



INTERNAL REVENUE COMMISSION



TAX AGENTS BULLETIN NO. 02 of 2015

LODGEMENT DATE FOR 2015 INCOME TAX RETURN

Every person who is required by the Commissioner General by notice published in the National Gazette to furnish a return setting forth a full and complete statement of the total income derived during the year of income, and any deductions claimed, for the year of income commencing on 1 January and ending on 31 December 2015, (or within a substituted accounting period adopted in lieu of that year).

Companies and businesses are required by law to lodge returns even if they are not carrying on business or have made a loss or have been granted tax exemption. Failure to lodge a tax return constitutes an offence under Part VII of the Income Tax Act 1959 and defaulters will be prosecuted to the full extent of the law and be subjected to severe financial penalties.

Categories of persons required to furnish income tax returns	Due Date to lodge tax return
Provincial authority, local government and local level government body, by whatever name known, whose income is from any business or commercial undertaking or activity, other than from the provision of normal council services,	On or by 30 th April 2016
Religious and charitable body whether or not exempt from income tax, whose income is from any business or commercial undertaking in or out of Papua New Guinea	On or by 30 th April 2016



For those with an approved substituted accounting period granted under Section 12A of the Income Tax Act.	On or by the expiry of two months after the end of the relevant substituted accounting period
All tax agents duly registered pursuant to Part VIII of the Act.	On or by 1 st April 2016
All other persons	On or by 28th February 2016 or such later date allowed under a tax agent lodgment program

The information to be furnished must be on such forms as provided for the purposes as are applicable, containing the information and particulars required in the relevant forms and must be verified by such declarations as set forth therein, and accompanied by all such balance sheets, profit and loss accounts, statements and any other documents as are mentioned in the forms or as are required. Tax return forms are available on the IRC website www.irc.gov.pg and at all our offices.

Extension under Tax Agent Lodgment Program

Taxpayers who lodge through a tax agent, excluding those taxpayers of a type specifically mentioned above with a specific lodgment date, may lodge within the timeframe provided under that tax agent lodgment program.

Taxpayer's of a type with a specific lodgment date as mentioned in the first 4 rows above must lodge by that due date unless a specific extension has been granted.

This Bulletin sets out the Commissioner General's guidelines for those tax agents requiring an extension of time to complete their lodgment program.

1.1 The Required Rate of Return Lodgments.

In the past, extensions of time for the lodgment of taxable returns have been granted to **31 August**. This practice will continue, but the concessions will only be granted to those who meet our performance requirements. To monitor this, tax agents will be required to advise what returns they have lodged, from time to time, and those whose lodgments are within 5% of the required percentage of lodgments by the required dates will be granted an extension of time, without fear of late lodgment penalty, to lodge the remainder of their clients returns by a specified date. Those who fail to lodge the required percentage or have totally failed lodgment extension lists will not be granted an extension of time and their clients will face the prospect of being penalized for late lodgment. The required lodgment percentages are as follows:



	<u>Taxable</u>	<u>Non Taxable</u>
By 30 April 2016	30%	20%
By 31 May 2016	50%	30%
By 30 June 2016	75%	50%
By 31 July 2016	90%	75%
By 31 August, 2016	100%	90%
By 31 October 2016		100%

These are requirements are unchanged from the last lodgment season.

1.2 Conditions.

There are certain conditions that must be met before IRC will grant extensions for the lodgment of 2014 returns. This year these conditions are:

- i) Strict observance of the lodgment priorities set out in the next section.
- ii) That returns completed and signed be forwarded to the Internal Revenue Commission (hereinafter "the IRC") regularly, and at intervals of not more than a week.
- iii) All required attachments are to be submitted with the signed return. Returns will not be regarded as lodged until such attachments are signed and lodged.
- iv) Extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 June 2016 unless the provisional tax installment due by that date has been paid.
- v) Companies who have an approved substituted accounting period (**SAP**) under section 12A of the Act, extension arrangements will be proportional to taxpayers with a normal December year end. SAP returns prepared by tax agents will be required to be lodged within 4 months of the end of the relevant income year. If requested, extensions will then be considered for a further period of 2 months. When lodging client listings and/or extension requests, agents should specifically highlight any SAP taxpayers in this regard.
- vi) Extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 April 2016 where the return for the year ended 31 December 2014 was not lodged prior to 31 December 2015.
- vii) That the relevant extension list is received by the IRC by the date specified later in this circular. In this regard, the due date for lists is ten days after the end of the relevant month.
- viii) All Mining, Oil and Gas industries returns must be lodged on or by the 30th June 2016.



1.3 Priorities for Lodgment.

It is not enough to simply lodge the required percentage of returns. To ensure we have the time to issue assessments so that they become payable by 30 September it is necessary to place the following limits on the time for lodgment of some types of returns:

- i) All 2015 partnership or trust returns must be lodged by 30 June 2016. Wherever possible these should be lodged as a set with the returns for the partners or beneficiaries.
- ii) All taxable 2015 company returns with a taxable income in excess of K100,000 must be lodged by 30 June 2016.

2014 returns for individuals with either a taxable income of K30, 000 or a provisional tax credit in excess of K10, 000 are expected to be given priority so that their lodgment percentage equals or better than that of our required lodgment rate.

1.4 Extension Lists.

Tax Agents will be required to submit extension lists detailing the clients in respect of whom they require extensions of time for lodgment. A separate schedule is required for each of the following types of return;

1. Taxable company returns.
2. Non taxable company returns.
3. Individual returns with taxable incomes in excess of K30,000 or provisional tax credits in excess of K10,000.
4. Returns for other individuals.
5. Returns for all parties associated with your tax agent registration, i.e., the partnership, partners, administration company etc.
6. Partnership returns.
7. Trust returns.
8. Training levy returns.
9. Returns for salary or wages earners claiming a Section 214(1) rebate. (This particular extension list should ideally be lodged by February 15 or any due dates accepted by the



Commissioner General); and

10. Late lodgers/late payers (see below)

These lists should show each client's name in full and in alphabetical order, with the surname first if for an individual.

In addition, adjacent to the name of each client should be their tax file number or their tax identification number (TIN), if known, and in the case of taxable companies, confirmation or otherwise that any provisional tax installment due has been paid. Where the provisional tax installment has not been paid an explanation should be provided so that we can decide whether an extension should nevertheless be granted.

Late lodgers/late payers are those taxpayers who either did not lodge their 2014 returns by 31 December 2015 or did not pay their 2014 assessments by 31 December 2015. We require a separate extension list in respect of all such taxpayers, as well as an individual explanation for each client whose return cannot be lodged by 30 April 2016, as to why we should permit them to lodge their 2015 return after 30 April 2016 and advice of the date the return will be lodged.

Those tax agents requiring extensions of time beyond 30 April 2016 will be required to lodge up to five extension lists. These should be lodged as follows:

- Extension List No.1 - no later than 10 April 2016
- Extension List No.2 - no later than 10 May 2016
- Extension List No.3 - no later than 10 June 2016
- Extension List No.4 - no later than 10 July 2016
- Extension List No.5 - no later than 10 August 2016

In addition to the details referred to above, each extension list should have a front page in the following format:

<u>Extension List No.1</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2015 returns actually lodged to date
2. Total number of 2015 returns to be lodged
3. Percentage lodged to date
<u>Extension List No.2</u>	<u>Taxable</u>	<u>Non Taxable</u>
1. Number of 2015 returns actually lodged by 30 April
2. Total number of 2015		



	returns to be lodged	.....	.....
3.	Percentage of total lodged by 30 April	.....	.....

Extension List No.3

Taxable

Non Taxable

1.	Number of 2015 returns actually lodged by 31 May	.....	.....
2.	Total number of 2015 returns to be lodged	.....	.....
3.	Percentage of total lodged by 31 May	.....	.....

Extension List No.4

Taxable

Non Taxable

1.	Number of 2015 returns actually lodged by 30 June	.....	.....
2.	Total number of 2015 returns to be lodged	.....	.....
3.	Percentage of total lodged by 30 June	.....	.....

Extension List No.5

Taxable

Non Taxable

1.	Total number of 2015 returns actually lodged by 31 July	.....	.....
2.	Total number of 2015 returns to be lodged	.....	.....
3.	Percentage of total lodged by 31 July	.....	.....



The following issues were experienced with the extension lists provided by tax agents in 2015.

- a) Many did not show the percentage (%) of returns lodged to the end of each month for each category.
- b) In some cases, incomplete returns or returns without signatures were included in the total of returns lodged. This is not acceptable.
- c) Returns lodged after the end of the month were included. The grace period for lodging the lists was not intended to allow this.
- d) Late lodgers/late payers were included with other returns. The instructions clearly state that a separate list is required for returns lodged late in the previous years.

Tax agents are urged to take particular care in the preparation and submission of their extension lists. There is nothing to be gained from either understating the number of returns to be lodged or overstating the number of returns actually lodged. It is obvious to IRC if this has been done. In this regard, we advise that we will now accept additions to Extension List No.4 for new clients but will not accept additions to the extension list number 5.

Please bear in mind that if a new client has not made arrangements for the lodgment of returns prior to June 30 they are not entitled to be included in the extension program nor are they for further extensions. Late lodgment penalties will apply to such taxpayers.

1.5 Other Matters Pertaining to Extension Lists

These include:

1. Where extension lists are not lodged, clients will not have an extension of time beyond April 30.
2. It is not necessary when lodging a batch of returns to prepare a covering advice listing the returns lodged or to prepare a lodgment advice.
3. Each 2015 return lodged after 30 April 2016 should bear the following endorsement:

"Extension to granted"

Failure to do so will result in imposition of late lodgment penalty with an assumption that no extension has been granted.

4. Only 2015 returns should be included on the extension lists. If for some reason an extension of time is requested for an earlier year return, a specific request should be made and directed to the attention of our Tax Agent Coordination Officer.
5. Where a request for an extension in respect of a taxpayer with tax outstanding (which is not subject to a dispute) is made, payment for the liability should accompany the request



for extension. Notwithstanding this, such extensions will only be granted to 30 June.

6. If a final notice is issued in respect of a particular taxpayer that taxpayer will no longer qualify for any extension. The return must be lodged by the date specified in the final notice. Final notice enquiries should be directed to our Lodgment Enforcement Section (Ph 322 6532).

1.6 Salary or Wages Returns.

Salary or wage earners lodge returns where they;

1. Are claiming a section 214(1) rebate from salary or wages where the expenditure is in excess of K 200. This would include anyone in receipt of non-taxable allowances – their allowances are not exempt income and they would be claiming a deduction for up to the amount of the allowance received,
2. Were in receipt of non-salary or wage income; or
3. Received a Housing Allowance variation during the financial year;

Salary or Wage earners may lodge a return where they:

1. Wish to claim a school fee rebate or education expenses or section 299E (Vehicle Allowance); or.
2. Did not have correct tax deducted each pay period.

The **Tax Agent Coordination Officer, Mr. Rakatani Helai**, is responsible for all aspects of tax agent registration and review of tax agent extension lists. He may be contacted directly on **phone no. 322 6786; by fax on 3217962; or email - helair@irc.gov.pg**.

2) OBJECTIONS

Tax agents are reminded that the IRC has created a centralised email address objections@irc.gov.pg to which **ALL** objection requests, irrespective of the tax type, should be forwarded. By emailing your requests to this email box we will be better able to evidence that the request has met the 60 day timeframe required under section 245 of the Income Tax Act 1959. Where you are out of time to lodge an objection the Commissioner General will treat your request as an amendment request. In **ALL** circumstances an objection or amendment request should state fully and in detail the grounds on which you rely.

Your objection **must** contain the following:

- your full details or, if you are not the taxpayer objecting to the decision, the full name and contact details, and tax identification number (TIN) of the taxpayer you represent
- full details of the decision you are objecting to, including the relevant year or tax period,



- include full details of why you think the decision is wrong,
- any supporting documents and information that relates to the decision being reviewed (we may still need to request more information to help us decide your objection)
- all the relevant facts, arguments, information and documents that support the reasons you disagree with the decision – this should include references to legislation, Tax Circulars and case law where this is helpful to your case.
- be signed and dated.

If you are unable to email your objection request then your request should be mailed the following address:

Objections
C/- Policy & Advice
PO Box 777
Port Moresby, NCD 121
Papua New Guinea

3) ALLOCATION OF ACTIVITIES AMONG PROVINCES

3.1 Goods & Services Tax

Companies conducting business in more than one province are reminded that they must provide a breakdown of their Sales in each of those provinces in which they operate.

The Intergovernmental Relations (Functions and Funding) Act 2009 requires the Commissioner General to distribute GST to each Province. In order to make an accurate allocation, the Commissioner General relies upon each business to provide an accurate monthly return of GST collected in each Province. Businesses failing to declare a multi provincial breakdown of Sales will be providing incomplete and inaccurate data for the IRC.

The back page of the GST return shows the method of calculation:

3.2 SALARY & WAGES TAX

Employers are reminded of their obligations under section 299G to furnish annual reconciliations of Statements of Earnings. The IRC now requires all large group employers to lodge their Statement of Earnings (SOEs) using an Excel template (available on our website) and that these are sent to the IRC as an attachment.

The new SoE Excel template and SoE taxpayer guide are available on our website: www.irc.gov.pg/tax_forms.html

The IRC also reminds agents and their clients that an entity in receipt of exempt income is still required to deduct and remit salary or wage tax from all employees as the exemption does not extend to persons receiving payments from such an entity (section 44). This applies to non-national employees who perform services in PNG and all Directors of PNG resident



companies.

Group Employers who have employees based in the Autonomous Region of Bougainville are required to complete a separate remittance each month for Bougainville. The same form should be used as for any other group remittance, but Bougainville should be written bold lettering in red across the top of the remittance form.

Accordingly, where an employer has employees based in Bougainville and other provinces, two remittances of group employer forms will be required for each month. One will have details of employees working in Bougainville and the other will have details of all other employees in other parts of the country. At the end of the year, two separate reconciliation statements must also be completed to cater for the above.

3.3 INCOME TAX

Under the Organic Law on Peace Building in Bougainville, income tax attributable to Bougainville taxpayers needs to be separately identified and ultimately allocated to the Autonomous Bougainville Government. Accordingly, Bougainville taxpayers need to clearly identify themselves on their tax returns as being Bougainville taxpayers.

The cover page of the I, P & C Tax Returns and the Training Levy Return all include a specific question asking you to estimate the gross sales attributed to Bougainville. Taxpayers are reminded to accurately complete their tax returns so that IRC can fulfill its responsibilities.

Where a company has operations across multiple provinces including Bougainville, it will be a Bougainville taxpayer only where its principle place of business, or its main business activity, is in Bougainville. Accordingly, a taxpayer will need to determine this on an annual basis and it is conceivable that this determination may change from year to year depending upon where its main activity is undertaken.

4 Paying Your Tax By Electronic Transfer

You are asked to inform your clients that the IRC is now able to accept payments of tax electronically. This means taxpayers no longer have to come to our office to make payments but can instead make electronic payments to IRC through their bank.

The IRC's banking details are as follows:

Payee:	Internal Revenue Commission
SWIFT Code:	BPNGPGPM
Account Number:	43146577 (Note: there is no BSB number)
Address (if required)	To Revenue Haus, Section 25, Allotment 1, Port Moresby



In order to ensure that the IRC can appropriately match the payment and credit your account, it is important that you can scan the completed tax form relevant to the payment and attach it to an email to be sent to payments@irc.gov.pg. The following information should be included in the body of the email:

- Taxpayer's Name and Tax File Number (TFN) or TIN number;
- Tax Type being paid (e.g. GST, Income Tax, S & W Tax and etc),
- Tax Period (the month or year the payment relates to); and
- Payment date and Amount.



The Commissioner General and her staff wish you a Merry Christmas and a safe and prosperous 2016.

**Ms Betty PALASO, OBE,
Commissioner General,
Internal Revenue Commission.**