

**September 2019**

## **IRC Leadership changes and other developments**

A new Acting Commissioner General for Taxation, Mr Sam Koim has been recently appointed. Mr Koim comes from a legal background and has not previously been a part of the IRC. His appointment coincided with a significant increase in reporting nationally surrounding the status of revenue collection. Recent press reports have raised the issue of underreporting and underpayment of taxation across a wide swathe of the economy. These reports have highlighted the role of lower than expected budget collections have played in the 2019 mid year economic and fiscal outlook and the prospects of another supplementary budget to address the forecast budget deficit. While raising the level of discussion on taxation within the business and wider community is to be applauded, the challenge is ensuring accuracy in reporting, and consistency in the application of tax concepts for the wider public.

The focus in the national press is indicative of the ongoing and new risk identification and audit processes that are being instigated by the IRC. These are being promoted through the Large Taxpayer Office as well as the SME section of the IRC (which is responsible for all entities outside the LTO). There is an enhanced focus on the matching and reconciliation of data that lies within the IRC's systems (for example matching turnover from GST and company income tax records), as well as ensuring that all data is captured (with a number of companies being compelled to re-file tax lodgements for a three year period to match against the data in the IRC's records). Other data matching efforts associated with immigration records are also continuing. These and other efforts, in conjunction with the reviews and data collection on going through the Certificate of Compliance and Tax Clearance Certificate processes continue to put the pressure on taxpayers to ensure compliance is up to date and the data being used to prepare and complete tax filings is accurate and comprehensive. However, given the volume of filings and data being accumulated, this has put a number of areas within the IRC under pressure, for example in error correction.

## **Treasury developments and a call for a supplementary budget**

With the appointment of Hon. Mr Ling-Stuckey, PNG has its third Treasurer within six months. The Treasurer has announced a further review of the current budgetary position and has renewed speculation that a supplementary budget will be required for 2019. Generally, supplementary budgets will address spending rather than revenue raising - with new revenue measures often requiring legislative change which has historically been part of the budget process in November. The indications from the MYEFO would seem to support this likely scenario as it was noted that while tax collections are slightly below plan for the first half of 2019, they were above 2018 and

expected to be strong in the second half of the year. However, spending on personal emoluments, rental and utilities appear to be above planned levels partly due to 2018 expenditures being brought forward to 2019.

Beyond the potential for a supplementary budget Treasury is also continuing a range of other significant projects in relation to fiscal developments. Consultation in relation to the draft Capital Gains Tax legislation has continued. The basic framework of the tax appears to continue to be supported by Treasury. The tax as proposed will apply to a limited range of assets (although including real estate and mineral licences), and seeks to impose tax on the gains in excess of market value as at the date the legislation comes into force. However, the date for the introduction of the tax remains unclear. Much of the public response to the consultation has focussed on the administrative challenges of introducing the tax, the scope for unintended consequences with the draft legislation, and its failure to address a number of common aspects associated with transactions that would fall within the scope of the tax. Treasury and IRC also continue with the project to undertake a rewrite of the entire Income Tax Act and acknowledge that the Tax Administration Act also needs to be activated.

In light of these initiatives, a concern for taxpayers will continue to be the very real challenge of implementation of these developments. While the capacity of the IRC has increased and Treasury has allocated funding in each of the last three budgets to build institutional capacity and support the IRC's activities, these are significant changes that will create challenges for Treasury, taxpayers and the IRC.

## **Independence day message**

In conjunction with PNG's 44th Independence Day, the Prime Minister, Hon. James Marape has brought together a number of the themes that he has addressed since becoming Prime Minister to present a "National Vision and Statement". The statement highlights potential economic and social sector interventions which are summarised into a number of manifesto commitments and undertakings. Among the manifesto commitments are the introduction of a production sharing basis for future resource developments, and fixing the proportion of the country's revenues to be allocated to infrastructure, education, health, law and order, and church run programs. The Prime Minister also commits to boosting the functional economies of regional and provincial governments. With the 2020 budget planning process in progress, we will need to wait and see whether these highlighted interventions will form part of the legislative agenda.

## **Kina Bank and ANZ**

As widely advertised, Kina Bank will take over the retail banking operations of ANZ bank from 23 September 2019. For business, the change may require a review of the banking details contained within payroll systems as well as the vendor bank account details in accounting and billing systems generally.

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.

### **For more information, contact:**

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