

# ***PNG Pulse***

## ***Keeping you informed***



### ***Large Taxpayers office up and running***

As previously covered in Pulse, the IRC has now established a Large Taxpayers office within IRC with a formal public opening of the Palaso Lounge as well as briefings for the first taxpayer organisations to be brought within the LTO. The specialist group will focus on the compliance of large business entities and high wealth individuals from its service delivery centre located on the ground floor of the IRC's Revenue Haus.

The aim is to provide a one-stop shop for large taxpayers with a single point of contact and IRC officers allocated to a taxpayer. The officers will have responsibility for dealing with the full range of taxpayers' interactions with the IRC from lodgements and payments through to ensuring that the responsible specialist team within the IRC addresses objections. We also understand that the LTO will have officers from the policy and advice team allocated to support the unit.

In promoting the establishment of the LTO, the Treasurer has noted a number of times (most recently within the launch of the 2019 budget strategy paper), that international comparisons show that revenue authorities can substantially increase revenue collections through the use of LTO strategies. Time will tell whether the local version produces similar results.

The IRC maintains control over the complete criteria for inclusion within the LTO, although it does appear to include consideration of annual turnover as well as the level of taxes paid in prior years. Up to 60 taxpayers have so far been included, although this number is set to rise. The initial launch is also limited to particular taxpayer entities, and has not been extended to all members of a company group. However, we understand that this may also be a transitional measure.

### ***Provisional tax***

The end of October is the time for the payment of the third instalment of provisional tax for 2018 and given that many companies have lodged their 2017 income tax returns, it is a useful opportunity to review and update your provisional tax position.

The basic proposition is that provisional tax is based on the prior year level of taxable income as a proxy for the current year income. The tax administration system uses the last year of tax assessed as the basis for the current provisional tax instalments. Therefore, unless the 2017 return has



been assessed, the third instalment of provisional tax for 2018 will continue to be based on 2016 or earlier years. Companies that were non-taxable in 2017 or in a refund position will need to make sure the return is assessed before the provisional tax notices are issued in order to benefit from a lower provisional tax instalment notice in 2018. Those taxpayers with an increase in taxable income in 2017 will likely receive a provisional tax notice showing an increase in instalments – and likely with retrospective effect. The system continues to generate penalties for these retrospective upward re-assessments. Generally, the IRC has approved remissions requests for penalties applied in these circumstances.

Self-assessed variations of provisional tax are also permitted, although care should be taken to ensure that the periodic instalment payments keep track with the final result for the year. Penalties will apply for under variation at any point during the year. Getting provisional tax right and managing your tax payments effectively can be complex and will vary depending on the circumstances of the entity involved. Those who are unsure of their position should seek advice as soon as possible.

### ***APEC update***

PNG's hosting of APEC comes to its climax with a number of high level meetings and events in Port Moresby over the coming weeks. The Finance Ministers' Meeting from 15-17 October is the culmination of a year of work on policy issues affecting APEC member economies. The meeting communique is expected to highlight the progress in policy matters addressing issues such as financial inclusion, financing infrastructure, and promoting international tax and transparency.

The APEC CEO Summit at which PwC will be the Knowledge Partner and the Leaders' Summit will follow this in November. This event will see CEOs and political leaders from the region gather under the theme of Inclusion in the Age of Disruption: Charting a Common Future to discuss the impacts of globalisation, sustainable development, innovation and digitalisation as well as energy and resources.

The final event in the APEC calendar will be the 2018 APEC Leaders Meeting and is scheduled to take place at APEC Haus, Port Moresby immediately following the CEO Summit.

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