



September 2022

More GST administrative changes

In the past three years, no other tax has undergone such significant change in its administration as GST. The IRC's view that GST is responsible for significant tax leakage remains steadfast. Over that period, the IRC has moved to eliminate the use of refundable GST supported by a CR1 form against any other tax obligations, implemented a structure to have a multi layer comprehensive audit of any refundable GST period, and introduced additional reporting requirements beyond the prescribed G1 form to name just a few of the controls that have been introduced. The IRC has now announced further requirements to designate the lodgement pathways as well as additional reporting requirements for any periods that show an excess of input over output GST. These changes also coincide with further personnel changes and a restructure within the GST section. For exporters and others that are in a structural refund position, GST administration continues as a cumbersome reality of tax compliance. For those who have occasional refundable periods, the process is perhaps even more daunting. With the most recent changes, taxpayers should revisit outstanding balances as well as their compliance process to ensure that the newest rules are being followed.

Further work on new legislation conducted

The rewrite of the Income Tax Act (ITA) which commenced in 2019 reached another milestone recently with the circulation of the ninth draft of the document and a short consultation workshop hosted by Treasury officials. The Treasury reiterated their commitment to submitting the new Income Tax Act as a bill for consideration in this year's budget session, although conceding that even if passed, the effective date may well be set for 2024 in order to allow time to develop a range of transitional provisions and regulations that are not yet available as part of the ninth draft. The most recently released draft has taken into account a significant number of the suggestions from taxpayer representatives that were provided in 2021. Nevertheless, the draft still represents a departure from current tax policy in a number of areas. It is perhaps time to review again the potential implications of the current draft of the potential new legislation. The new tax act will not only impact taxpayers, with the IRC being required to adapt their systems and structures to enable the implementation there will be increased demands on the IRC during the period leading up to the law becoming effective.

Inactive TINs to be deregistered

The Commissioner General announced recently that with the completion of a taxpayer mapping exercise, the IRC will now continue to work through the linkages between issued TINs, inactive TINs and bank accounts operating in the country with a view to closing the loop on non-compliant businesses operating in PNG. The IRC approach is part of a continued data based approach and digital strategy that may ultimately link various information sources and uses together to target non-compliant businesses. No timeframe was provided for the exercise.

Pacific Islands Tax Administration Associations (PITAA)

The IRC's international engagement and profile was raised during the recent PITAA meeting in Fiji covering matters of "Emerging Tax Challenges and Digitalisation in the Pacific". The theme aligns with a number of IRC priorities around going digital including MyIRC, the use of technology for GST administration, and plans for a new integrated tax administration system. While the specific outcomes of the summit were not reported publicly, the

IRC representatives had the opportunity to engage with other Pacific Island representatives as well as the Australian Tax Office (ATO) and multilateral representatives.

IPA and landowner companies

The Registrar of Companies (ROC) under the IPA has announced they will be conducting a stakeholder consultation aiming to identify whether and how a standardised constitution for landowner companies based around the usage of customary land could assist in improving benefits sharing. A series of regional consultations will be conducted from August to October. The proposal is that such entities may benefit from a more standardised and accepted structure for operation and governance.

MYEFO and supplementary budget

The first sitting of the new parliament has seen Hon. Ling-Stuckey retain his position as Treasurer and present the MYEFO for 2022. The report highlighted an increase in the expected revenue for the full year, although acknowledging that this is principally driven by a significant increase in tax payments from resource projects on the back of high global commodity prices, with other revenue items expected to decline, including GST and non tax revenues. The surge in collections of income tax from resource projects had been flagged earlier in the year with the IRC's announcements on the structure of their collections. The Treasurer acknowledged that GST will likely undershoot anticipated collections by almost PGK 400 million. Despite the anticipated increase in overall revenue, the year is predicted to retain the same planned deficit as expenditures have also increased.

During the parliamentary session a supplemental budget was presented that increased appropriations in a number of areas including reimbursement of school project fees, public service remuneration overruns, and meeting arrears. Legislation was also introduced to extend the temporary exemption of excise duties on diesel, petrol and zoom products for individuals and small businesses. This was originally scheduled to end on 31 October, but will be extended to 31 December.

IRC outreach continues

The tax administration's plans continue to be building a robust modern and efficient tax administration and in a world where trust in public entities can be potentially lacking, transparency can play its part. The IRC embraces this part of the challenge with more outreach programs to various provincial centres as well as highlighting other initiatives. Recent reporting has covered:

- Visits to corporate taxpayers to deliver workshops on IRC initiatives and particularly the SWT element of the tax environment.
- Awareness workshops for MSMEs focussing on small business tax.
- Engagement with provincial administration teams.
- Attendance by the IRC at city markets.

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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