



TAXPAYER GUIDE

PRESCRIBED ROYALTY PAYMENT WITHHOLDING TAX FORMS

The Internal Revenue Commission has recently modified the process and stationery for submitting Prescribed Royalty Payment Withholding Tax. The process is a result of an on-going effort on the part of the IRC to improve service delivery, reduce compliance costs for taxpayers and standardise forms.

PRESCRIBED ROYALTY PAYMENT

A prescribed royalty payment is a payment that–

- (a) arises out of any of the following activities:
 - (i) the exploration, taking, extraction, processing, transport or conveyance of any form of hydrocarbon and all activities incidental or ancillary to such exploration, taking, extraction, processing, transport or conveyance; or
 - (ii) the exploration, taking, extraction, processing, transport or conveyance of any mineral and all activities incidental or ancillary to such exploration, taking, extraction, processing, transport or conveyance; or
 - (iii) activities of the kinds listed in the definition of “fishing operations” under Section 4 of the Income Tax Act 1959 or listed in the definition of “fishing” under Section 2 of the Fisheries Management Act 1998 and all activities incidental or ancillary to such activities; or
 - (iv) activities of the kinds listed in the definition of “timber operations” under Section 166 of the Income Tax Act 1959 and all activities incidental or ancillary to such activities; and
- (b) is made by reason of the activity being performed on or in the vicinity of customary land or in waters adjacent to customary land.

Five per cent (5%) of the gross amount of such payments are to withheld and remitted to the Commissioner General no later than fourteen (14) days after the end of the month that the payment is made.



MONTHLY REMITTANCE FORMS

A Monthly Remittance form for the Prescribed Royalty Payment Withholding Tax has been issued by the IRC. This form is called the PR1 form ‘Prescribed Royalty Payment Withholding Tax Remittance Advice Form’, and it replaces any other monthly forms issued in prior years. This form (and the PR2) is used for Prescribed Royalty payments.

You may download a copy of the PR1 form from the IRC website at http://www.irc.gov.pg/tax_forms.html or pick up a copy in person from the IRC office of your choosing. The form may be completed by hand, or completed electronically.

The traditional, multiple carbon copy forms are no longer in use and have been replaced by a much simpler form in order to make it easier for taxpayers to comply with their obligations.

The PR1 form looks like this:

FORM PR1	 PAPUA NEW GUINEA INTERNAL REVENUE COMMISSION PNGIRC - Your Partner in Nation Building		PLACE STICKER BAR CODE HERE <small>25.4mm x 10.0mm</small>										
Prescribed Royalty Withholding Tax	INCOME TAX ACT 1959 AS AMENDED		Taxpayer Identification Number (TIN): <table border="1" style="width: 100%; height: 20px;"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>										
PRESCRIBED ROYALTY WITHHOLDING TAX REMITTANCE ADVICE FORM													
NAME AND ADDRESS OF TAXPAYER (WITHHOLDER)													
NAME OF TAXPAYER:													
CONTACT / REPRESENTATIVE:													
PHONE No:													
E-MAIL ADDRESS:													
MAILING ADDRESS	SECTION No:		LOT No:										
	STREET / SUBURB / DISTRICT:												
	P.O. BOX:												
	COUNTRY:	PROVINCE:											
	CITY / POST OFFICE:												
	CARE OF (C/-):												
TAX PERIOD													
TAX PERIOD (MONTH):		YEAR:											
DETAILS OF PRESCRIBED ROYALTIES PAID TO RESIDENTS OF P.N.G.													
TOTAL ROYALTIES PAID	ROYALTY TAX DEDUCTED	TOTAL REMITTED											
K	K	K											
<small>NOTE: DO NOT INCLUDE AMOUNTS THAT ARE NOT SUBJECT TO WITHHOLDING TAX DEDUCTIONS</small>													
I declare that the information that I have provided is true and correct in every detail and discloses a full and complete statement of the facts. I understand that the law imposes heavy penalties for false and misleading statements.													
SIGNED: _____		DATE: _____											
NOTICE													
<small>A remittance accompanied by this form and signed by or on behalf of the person, partnership, company or Public Authority making the deductions should be forwarded to: Commissioner General, Internal Revenue Commission, P.O. Box 777, Port Moresby. For additional information please refer to page 2 of this form.</small>													

Please note that the form no longer requires details of each individual payment made during the month. Only the totals for the month are required. The detailed information now forms part of the annual reconciliation discussed below.

ANNUAL RECONCILIATION FORMS

An annual reconciliation form for Prescribed Royalty Withholding Tax has been created. This form is called the PR2 form 'Prescribed Royalty withholding Tax Reconciliation Statement'. You may download a copy of the PR2 form from the IRC website at http://www.irc.gov.pg/tax_forms.html or pick up a copy in person from the IRC office of your choosing. The form may be completed by hand, or completed electronically. This annual reconciliation form must be provided to the Commissioner General not later than the 21 February of each year.

The PR2 form looks like this:

[illegible]

COMPLETING THE RECONCILIATION FORM

Here are some tips for completing the Reconciliation Form:

Page 1:

- At the top right-hand side of the form there is a space for the TIN of the withholder. The TIN is the *Taxpayer Identification Number* – a nine-digit number that is issued by the IRC to every taxpayer. TINs are replacing Tax File Numbers (TFNs) in the PNG tax system. One TIN will cover all of your tax obligations – Salary & Wages Tax, Dividend Withholding Tax, etc. If you have not yet been issued a TIN, please contact your nearest IRC office to have one issued.
Note: TINs are issued centrally from Revenue Haus in Port Moresby; however the Provincial IRC offices can receive TIN applications and submit them for processing on your behalf.
- The ‘Prescribed Royalty Payment Withholding Tax Remittances’ section lists each month of the year and shows the amounts that you have remitted to IRC. These are the amounts payable for each monthly return throughout the year. *Total (1)* is the sum of the twelve monthly remittances.
- *Total (2)* shows the total Tax Deductions from the schedule of the payments made for the year detailed on page 2.

Page 2:

- The 'Details of Prescribed Royalty Payment Withholding Tax Deducted' schedule requires the TIN, Name and Address, Gross Amount and Tax Deducted totals for the whole year. Only one line per person/business is required and this represents the total amounts paid to the person/business. Do not list each payment made to the person/business, just the totals for the year.
- Please note that where *Total (2)* from the schedule of the deductions does not match *Total (1)* then your forms do not reconcile for the year and you should review your information and correct any errors. If your Reconciliation Statement does not balance then a detailed explanation is required.

IRC CONTACT DETAILS

For further information on the process contact:

Arua Naime
322 6714
naimea@irc.gov.pg

