



August 2024

IRC update

The IRC continues to be very active in its mission to build a robust, modern and efficient tax administration. Recent initiatives include actions at enhanced collection, taxpayer identification and more:

Regionalisation

The IRC continues to look to boost the capacity of regional offices and recently held a conference to consider a range of issues on the challenges of dividing functions and capabilities between head office and provincial offices. The conference was held in Lae and also provided the chance for the IRC to hold information sessions for Lae businesses covering a wide range of topics. Ongoing engagement with the broader business community by the IRC is welcome.

TIN number rationalisation

Through taxpayer identification and monitoring, the IRC continues to work to refine how it tracks and monitors the active taxpayers in the country. Part of this process is a project to close inactive TINs. This initiative has garnered significant press coverage and appears to have caused a level of confusion in relation to the program. The goal of all active businesses filing tax returns in order to maintain their TIN registration is worthy - although broadening the tax base also requires identifying businesses that are operating without tax registration.

Legal profession warned

The IRC has issued a notice to the legal profession highlighting a number of areas in which the IRC believes tax compliance could be improved. As with other industries or groups of taxpayers, the IRC is signalling their intent to take action against those who are non-compliant.

Broadening the impact of Section 65A

The IRC recently issued notices to bring a number of private entities from the general economy within the scope of Section 65A. This section requires the notified taxpayers to directly remit the GST for payments being made to their suppliers to the IRC. This system has been applied to public sector entities and government departments for several years. However, this pilot project potentially signals a new phase in its application. The application of the section requires additional administration by the IRC and matching of withheld and remitted GST to the supplier invoices from which the GST was withheld. Within the public sector this was aided through links to the public finance payments infrastructure, however, this will be difficult to replicate in the private sector.

Bougainville tax office acts

Work on tax policy frameworks for the creation of a taxation system that would support an independent Bougainville has been initiated with support from the World Bank. It was reported that the work will look at how existing tax legislation in areas such as corporate income tax, GST, Small Business Tax and personal income tax could be adapted for potential future use in Bougainville. Consultations with stakeholders are currently scheduled for early 2025.

Regulatory Summit

The IPA recently hosted a two day Regulatory Summit in Port Moresby with the theme of Interoperability; Connect and Co-create. The summit was an opportunity to examine the ease of doing business and to highlight both regulatory barriers as well as initiatives in place to improve the effectiveness of regulation. The summit heard from various government departments as well as other stakeholders and participants from the private sector. Regulatory complexity is a challenge in PNG and efforts at streamlining the processes as well as debate about the appropriate level of regulation are to be welcomed.

New Income Tax Act

The rewrite of the Income Tax Act 1959 has been ongoing since 2019. The current form of the legislation is represented by a 13th draft version, although the most recent versions have not significantly altered the position from 2022. There have historically been challenges from a range of stakeholders in relation to a number of provisions, and in particular the need for transitional provisions as well as drafts of the subsidiary regulations to be in place before the draft bill is brought to Parliament. The timing of bringing the bill forward and the status of the regulations that will be required for operation remain uncertain. However, the requirement to revisit the Income Tax Act remains and taxpayers should continue to be aware of the new act's potential changes and impacts on tax profile.

SEZ Developments

The Special Economic Zone (SEZ) Authority Act was initially passed in 2019. Since that time a small number of projects have been gazetted as SEZ incentive projects. As the role of SEZ projects and enterprises looks to continue to expand, it is perhaps appropriate to highlight the general provisions on the taxation of SEZ enterprises. The general proposition from Section 60 of the SEZ Authority Act is that all or any tax and incentive regimes provided under any law shall apply in the SEZs. The law then also goes on to say no income tax, no customs duties, no excise and no stamp duty should be imposed on investors, buyers of zone products or the zone products themselves. The IRC and Customs continue to be responsible for the administration of taxes and duties in PNG, it is unfortunate that neither of these agencies have yet published any guidance in relation to the administration of the tax system as it interacts with SEZs and their projects.

Fiscal consolidation and budget preparation

In the 2022 National Budget the Government outlined its 13-year plan for budget repair. The aim of the plan was to reach a budget surplus by 2027. In large part it depended on increasing revenue collection and this has been the focus of revenue agencies such as the IRC. In turn this has influenced the budget planning process with the options for significant tax reform being linked to being at least revenue neutral. August 2024 sees another step in the 2025 budget planning process as we await the publication of the mid-year economic and fiscal outlook (MYEFO), and then moving into the 2025 Budget Strategy Paper. There are few indications of any significant fiscal policy changes and little indication of budgetary room to manoeuvre, however, incorporating initiatives such as those highlighted in this Pulse (New Income Tax Act and SEZ commitments) will create ongoing challenges for Treasury and it will be important for business to understand how the budget strategy will be presented.

Digital platform developments

Government agencies and departments continue to work on initiatives associated with the digitalisation of their actions and activities. One agency to plan for a more digital future is the National Procurement Commission. The NPC is aiming at developing e-procurement in conjunction with assistance from PNG's development partners. As yet there is no timeframe for the introduction of any significant changes in the procurement process driven by technology, but the aim is to harness enhanced efficiency and transparency as part of the procurement process. More broadly, the Minister for ICT announced at the recent Regulatory Summit that an online portal will be launched soon that will act as a central platform for a variety of government functions. This platform is envisaged as a place for other government departments and agencies to share data and allow the more streamlined exchange of information between departments. Broader developments in e-government are to be welcomed, and it will highlight the importance of accurate data. The business community should be ensuring their own data is consistent and compliant in order to both be able to participate in future digital opportunities - but also to reduce the level of challenge and friction through incomplete or incompatible information being shared.

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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