

GROUP EMPLOYER CIRCULAR No 1 OF 2011
BENEFITS PROVIDED BY EMPLOYER
DATE OF EFFECT: 1 JANUARY 2011

BENEFITS PROVIDED: The following details situations where the employer provides a benefit to the employee. It is a different situation to where the employee is provided an allowance to pay for the item.

The Commissioner General prescribes rates on certain benefits being:-

a. accommodation, being use of premises or quarters **b.** motor vehicle provided by the employer **c.** provision of messing type meals.

ACCOMMODATION PROVIDED

TYPE OF HOUSING -	AREA 1	AREA 2	AREA 3
HIGH COST House or flat	700	500	NIL
MEDIUM COST House or flat	400	300	NIL
LOW COST House or flat	160	150	NIL
MESS OR BARRACK STYLE BASIC ACC.	60	50	NIL
GOVERNMENT MESS OR BARRACK STYLE	7	7	NIL
EMPLOYEES INVOLVED IN A "CITIZEN EMPLOYEE FIRST TIME HOME BUYER SCHEME"	NIL	NIL	NIL

NOTES IN RELATION TO THE ABOVE:

- 1 . Employees provided with accommodation outside of Papua New Guinea** by their employer are automatically deemed to reside in AREA 1. They are subject to the inclusion of the taxable benefit for private high cost housing.
- 2. Low cost housing** is any unit of accommodation which would fetch K400,000 or less if sold on open market, and in any other case for which the market rental is K1,000.00 per week or less.
- 3. Medium cost housing** is any unit of accommodation which would fetch between K400,000 and K800,000 if sold on the open market, and in any other case for which the market rental is between K1,000 per week and K 3,000 per week.
- 4. High cost housing** is any unit of accommodation which would fetch more than K800,000 if sold on the open market, and in any other case for which the market rental is K3,000 per week or more.
- The areas mentioned to in the above table refers to the area located in or within a 15 Kilometre radius of the boundaries of any of the following towns.
AREA 1: Goroka, Lae, Madang, Mount Hagen and Port Moresby.
AREA 2: Alotau, Bul olo, Daru, Kainantu, Kavieng, Kerema, Kimbe, Kiunga, Kundiawa, Lorengau, Mendi, Popondetta, Porgera, Tabubil, Vanimo, Wabag, Wau and Wewak.
AREA 3: Any place within Papua New Guinea not included in Areas 1 and 2.

HOUSING ALLOWANCE PAID IN LIEU OF ACCOMMODATION: Where an employer pays an employee an allowance in lieu of providing accommodation, the allowance as paid is assessable in full. This allowance and the prescribed value of that accommodation is to be included in the fortnightly salary or wages of the employee and taxed accordingly, **unless a variation has been obtained from the Commissioner General.**

Where a variation is obtained, the employee is taxed on the prescribed value of the accommodation and the excess of the allowance that exceeds the actual cost of the accommodation.

Citizen employees who are in receipt of housing allowance and are engaged in an "Citizen Employee First Time Home Buyer Scheme", are not taxed on the allowance nor are they required to lodge a Housing Allowance Variation form.

Employees may obtain variation on housing allowance by lodging a Housing Allowance Variation form with the Internal Revenue Commission.

MOTOR VEHICLE PROVIDED BY EMPLOYER: Where the vehicle is provided by the employer and the employee has unrestricted use of the vehicle the following amount is to be included in the Salary or Wage of the employee;

Car supplied with fuel **K 125** per fortnight b. Car supplied without fuel **K 95** per fortnight

Where the vehicle is provided by the employer and the employee has restricted use, such value as determined by the Commissioner General, shall be included in the Salary or Wages of the employee. If no determination is made then the values shown above apply.

NOTE: Restricted usage for Income Tax purposes means that the motor vehicle is solely used by the employee during business hours for business purposes only and is garaged at the place of work not being near the place of residence of the employee.

MEALS: Where the employee is provided with "messing" type meals the sum of **K 30** is added to the employee's salary or wage. In all other cases where meals are provided the actual cost to the employer is included in the calculation of the employees salary or wage.

BENEFIT PAID OVERSEAS: The cost to the employer of any benefits paid to employees while outside Papua New Guinea is assessable in full to the employee. The total cost is added to the employees Salary or Wages and taxed accordingly.

EMPLOYERS WHO ARE IN DOUBT REGARDING THE APPLICATION OF THE LAW IN RELATION TO THE TAXATION OF BENEFITS CONCERNING ACCOMODATION ARE REQUESTED TO SEEK ADVICE FROM THE MANAGER, SOURCE COLLECTION PRODUCTS, POLICY & ADVICE DIVISION, INTERNAL REVENUE COMMISSION, P.O. BOX 777 PORT MORESBY, PHONE 322 6546 OR FAX 321 1268.

**AUTHORISED BY BETTY PALASO OBE , COMMISSIONER GENERAL,
INTERNAL REVENUE COMMISSION**