately. Hot on the heels of the tax amnesty announcement, the IRC has issued Tax Administration Instruction No.2/2017, which relates to their new policy on accepting tax payments by cheque.

From 7 December 2017 the IRC has announced that it will no longer accept tax payments over PGK 5,000 by cheque unless it is a bank cheque or bank draft. Payment by cash has also not been accepted for some time.

The instruction reiterates that the IRC will credit the taxpayers account on the date the cheque is received for cheques under PGK 5,000.

The IRC has been encouraging the use of electronic payments for some time and this administrative instruction will further step up the pressure on taxpayers to review their payment processes.

Presumably a cheque which is rejected by the IRC on the basis of this administrative instruction will lead to the imposition of late payment penalties being imposed until the relevant liability is settled. However, taxpayers should also note Income Tax Regulation 43 remains valid. This regulation specifies that tax payments can be made by way of delivery of cash, bank notes, or cheques as well as remitting the amount by bank draft or postal money order.

Tax clearance certificate guidance

The IRC has released a public notice providing guidance in relation to the issue of tax clearance certificates (TCC). A TCC is the document that links the role of authorised dealers (i.e. the commercial banks), the Central Banking Act, and obligations of taxpayers determined under the Income Tax Act with respect to exchange control.

Usefully, the notice confirms that not all overseas remittances require a TCC, although they are applicable for a broad range of transactions.

The public notice indicates the nature of supporting documentation that is required by the IRC to undertake their review of the application. In addition to the required documents, the IRC also makes it clear that outstanding lodgements and outstanding taxes will need to be addressed before the TCC can be issued.

The IRC continues to reserve the right to request additional documentation with respect to any application, and the notice does not provide any commentary on the expected timeframe for reviewing and processing the TCC. Our current experience is that the process can still take a number of weeks, even if there are no outstanding lodgements or tax balances and listed supporting documents are lodged with the application. Therefore, we continue to recommend that taxpayers actively manage and monitor the validity of their current TCCs, and do their best to anticipate the need for TCCs well in advance.

Having a valid TCC provides the basis for undertaking the relevant overseas remittance. Ultimately, the availability of foreign currency through an authorised dealer will determine the ability to complete the remittance.

IPA reminder

As we approach the end of 2017, we would highlight that the IPA's plans to commence the de-registration process for non-compliant entities is still planned. The list of entities in default is long and is available on the website of the IPA. Although challenges exist in ensuring that all lodged filings are processed and the relevant records are updated, we recommend continued persistence and patience in order to protect against the possibility of being struck off.

Country by Country reporting

In another year end reminder, we would like to again highlight that 2017 has seen the introduction of Country by Country reporting rules. The provisions require a notification to be made to the IRC in cases when a taxpayer will be required to file a Country by Country report – with the report in the following year. As PNG is not a signatory to any of the international agreements that would require automatic exchange of information at the tax authority level, it is likely that many taxpayers that are part of a multi-national group will be required to file notifications and then the reports in PNG.

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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