

# ***PNG Pulse***

## **Keeping you informed**



### ***Supplementary Budget brought down***

The end of September 2017 saw the release of a Supplementary Budget in line with the Treasurer's previous announcements for his 100 day plan. The Treasurer had indicated that the purpose of the budget was to principally address expenditure issues, as well as the liquidity of the foreign exchange market, rather than revenue raising and the majority of the items in the document followed these themes. Cuts to capital budgets and a number of re-appropriations were announced. The Treasurer also announced a number of plans for easing the foreign exchange situation in the country including the drawdown of the existing Credit Suisse facility, negotiations with multi-lateral agencies for additional support, and the support of the Bank of PNG for increased intervention in the forex market.

Nevertheless, there are also a number of revenue-raising measures that were introduced. These have been implemented through adjustments to Customs Tariffs on some beverages, alcohol and tobacco products. For beverages, the change is to apply a tariff on a specific rate (per litre) rather than an ad valorem basis for a number of categories including water and soft drinks. Alcohol and tobacco tariffs have been lifted on most import categories. These changes will take effect from 1 January 2018.

In his supplementary budget speech, the Treasurer also indicated that there would be further fiscal changes as part of the 2018 budget to counter transfer pricing activities as a prelude to the development of a Medium Term Revenue Strategy (see below under IRC News). The Treasurer made specific mention of the current freeze on tax credit project approvals and a request for the Attorney General to review the PNG LNG Project agreement to determine whether any potential expansion would be on the same fiscal terms. Whether and how any or all of these items are addressed in the short time remaining until the 2018 budget is released is unclear.

### ***IPA system outage***

The IPA has been at the forefront of moving its operations into the digital realm for a number of years. The organisation progressively discouraged and then finally discontinued over-the-counter lodgements. The move to an online registry was also a driver behind the recent campaign to deregister non-compliant entities. However, the IPA's online portal and registry has been offline for the past two weeks, after an initial outage at the beginning of September. The system outage impacts on the ability to register new businesses, obtain company extracts, update any changes to corporate details, file annual returns etc.

A recent public announcement acknowledged that where companies can demonstrate that they were unable to lodge due documents online during the outage, then penalties for late lodgement will not be applied. Although there is no current indication of when the IPA system will be back online, it should be anticipated that there will be disruption for some time as processing of the filings due during the outage period will be prioritised. Additionally, those who lodged documents immediately before the system went offline should review their extracts and records to ensure that documents are appropriately recorded and fees allocated.

### ***IRC News***

The IRC continues its transformation initiatives aimed at more efficient operations and allowing it to broaden the tax base. As supported by the Treasurer's announcement in the Supplementary Budget, the IRC will be taking part in developing and implementing the Medium Term Revenue Strategy initiative alongside Treasury and Customs which will develop integrated legislative, policy and administration reforms to support the tax system.

In the more near term, as an acknowledgement of the challenge in processing the significant increase in lodgements and filings since the implementation of the SIGTAS system, additional staffing will be provided to Taxpayer Processing Division to increase its capacity to process tax filings. While changes won't happen overnight, but with the new staff on board, hopefully commencing in late 2017 and continuing throughout the next couple of years, the mature Division will have more than 180 staff, an almost 70% increase on its current headcount. Taxpayers can therefore look forward to improving turnaround times in the processing of lodged filings. In conjunction with the work of the early collections unit, this increased capacity will enable the IRC to broaden its efforts at tracking non-compliant taxpayers and bringing more entities within the tax system.

### ***Compulsory superannuation reminder***

The Bank of PNG has recently been conducting an awareness campaign in relation to the obligations of employers for superannuation. Employers with more than 15 employees must register with an authorised superannuation fund and contribute 8.4% of base salary as a compulsory employer contribution. Employees are required to contribute 6%.

The focus of the Bank of PNG is on compliance with these compulsory requirements and reminders that significant penalties can apply for non-compliance up to and including imprisonment. An Employer Contributions Enforcement Unit is also operating to take action on the basis of reports from the public of non-compliance. However, voluntary registration of employers and employees is also available in order to facilitate contributions to superannuation.

Employers should take the opportunity to evaluate their superannuation obligations, as well as the basis for calculation. Flexible workforces, variable remuneration structures and other factors may mean that there are risks and opportunities for those operating in PNG.

### ***PwC Annual Budget Breakfast – Save the date***

Hot on the heels of the Supplementary Budget, the 2018 budget is fast approaching. Parliament is currently adjourned but expected to reconvene for the handing down of the budget on 21 November. While that date is not yet officially confirmed, PwC in association with the Badili Club will again be hosting our traditional post-budget breakfast the day after with the Treasurer, Hon. Charles Abel MP taking part. At this stage we expect the breakfast to be held on Wednesday 22 November.

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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