PNG Pulse

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IRC update

The IRC remains committed to their mission to build a more robust, modern and efficient tax administration and as usual, there are a range of initiatives and events that they have been conducting during the month to advance their objectives.

A core undertaking remains the TIN Deregistration exercise. This has been in process for a number of months and links with the IRC's desire to have a better understanding of the landscape of active taxpayers in the country. The IRC has shared statistics about the limited percentage of TINs that have been active and the goals of this exercise. They have been also working to alleviate fears that this process will be a barrier to business and have highlighted that TINs registered since 2022 and personal TINs are outside the scope of the exercise. The focus is on inactive TINs from 2021 or earlier.

The deregistration exercise has also been supported by campaigns to encourage taxpayers to bring their compliance and filings up to date. These messages are urging taxpayers to take advantage of a "grace period" to the end of November. While this does not appear to be an amnesty, the notices do urge taxpayers to bring their compliance up to date in order to avoid penalties.

Building a modern tax administration system is also a key driver of the IRC's commitment to a digital future. The IRC recently commented on its capacity building with further training of officers in data analytics. The benefit of data analytics for managing complex systems and large information flows is well established and this is common practice for tax administrations globally. For the IRC we have seen data matching being used for the selection of audit targets and other compliance campaigns and expect this to continue. It becomes more and more important that taxpayers provide accurate information and complete their tax forms correctly. The use of data analytic methods and the assumptions drawn from data will always rely on the accuracy of the information provided.

New Income Tax Act

A further and final limited consultation was recently held in relation to the 15th draft of the new Income Tax Act. The latest version is an evolution from the last draft that was the basis of a prior consultation, although there have been a number of changes implemented. The consultation was also the first chance for a look at the draft Income Tax Regulations which will accompany the new act. In order to operate, the new income tax act will also require the Tax Administration Act (originally passed in 2017) to be made effective. There is a continued expectation that the bills will be presented to parliament in the upcoming budget session, however, the effective date is proposed as tax years beginning after 1 January 2026.

IPA Update

In years gone past, the IPA from time to time ran a deregistration campaign to clear non-compliant entities from their register. However, with the implementation of the new registry from late 2023, entities were compelled to bring their records up to date in order to be recognised under the new registry. At the time, the IPA were clear that they would rigorously continue their enforcement with respect to compliance under the new system, including deregistration being triggered by failing to meet the deadlines for the annual return. True to this commitment, the IPA has published a list of entities that have fallen behind in their commitments and will be deregistered.

Operating entities should review the list on the IPA website and make sure they understand and meet their compliance obligations.

Fiscal consolidation continues

Although we continue to await the publication of the mid-year economic and fiscal outlook (MYEFO) and the public release of the 2025 Budget Strategy Paper, there has been some economic news which can provide insight into how the government may be working towards their budget preparations. During the first part of October, a team from the International Monetary Fund (IMF) finalised their most recent visit to check on the progress of the government in relation to the facilities currently in place from the IMF. The IMF support has been in place for a number of years and is one of the key platforms that support the Treasurer's 13 Year Budget Repair Plan which aims to produce a budget surplus by 2027. The facilities have been made available on the basis of continued reform efforts from the government across monetary policy and fiscal policy.

While we do not have the MYEFO numbers, the IMF did report that the expectation is a further reduction in budget deficits in 2024 and the maintenance of a prudent borrowing strategy (principally through the continued use of concessional finance). This has unlocked some new funding targeted at enhancing resilience to climate change alongside the existing arrangements.

For the economy, the likely message is that Budget 2025 will continue along the narrow path available to stay on track for the 13 Year Budget Repair Plan. Despite an increase in expected GDP growth in 2024 and into 2025, the revenue envelope for the government will remain a challenge. The likelihood of major spending initiatives or significant tax reforms to alleviate the burden on taxpayers remains low.

Budget Breakfast - save the date

If the IMF mission progress reports have whetted your appetite for more PNG economic information, then as in prior years, PwC in conjunction with the Badili Club will be hosting a Budget Breakfast in Port Moresby to break down the budget 2025. We also plan to host a budget function in Lae. The budget is currently anticipated to be brought down in the next parliamentary sitting week which begins on 26 November 2024. Traditionally, our breakfast will take place on the day after the budget is brought down, in this case Wednesday 27 November 2024. However, this is subject to change.

If you would like to know more about any of these developments or have any other questions, please get in touch with your usual PwC contact.

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