

PNG Pulse

Keeping you informed



GST action from the IRC

In last month's Pulse, we highlighted that the IRC continues on its transformational journey with one of the next areas of focus being tax audit. Recent indications are that audit and pre-audit programs are already underway, in particular with respect to GST.

Currently the program appears to be aiming to identify targets for further review. Of particular interest are taxpayers that have returned exempt supplies in their GST returns. As many are no doubt aware, those making exempt supplies will not generally be entitled to claim the input GST incurred in the course of making those exempt supplies. A GST exempt supply has a specific meaning within the terms of the GST Act these are usually in a narrow range of industries. However, we note that there is often confusion between exemption and zero rating and some taxpayers have been mistakenly returning their zero rated supplies as exempt supplies. Zero rated supplies are those for which GST is applied (but at a zero rate), and therefore input GST can be claimed against the output GST. Therefore, taxpayers making zero rated supplies may want to confirm that they have been correctly completing their monthly GST return. Other enquiries from the IRC in relation to GST risk assessments have sought to employ other data matching techniques to trace both sides of particular transactions and contracts.

Tax news in the press

In addition to highlighting the MYFEO and the needs for fiscal reforms, the Treasurer further put the spotlight on the importance of a robust tax regime as part of his published 100 Day Plan for the new government. This plan contains lists of actions under five broad categories, the first two of which are "maintain fiscal discipline and boost foreign exchange" and "growing our revenues".

Within these categories are such actions as:

- Work on the 2017 supplementary and 2018 budget
- Tax regime reform through simplification, modernisation and leveraging the strength of the banking system
- Establishing a revenue task force for customs and to collect unpaid company income taxes
- Compulsory TIN registrations for all entities and freezing of bank accounts where no TIN provided

There are also a number of proposals to curtail actions under the description of "acting strategically" which includes suspending any further review of the IPA Act – meaning any current obligations and requirements remain valid.

It is fair to anticipate that these actions may not have a direct impact on compliant taxpayers. However, it may be prudent to take actions such as ensuring that TIN numbers have been provided to banks as required and that all validly outstanding taxes are paid, or appropriate arrangements are in place in order to avoid disruption to business.

As the supplementary and 2018 budget are developed there may be more specific actions and proposals with respect to tax reform. The full text of the plan is available [here](#).

Deregistration action still on the way at the IPA

The IPA continues to work towards the commencement of the automatic registry system. This system will be the trigger for the deregistration campaign that has been previously announced. The list of companies with outstanding obligations (according to the IPA) remains on their website. Unfortunately for those who have taken action to meet their obligations, their company name may still appear on the list as it is updated only intermittently. The IPA suggests companies in this position should contact the IPA directly. For those who are yet to take action to update their records, please note that late fees will now be applied to filings required to be in place.

Companies registered with the IPA should also take note that operational changes must be notified to the IPA on a timely basis. Examples are changes of operating location, re-certification for a change of ownership, etc. Penalties will apply if the notification is beyond 30 days from the date of the relevant change.

Country by Country reporting in PNG

The 2017 budget introduced a range of tax changes including to FCWT, the taxation of dividends, and the alignment of corporate income tax rates and Additional Profits Tax for resource projects. However there was another new set of provisions that arose from PNG's response to the global effort and actions around BEPS. PNG introduced Country by Country reporting rules. As we head towards the end of 2017, taxpayers in PNG will need to consider their impact.

In general terms, the provisions require a notification to be provided in relation to whether a taxpayer will be required to file a Country by Country report – with the report then being due 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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