

## **TAX AGENT CIRCULAR NO. 02 OF 2007.**

This circular is to advise all Tax agents of some legislative changes to the Income Tax Act 1959 and Goods and Services Tax Act 2003. The National Parliament had passed these changes earlier this year, and they were Gazetted on the 11<sup>th</sup> October, 2007. The various amendments have differing dates of effect, as noted below. The amendments effect:

**a) The Income Tax Act 1959<sup>1</sup>, regarding Deductions of Gifts to Political Parties and the Registration of Tax Agents, plus**

**b) The Goods and Services Tax Act 2003<sup>2</sup>, regarding GST free treatment of PNG Travel and Accommodation purchased by Overseas Tourists or Visitors.**

### **1) DEDUCTIONS OF GIFTS TO POLITICAL PARTIES:**

Contained in section 69 of the Income Tax Act 1959, it was originally the Government's intention to have an effective start date of **21 February 2002** for this measure. That date matched the changes in the regime for registration of political parties that occurred under the relevant Organic Law provisions that year. However, upon implementation, the date of certification, being 28 November 2002, was used in error. The latest amendment rectifies that oversight.

### **2) REGISTRATION OF TAX AGENTS:**

There was a need for changes to dated Tax Agents Registration provisions, contained at sections 342 to 353 of the Income Tax Act 1959, which have not been updated for at least 20 years. Changes in the business and commercial environment within PNG, in the legitimate expectations of Agents by both clients and IRC and in other relevant PNG tax laws over that time, meant that modernizing the provisions was necessary.

The changes will also better allow the Registrar of Tax Agents to address situations where applicants and/or existing registrants demonstrate insufficient professional capabilities or integrity. IRC has encountered a number of such instances in recent years. The effective start date for these measures is the date of gazettal, being **11<sup>th</sup> October 2007**.

The amendments specifically involve;

- Formally allowing the Registrar to publish relevant criteria to be used in judging whether persons are fit and proper to initially be registered as a Tax agent or to continue to be so registered. This will give potential and existing registrants a clearer picture of the level of expertise and professionalism required of them. They are also designed to ensure more uniform treatment for all applicants and continuing registrants. It is expected that Guidelines, containing the relevant criteria for this purpose, will be issued by the Registrar within the next few months.
- Removal of the previously existing five (5) classes of Tax Agents being A, B, C, D and E, so that all registered Agents now have an full licence to practice. This means that all registered Agents can now practice on a uniform and unrestricted basis. There were in any event no existing registrations under the previous 'qualified' classes of Agent.

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<sup>1</sup> - The amending Act is No 12 of 2007, incorrectly Gazetted as No 13 of 2007 (correction to appear soon).

<sup>2</sup> - The amending Act is No 11 of 2007.

- Inception of a provision allowing the Registrar to cancel the registration of Tax Agents who are inactive in income tax matters for 3 years or more. In relevant situations, this will enable de-registration of Agents who are not up to date or conversant with essential tax law concepts and requirements. Such Agents pose real risks for the general taxpayer community in terms of being adequately able to represent their clients' best interests.
- To both increase and standardize the Initial Application Fees and Annual Renewal Fees for Tax Agent registration. The new fee structure is designed to reflect a more economically realistic level and recognises that the range of work which may be undertaken by registered individuals these days is in principle no different to that of partnerships or companies. As such, there should be no differentiation as to base fees. A new fee has also been instituted for nominees of partnerships or companies, as additional work is required of the Registrar to assess and monitor these persons.

The new Tax Agent Fees for Individuals, Partnerships and Companies are as follows:

Initial Application Fees	K 1,000
New & Additional Nominee Fees	K 500 per nominee
Annual Renewal Fees	K 500
Annual Nominee Renewal Fees	K 250 per nominee

### **3) GST FREE TREATMENT OF PNG TRAVEL AND ACCOMMODATION PROVIDED TO OVERSEAS TOURISTS OR VISITORS.**

As part of the 2007 Budget initiatives to boost tourism in PNG, new provisions were enacted to provide that the sale of temporary accommodation and of travel by sea or air within PNG, to a tourist or visitor before they arrive in the country, would not be subject to GST. These were included within the "Other Zero Rated Goods" provisions at section 21 of the Goods and Services Act 2003. The new concessions applied as of the 1<sup>st</sup> January 2007. It is also noted that currently air travel to and from PNG is not subject to GST.

These further amendments clarify that these concessions also apply where transport and accommodation packages are re-sold overseas by travel agents who purchase such packages in bulk from PNG. The intention of the concession was to assist all tourists and visitors, not just those who purchase their accommodation and travel directly from providers or travel agents in PNG. Indeed, many tourists to PNG purchase their holiday travel and accommodation through overseas travel agents. It is now made clear that the sale of accommodation and travel in bulk to these travel agents is also exempt from GST, thus the benefit is passed on to the final consumer. The date of effect for these amendments is as of **1<sup>st</sup> January 2007**.

**NB** - Attached please find photocopies of the relevant National Gazette Notice and the certified Amending Acts for your information. If you require any further clarification, please contact the **Tax Agent Liaison Officer on 322 6786 or fax 321 7621**.

**The Commissioner General and her staff would like to wish all Tax Agents and their staff a Happy Merry Christmas and a Prosperous New Year.**

Authorised by,

**BETTY PALASO, OBE,  
Commissioner General  
Internal Revenue Commission.**