



INTERNAL REVENUE COMMISSION



TAXPAYER GUIDE

NON-RESIDENT ROYALTY WITHHOLDING TAX FORMS

The Internal Revenue Commission has recently modified the process and stationery for submitting tax withheld on Non-resident Royalty payments. 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.

ROYALTY PAYMENT

Where a person pays, is liable to pay or credits a royalty to a non-resident the person shall deduct from the royalty–

- (a) where the recipient is an associated person–30% of the gross amount of the royalty; or
- (b) where the recipient is not an associated person–10% of the gross amount of the royalty; or
- (c) where Subsection (3) of Section 357(2) of the Income Tax Act 1959 (as amended) applies, the amount ascertained from the Commissioner General in accordance with that subsection.

A royalty is defined to include any payment whether periodical or not, and however described or computed, to the extent to which it is paid or credited as consideration for–


- (a) the use of, or the right to use, any copyright, patent, design or model, plan, secret formula or process, trademark or other like property or right; or
- (c) the supply of scientific, technical, industrial or commercial knowledge or information; or
- (d) the supply of any assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of, any such property or right as is mentioned in Paragraph (a), or any such knowledge or information as is mentioned in Paragraph (c); or
- (e) the use of, the right to use–
 - (i) motion picture films; or
 - (ii) films or video tapes for use in connection with television; or
 - (iii) tapes for use in connection with radio broadcasting; or
 - (f) total or partial forbearance in respect of the use of a property or right referred to in this definition,

MONTHLY REMITTANCE FORMS

A monthly remittance form for Non-Resident Royalty Withholding Tax has been issued by the IRC. This form is called the R1 form 'Royalty Tax Remittance Advice Form – Payments to Non-Residents', and this replaces any other monthly forms issued in prior years. This form (and the R2) is used for Royalty payments to non-residents

You may download a copy of the R1 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 R1 form looks like this:

FORM R1				<small>PLACE SIGLAS BAR CODE HERE OR Stamp/Signature</small>	
Royalty Tax		PAPUA NEW GUINEA INTERNAL REVENUE COMMISSION PNGIRC - Your Partner in Nation Building		Taxpayer Identification Number (TIN):	
INCOME TAX ACT 1998 AS AMENDED ROYALTY TAX REMITTANCE ADVICE FORM - PAYMENTS TO NON-RESIDENTS					
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/O):					
TAX PERIOD					
TAX PERIOD (MONTH):				YEAR:	
DETAILS OF ROYALTIES PAID TO NON-RESIDENTS					
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					
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.					

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 Royalty Payments to Non-Residents has been created. This form is called the R2 form 'Non-Resident Royalty Withholding Tax Reconciliation Statement'. You may download a copy of the R2 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.

[illegible]

Here are some tips for completing the Reconciliation Forms:

- 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 ‘Non-Resident Royalty 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 Non-Resident Royalty 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:

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