



September 2024

IRC update

This month has seen more activity from the IRC in general awareness as well as their ongoing efforts to obtain an overall view of the taxpayer activity ongoing in the country to improve collection and administration. Included in the actions for the month are:

Awareness actions

- To add to an existing significant number of MOUs with various authorities and departments of the PNG government, the IRC this month celebrated further agreements being signed with the National Fisheries Authority and National Information Communication and Technology Authority. The information provided in relation to the MOUs emphasised the importance of data security when dealing with tax matters and safeguarding personal and confidential data. This commitment is very welcome for taxpayers as the IRC is certainly the holder of a significant amount of sensitive data.
- The ongoing program of TIN clean up/deregistration was further promoted during the past weeks. The IRC continues to react to the level of confusion in the taxpayer community in relation to the goal and actions. The IRC remains committed to understanding the full scope of formal activity by taxpayers in the country and mapping this through to TIN numbers and returns being filed. This deregistration exercise appears to be moving to a new level with the IRC now setting a deadline of 29 November for all outstanding returns for taxpayers to be filed in order to preserve the active status of taxpayers. This appears to be a significant task as the IRC reports that fewer than 15% of TIN holders are filing tax returns. The announcement of the latest deadline also indicates the IRC will take action for those that have not filed returns by cancelling the TIN, seeking to freeze bank accounts etc.

Enforcement actions

- As has become a regular event for the IRC, a media statement was released in relation to enforcement action being taken against a company in the healthcare sector. The report indicates that the action was triggered through the results obtained from ongoing audit activity. This is a timely reminder for taxpayers that the IRC continues to work through audit targets and has identified sectors of the economy that will command their focus.

International connections

- The IRC continues to actively participate within the Pacific Tax Administrators Association with the regional gathering around the topic of taxpayer registrations and the Heads of Tax Authorities annual meeting. The PTAA continues to grow in the level of engagement and sharing between the various tax authorities in the region. The IRC through the Commissioner General has been the chair of this organisation for the past year, however, he has passed the torch to a new Chair of the PTAA for the coming year. Nevertheless, we would expect the IRC as the largest tax administration in the region to continue to influence the discussion and direction of the organisation.

Section 65A GST

- The IRC has continued their pilot program for issuing Section 65A notices to a small number of private sector taxpayers. Moving to include taxpayers that are already within the GST framework continues to

appear to expand the idea of 'special circumstances' which was the original intent of the section of the GST Act. For those that are already registered for GST and receiving supplies from other taxpayers already GST registered, the effect of the Section 65A notice is not to create or increase the level of GST charged and collectable from within the system. However, it does put additional administrative burdens on those taxpayers who are notice holders and more importantly, an additional administrative burden on the IRC to receive and allocate the directly collected GST. Having a streamlined and efficient GST administration system within the IRC is critical in order to not have Section 65A work as a burden for those taxpayers participating within the GST system.

Reviewing the AML/CTF framework

For a number of years, a National Coordinating Committee of 22 state agencies have worked to draft and implement the required regulatory framework to meet the requirements of the multilateral Financial Action Task Force that is targeting a global improvement in the way in which countries approach their Anti money Laundering/Counter Terroism Financing obligations. Through the efforts of the agencies involved, PNG had moved from the "grey list" of countries. However, a further peer review is currently underway to ensure that PNG remains off the grey list. Falling back to the grey list puts at risk some of the international connections for PNG's economy and will increase the costs for those participating in the economy. There remain concerns that despite having a regulatory framework in place, there has not been an appropriate level of implementation of the rules to date.

Fiscal consolidation and budget preparation

As noted in last month's Pulse, the planning for the 2025 budget process should be progressing well. However, the mid-year economic and fiscal outlook (MYEFO) is yet to be released and there is also not yet any further news on the date for the public release of the 2025 Budget Strategy Paper. With Parliament scheduled to next sit in the week of 26 November, the potential date for the budget is slightly later than in many previous years. Nevertheless, the release of the budget strategy paper in particular will be important in order to understand the challenges for framing a budget under the current challenging economic conditions for the country.

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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