

## Training Levy and Income Tax

⇒ **Training Levy**, under section 4(1) of the *Income Tax Assessment Act 1959* [the Act] it is **deemed to be an income tax**. So employers required to pay training levy will not get an income tax deduction for that payment. They do however get a deduction for qualifying training expenses.

⇒ **Qualifying training expenses can also be claimed to offset the Training Levy**. Such expenses include those already allowable as a general income tax deduction under section 68(1) of the Act, plus those for which a double deduction is allowed under section 72A. That is provided they satisfy certain other criteria (see over under the heading “What are Qualifying Training Expenses”).

⇒ Training levy is **not a Payroll Tax**. It is **only payable if the employer fails to spend enough on qualifying training** for PNG citizen staff (see over under the heading “How is the Levy Calculated”).

⇒ Employers must **maintain sufficient documentary evidence** of qualifying expenses claimed, eg in a Training Levy Register. Such documents should contain full details of all relevant expenses, courses & content, locations, names of employees & trainers, duration of training and qualifications etc received by participants.

**Training Levy Returns** must be lodged by all employers who are liable to the levy (see over under the heading “Who is liable to pay the Levy”). These returns are due for lodgement at the same time as the income tax return of the relevant entity. Extensions of time for lodgement, similar to those for income tax returns, may be available if applied for in advance of the due date.

### IRC CONTACT DETAILS

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**This Information Brochure is authorised by the  
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## Training Levy

### INFORMATION BROCHURE



*We manage the tax & customs systems  
together by collecting revenue, protecting  
our borders, facilitating trade and  
investment, for the benefit of the people  
of PNG*

# The Training Levy

## WHO IS LIABLE TO PAY THE TRAINING LEVY [TL]

- ◆ Anyone who is an Employer with an annual payroll in **excess of K200,000** is potentially liable to pay the Training Levy [TL]. It embrace all forms of business organization- sole traders, partnerships, companies, churches, hospitals, schools etc. - whether **resident or non-resident. It includes exempt bodies.**

## HOW IS THE LEVY CALCULATED

- ◆ The maximum amount of TL payable is 2% of 'Payroll' for the year. However, if 'Qualifying Training Expenses' exceed 2% of the payroll no TL at all is payable. If they do not exceed 2% of the payroll, the TL payable is an amount equal to that deficiency. **For example:**

Annual Payroll	K250,000
2% thereof	K5,000
Deduct: Qualifying Training Expenses	<u>K2,000</u>
Levy Payable	<u>K3,000</u>

- ◆ Any training expenditure in excess of the maximum TL payable **cannot be carried forward** to the next year nor transferred for the benefit of a related company.

## WHAT AMOUNTS CONSTITUTE PAYROLL?

- ◆ **All salary or wages**, as well as the **taxable value** of all benefits and allowances given to employees makeup the payroll for TL. This would also include payment of commissions, bonuses, gratuities, directors fees, holiday pay, sick leave, long service leave, excess leave fare etc.
- ◆ Education allowances paid to schools for primary or secondary student children of employees do **not** form part of the payroll. Neither do exempt leave fares or other employee allowances not subject to salary or wages tax.

## WHAT ARE 'QUALIFYING TRAINING EXPENSES'

These are a range of expense items which can be legitimately claimed by employers to offset a potential TL liability. For **salary or wages** expenses, only that part which relates to the **actual period of time** when the training was undertaken can be claimed. So, for example, if any employee returns to their workplace during semester breaks, the pay they receive for that period would not qualify.

The overall range of "qualifying training expenses" includes:

1. Salary & wages of *bona fide* **registered apprentices.**
2. Salary & wages of citizen employees receiving **full time** education at a:
  - i) Government training institution;
  - ii) recognized University or Technical College;
  - iii) "prescribed place of tertiary education" (refer to Regulation 9B of the *Income Tax Regulations 1959*);
  - iv) "approved business training course" (refer next column).
3. Salary or wages of citizen employees receiving **part time** education at an **approved business training course** for the time spent in attending that course.
4. **Fees and other necessary expenses** (such as airfares, accommodation, meals and travelling expenses) incurred by citizen employees **in undertaking a professional training course** at any of the institutions noted at i) to iv) in point 2. above.
5. Salary or wages of any **training officers wholly and exclusively** engaged in training or educating citizen employees and who do not otherwise directly contribute to earning income for the employer.
6. Salary or wages of citizen employees and their trainers for **on-the-job training**, but only as is **proportionate to the time** spent on that training.
7. Again for citizen employees, expenses for **training accessories** (eg books, stationery, workshop materials), **any other expenses** necessarily incurred in their training, plus the value of **depreciation** on plant, machinery or other capital items used solely for such training.
8. The cost of running a **full time tertiary training institution** approved by the National Training Council, plus the cost of providing **citizen scholarships or training assistance programs** to an educational institution.

## ELIGIBILITY REQUIREMENTS

### Approved Business Training Courses

- ◆ Such courses require specific approval by IRC. They are

formal training courses (either full time or part time), where the course material must be suited to industrial, commercial or business training needs.

- ◆ IRC will consider each such request for approval on its merit, and taking into account factors such as commercial reality. It is expected that where such courses involve face to face delivery, they are conducted in a specific classroom or workshop environment. Correspondence courses are also eligible for consideration.
- ◆ It is emphasised that expenses associated with these courses can only be offset against the training levy if they are approved by IRC.

### On-the-Job Training

- ◆ For IRC to accept claims for 'On-the-Job Training', the training itself must be presented in a formal, structured and planned manner (not spontaneous). It should be specifically aimed at introducing employees to a new concept, procedure or task, or at correcting identified deficiencies in their skills set.
- ◆ This is thus very different to ordinary management or supervision, which relate to employees gaining greater work experience etc. So claims for a fixed percentage of senior staff salaries are not acceptable.
- ◆ Typically such training is done face to face in a workshop or classroom style setting and has no significant output or production resulting directly from it.
- ◆ Situations where IRC will generally accept such targeted in-house training are, in order of merit:
  1. Where presented by an external party formally registered with the National Training Council [NTC].
  2. Where either an in-house presenter or other training course content provided is accredited with the NTC.
  3. Where presented by an in-house technical, management or procedural expert, for a designated purpose that is relevant to the employer's business operations.

All these situations, but especially 3, require adequate documentary proof (see reverse of this brochure).