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December 2023

Budget - legislative changes

The Budget 2024 has been tabled and passed in Parliament. A more complete analysis of the full budget can be found in PwC Budget 2024 - Threading the Needle. In terms of taxation changes, these were ultimately limited.The key items are described below.

SWT changes

- The annual tax free threshold for individuals has been retained on a permanent basis at PGK20,000. This level has been made a temporary change as part of a package of cost of living support and has been applicable throughout 2023. This will take effect as of 1 January 2024.
- The dependent rebate provisions have been repealed with effect from 1 January 2024.

The net effect of these changes from 2023 to 2024 is to negatively impact the take home pay for those subject to SWT that had been eligible for claiming a dependent rebate.

Customs and Excise

- There were a limited number of changes to import duties associated with a variety of imported items that were described as inputs to support local manufacturing. A number of these items had been the source of customs audit actions in recent years and the legislative changes will presumably assist in clarifying matters of classification.
- Tobacco excise changes were also introduced to continue the roll out of the Tier 2 regime.
- There was a temporary reduction in the export duties associated with some round log species (from 70% to 50%).

IRC update

The IRC continues to pursue a range of developments and initiatives. A number of these are reflected in recently published notices and commentary. Some important considerations for taxpayers include:

GST Form changes

The IRC had already announced changes to the G1 form and released an associated public notice. Important items to note include:

- the updated form is to be used from 1 January 2024 - which includes the December 2023 GST period for filing on 21 January 2024
- taxpayers are reminded that GST should be returned on an accruals basis unless permission has been obtained from the IRC to file on a cash basis
- a supplier listing is now required for all GST returns being lodged in the designated IRC format
- taxpayers are reminded that they must also include certain taxable employer benefits as taxable supplies. The form suggests this is done annually in January, however, the GST legislation requires this to be done at the time of lodgement of the income tax return).

CR form

Form CR1 (credit transfer request) and Form CR2 (credit refund request) have now been replaced with a single Form CR (Credit Request). The new Form is to be used by taxpayers effective 1 January 2024 when applying for a credit transfer or a credit refund. The Form is to be used for both offset and refund requests of taxes.

Tax Clearance Certificates (TCC)
The IRC outlined plans for a revamp of the TCC process which is due to take effect in the new year. The change is designed to create a better pathway for blanket clearances to cover multiple payments (of the same type) to multiple suppliers (within the same territory). The IRC also plans to alter the issue of the TCC and more closely involve the bank nominated by the taxpayer as the place from which payments will be made.

The full operational details and any further instructions for taxpayers are yet to be finalised and released. However, based on the information available to date, while the changes will be welcome, the essence of the process will remain unchanged.

Multilateral Instrument (MLI)
The IRC confirmed that following the earlier ratification of the treaty, the MLI has now become effective from 3 December 2023. The MLI allows member countries to take-up the OECD's treaty-related anti-BEPS measures without bilateral renegotiations of their tax treaty network in cases where both treaty parties have elected to adopt and apply various BEPS related treaty changes. BEPS items that are part of the minimum standard come into effect for a given tax treaty if both treaty partners sign and ratify the MLI and if both treaty partners select a treaty to be changed under the MLI. Optional BEPS related amendments can also be similarly affected if both parties have agreed.

IPA update
As we moved into December, the final deadline for reregistration of all companies passed and the IPA stayed true to its word and offered no further extension. As of the afternoon of 30 November any draft online applications were deleted and no further over the counter applications were accepted.

Any companies not reregistered have now had their status changed to removed and are currently non compliant unless and until they are reinstated. Non compliance will have follow on implications for maintaining a bank account or undertaking official functions or dealing with regulatory matters. The IPA has confirmed that those entities that are removed do not lose their legal status immediately, and can be reinstated.

Reinstatement will incur additional fees and will continue to require the company to be up to date on all relevant filings such as annual returns.

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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