



INTERNAL REVENUE COMMISSION
TAX AGENTS BULLETIN NO. 01 OF 2017



INDEX

1.	INCOME TAX RETURN LODGMENT REQUIREMENTS	
1.1	Introduction	2
1.2	The Required Rate of Return Lodgement	2-3
1.3	Conditions	3-4
1.4	Priorities for Lodgement	4
1.5	Foreign Exchange Rates	4
1.6	Extension Lists	4-7
1.7	Other Matters pertaining to Extension List	7-8
1.8	Salary & Wages Returns	8
1.9	Tax Agent Registration Renewals	8-9
2.	SIGTAS TIN REGISTRATION	9-10
3	TAX AGENT LIASION GROUP	10
4.	TAX LEGISLATIVE AMENDMENTS – 2017	
4.1	Corporate Income Tax Rates	10-11
4.2	Dividend Withholding Tax (DWT)	11
4.3	Employee Housing Benefits	11-12
4.4	Additional Payment Tax (APT)	12
4.5	Repeal of Interest Income Exemption	13
4.6	Repeal of Dividend Income Exemption	13
4.7	Repeal of Double Deduction for Exploration Expenditure	13
4.8	Foreign Contractors Dividend Withholding Tax (FCDWT)	13
4.9	Introduction of Country By Country (CBC)	13-14
4.10	Resource Projects	14
5.	OUTSTANDING LEGISLATIVE MATTERS	
5.1	Sunset Clause Restricting the application of the DWT Rebate	15
5.2	Removal of the DWT Exemption to Authorised Superannuation Funds	15
6	OTHER LEGISLATIVE CHANGES	
6.1	Repeal of Stamp Duty on Betting Books	15
6.2	Bookmakers Turn Over Tax	15
6.3	Gaming Tax	15
7.	IRC CONTACT MAILBOXES	15-16
8.	CONTACTS	17

1.0 INCOME TAX RETURN LODGEMENT REQUIREMENTS.

1.1) Introduction.

The purpose of this bulletin is to advise registered tax agents on the requirements for the lodgment of income tax returns for the current year and to keep tax agents up to date with recent changes in relation to the Tax Administration and the Tax laws including the Income Tax Forms for the year ended 31 December, 2016.

In keeping with section 223 of the Income Tax Act 1959 (hereinafter "the Act"), a notice was issued in the **Government Gazettal No: G 1011 of 2017** dated 22 December, 2016 advising who is required to lodge returns and when they must be lodged by. That notice has stated that all income tax returns for the year ended 31 December 2016 (hereinafter "2016 returns") are required to be lodged by 28 February 2017, or such extended date as the Commissioner General allows. A copy of the notice can be found on the IRC website for ease of reference.

It has been the normal practice of this office to grant tax agents an automatic extension of time, until 30 April next following the end of the financial year, to lodge returns on behalf of their clients. This practice will continue and tax agents can lodge 2016 returns by 30 April 2017 without requesting an extension of time.

However, most tax agents will be unable to achieve full lodgment of client returns by that date and will need to request an extension of time for lodgment of an element of their clients' returns. This Circular sets out the Commissioner General's guidelines for those tax agents requiring an extension of time to complete their lodgment programs.

1.2) 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>Taxables</u>	<u>Non Taxables</u>
By 30 April 2017	30%	20%
By 31 May 2017	50%	30%
By 30 June 2017	75%	50%
By 31 July 2017	90%	75%
By 31 August 2017	100%	90%
By 31 October 2017		100%

These are the same requirements as applied in every lodgment season.

13) Conditions.

Again there are certain conditions that must be met before IRC will grant extensions for the lodgment of 2016 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) That all returns lodged must contain a balance sheet and profit and loss account (where appropriate) as well as the notes to the accounts and all supporting schedules. In this regard, your attention is drawn to Regulation 23, which states that all attachments to returns must be signed. Returns will not be regarded as lodged until such attachments are signed and lodged.
- iv) That the 2016 personal income tax returns of the tax agents & /or all nominees thereof are lodged by 30 April 2017. Any companies or partnerships registered as tax agents, and any service or administration companies or partnerships associated with their practice, are also required to lodge their relevant 2016 returns by 30 April 2017.
- v) That extensions including further extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 June 2017 unless the provisional tax installment due by that date has been paid.
- vi) That extensions including further extensions of time for lodgment of tax returns will not be allowed if any tax arrears or any tax matters outstanding have not been settled or any prior arrangement for settlement of the outstanding tax matters have not been made.
- vii) That for companies which 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. Thus 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.
- viii) That requisition of extensions of time for the lodgment of taxable returns for companies will not be granted beyond 30 April 2017 where the return for the year ended 31 December 2015 was not lodged prior to 31 December 2016.
- ix) In the past, we have been generous in granting extensions and further extensions for taxable until 31 August and 31 October for non-taxables respectively. We will not be allowing further extension after 31 December as they would all be treated as **late lodgers** until when you give us genuine reasons as to why, and when to lodge by.

- x) That the relevant extension list is received by the I.R.C. by the date specified later in this circular. In this regard, it should be noted that the due date for lists is ten days after the end of the relevant month.

1.4 Priorities for Lodgment.

It is not enough to simply lodge the required percentage of returns. To ensure we have the time to issue certain 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 2016 partnership or trust returns are to be lodged by 30 June 2017. Wherever possible these should be lodged as a set with the returns for the partners or beneficiaries.
- ii) All taxable 2016 company returns with a taxable income in excess of K100,000 are to be lodged by 30 June 2017.

In addition, 2016 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 betters that of our required lodgment rate.

1.5 Foreign Exchange Rates.

The authorized exchange rates for the 1st & 2nd half and the full year for **2016** are as follows;

2016	USD	AUD	NZD	GPB	JPY	EURO	CAD	SGD	CNY	IDR	MYR
Jan-Jun	0.3233	0.4417	0.4781	0.2255	36.11	0.2896	0.4314	0.4468	2.1134	4338.13	1.3284
Jul-Dec	0.3154	0.4183	0.4399	0.2468	33.34	0.2873	0.4159	0.4354	2.1279	4160.89	1.3200
Full year	0.3191	0.4300	0.4590	0-2362	34.73	0.2885	0.4237	0.4411	2.1207	4249.50	1.3242

If the currencies that you require are not included in the above list, you should consult the Bank of PNG.

1.6 Lodgment Extension List.

As in the past, tax agents will be required to submit extension lists advising us of 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 (if any) etc.
6. Partnership returns.
7. Trust returns.
8. Training levy returns.
9. Returns for salary or wages earners claiming a Section 214(1) rebate, (in view of Section 214(2), this particular extension list should ideally be lodged by February 15).
10. Late lodgers/late payers (see below)

These lists should show each client's name:

- a) In full, and
- b) In alphabetical order, with the surname first if for an individual.

In addition, adjacent to the name of each client should be their tax PIN number, 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 to the taxpayer.

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

Those tax agents requiring extensions of time beyond 30 April 2017 will be required to lodge up to five extension lists and these should be lodged as follows:

- Extension List No.1 - no later than 10 April 2017
- Extension List No.2 - no later than 10 May 2017
- Extension List No.3 - no later than 10 June 2017
- Extension List No.4 - no later than 10 July 2017
- Extension List No.5 - no later than 10 August 2017

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

Extension List No.1**Taxable****Non Taxable**

- | | | | |
|----|--|-------|-------|
| 1. | Number of 2016 returns actually lodged to date |  | ..... |
| 2. | Total number of 2016 returns to be lodged | ..... | ..... |
| 3. | Percentage lodged to date | ..... | ..... |

Extension List No.2**Taxable****Non Taxable**

- | | | | |
|----|--|-------|-------|
| 1. | Number of 2016 returns actually lodged by 30 April | ..... | ..... |
| 2. | Total number of 2016 returns to be lodged | ..... | ..... |
| 3. | Percentage of total lodged by 30 April | ..... | ..... |

Extension List No.3**Taxable****Non Taxable**

- | | | | |
|----|--|-------|-------|
| 1. | Number of 2016 returns actually lodged by 31 May | ..... | ..... |
| 2. | Total number of 2016 returns to be lodged | ..... | ..... |
| 3. | Percentage of total lodged by 31 May | ..... | ..... |

Extension List No.4**Taxable****Non Taxable**

- | | | | |
|----|---|-------|-------|
| 1. | Number of 2016 returns actually lodged by 30 June | ..... | ..... |
| 2. | Total number of 2016 returns to be lodged | ..... | ..... |
| 3. | Percentage of total lodged by 30 June | ..... | ..... |

Extension List No.5**Taxable****Non Taxable**

- | | | | |
|----|---|-------|-------|
| 1. | Total number of 2016 returns actually lodged by 31 July | | |
|----|---|-------|-------|

2. Total number of 2016
returns to be lodged
3. Percentage of total
lodged by 31 July

The following problems were noted with the extension lists provided by tax agents in 2016.

- a. Many did not actually show the percentage (%) of returns lodged to the end of each month for each category.
- b. In some cases, returns completed and 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 the preparation and submission of their extension lists seriously. 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 becomes obvious to IRC, particularly towards the end of the lodgment cycle, if this has been done. In this regard, you are advised 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 bothered to make arrangements for the lodgment of returns prior to **June 30**, then they are not entitled to extensions nor are they for **further extensions**. They should be listed under the late lodgers list.

1.7 Other Matters Pertaining to the Extension Lists

These include:

1. If 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 2016 return lodged after 30 April 2017 should bear the following endorsement:

"Extension to granted"

All returns, where an extension has been granted should bear the above endorsement. Failure to do so would result in imposition of late lodgment penalty with an assumption that no extension has been requested and granted.

4. Only 2016 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 **Manager, Tax Agent Co-ordination Section**.
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. Even so, such extensions will only be granted to 30 June.
6. If a final notice is issued in respect of a particular taxpayer that taxpayer ceases to qualify for any extension, and the return must be lodged by the date specified in the final notice.
7. If the non-lodgment case is registered and is before the Tax Court, the taxpayer also ceases to qualify for any extension requisitions. You will only be asked by the hearing Magistrate to have the outstanding returns lodged at the Court.

All Final Notice enquiries should be directed to our **Manager, Lodgment Enforcement Section** in attention to **Ms Geua Taumaku on Ph: 322 6672 or e-mail on taumakug@irc.gov.pg**

1.8 Salary & Wages Tax Returns.

Salary or wage earners who fall into any of the following categories are obliged to lodge returns;

1. Did not have the correct tax deducted each pay period.
2. Are claiming deductions from salary or wages in excess of K200 (and this would include anyone in receipt of a non-taxable allowance - their allowances are not exempt income and they would be claiming a deduction for up to the amount of the allowance received).
3. Received a termination payment.
4. Had non salary or wage income in excess of K100.
5. Wish to claim a school fee rebate or education expenses.
6. Received a Housing Allowance variation for 2008.

It is important to note that a rebate of tax under Section 214 (1) will generally only be allowed if the return was lodged by February 28 of the following financial year, or within such extended date as the Commissioner General may otherwise permit.

1.9 Tax Agent Registration Renewals and Rewviews.

Please note that the **Tax Agent Liaison Officer is Ms Dorothy Sonny**, who can be contacted directly on **phone no. 322 6600 extension 6401 or by e-mail on sonnyd@irc.gov.pg** She is responsible for all aspects of tax agent registrations and reviews. We wish to reiterate that a number of tax agents have been deleted from our list as they have miserably failed to complete registration requirements including registration renewals, have not lodged client extension lists nor have they lodged tax returns.

Annual renewals are now due and payable before the 1 of April together with your annual tax returns including your first Lodgment Extension Program due on the 10 April. Note that the pre-requisite of having your registration renewed is to meet all the requirements as being a Tax Agent in PNG. It is your responsibility to renew your registration every year. Renewal forms can be obtained from the IRC Office or from the IRC website (www.irc.gov.pg).

Also please note that all the current registrations are now under review and those who have failed to meet the **“fit and proper”** tests as required by the Tax Act and those who are found to be non-compliant as mentioned above would be cancelled immediately. In addition, those who have paid 2017 registration renewals and who have existing TIN registrations would be given the first preference for SIGTAS conversion for new registration numbers and issuance of new certificates. The old certificates would become obsolete items and are null & void. If you think that you have not paid the 2017 renewals fees and with no TIN numbers should do so by consulting Ms Dorothy Sonny as quickly as possible.

It should be remembered that unregistered tax agents are not permitted to charge fees for preparation of tax returns, objections, or in relation to the transaction of any business on behalf of a taxpayer in the income tax matters. This is illegal under the provisions of section 349 of the PNG Income Tax Act and it may result in a heavy court fine or imprisonment.

If an Agent has been de-registered, they will need to make a section 346 fresh application demonstrating that they are fit and proper person in order to be admitted or re-admitted if the case may be.

2.0 SIGTAS REGISTRATION OF TIN NUMBERS

Our implementation of SIGTAS since 2014 is still continuing as it is an ongoing concern. Most of the work in relation to the conversion from the RAS to SIGTAS has been completed however, there is still work to be done. If an existing taxpayer is found to have no TIN, please advise SIGTAS section as soon as possible for immediate conversion.

Once again, all variations in relation to Provisional Tax (PT) and Advanced Payment Tax (APT) will have to be lodged at IRC – Port Moresby or by email to Sigtas@irc.gov.pg as all processing of these documents requires system input. You can either submit these electronically or by hand delivery/mail/courier to IRC – Port Moresby.

All TIN registration applications, correspondence and enquiries and the issuance of the TIN certificates can be forwarded to the centralized email address; **Registrations@irc.gov.pg**

The service includes;

- Application for a Taxpayer Identification Number. A scanned image of the completed, signed application form together with the required supporting documents are accepted.
- Any amendment to an existing registration such as change of address, nature and additions of business activities, contact details or change of Directors or shareholders, and

- Any other TIN related enquiries.

We have recently launched IRC Offices for New Guinea Island Regions in Kokopo, Rabaul and Lae. We expect all TIN and other IRC related matters to be occurring in other centres to deliver Office services to our valued taxpayers.

3.0) TAX AGENT LIAISON GROUP (TALG)

As we move along during the year, you will be invited to attend the Tax Agent briefing sessions to discuss and share your ideas in relation to any tax matters in support of assisting you and your clients. It would also be an avenue/forum to share your views, comments and suggestions on the policies and legislative changes in order to improve the Administration of the PNG Tax Laws.

If you think fit that you have not given your name nor have you received any invitation notices, please take an initiative in consulting us of your interest as quickly as possible.

4.0) TAX LEGISLATIVE AMENMENTS

2017 BUDGET AND CORRECTIONS – TAXATION MEASURES

The 2017 Budget introduced a number of significant tax measures which are intended to be broadly consistent with the Taxation Review Committee (TRC) recommendations. All of the key measures apply from 1 January 2017.

There were a number of unintended consequences passed during the November 2016 budget sitting which were corrected in the February 2017 sitting of Parliament. The changes are highlighted below.

Key Changes

4.1 Standardised Corporate Income Tax Rates – Resource Companies

The standard resident corporate income tax rate (CIT) of 30% will now apply to all companies in the resource industry.

The policy intent was to provide certainty to investors in the resource industry by ensuring a level playing field for all resource operators.

The prevailing circumstances at the time when the Government was encouraging investment into the mining, petroleum and gas sectors have changed and the differing rates across the sector was viewed as no longer relevant under current circumstances, not to mention unnecessarily complex from a tax administration perspective.

<i>Resource companies</i>	<i>Old CIT Rate</i>	<i>New CIT Rate</i>
<i>New Petroleum Project</i>	<i>45%</i>	<i>30%</i>
<i>Incentive Rate Petroleum Projects</i>	<i>30%</i>	<i>30%</i>
<i>Other Petroleum Project</i>	<i>50%</i>	<i>30%</i>
<i>Gas Operations</i>	<i>30%</i>	<i>30%</i>
<i>Resident Mining Companies</i>	<i>30%</i>	<i>30%</i>
<i>Non-Resident Mining Companies</i>	<i>40%</i>	<i>30%</i>

4.2 Dividend Withholding Tax (DWT)

Changes to the DWT regime were intended to simplify its administration to ensure that DWT is only required to be deducted and remitted to the IRC where the dividend is paid to;

- (i) resident individuals
- (ii) resident trust estate; and
- (iii) non-residents

DWT is a final tax in the hands of the above 3 groups of taxpayers. Inter-company dividend payments are no longer subject to DWT.

The DWT rate has been decreased from 17% to 15% across all sectors with the exception of resource projects subject to fiscal stability clauses. The new single DWT rate of 15% is effective as of 1 January 2017.

As a transitional measure, companies with existing DWT credits stemming from dividends derived prior to 1 January 2017 may still claim a DWT refund provided all accurate records are kept and substantiated.

<i>Paying Company</i>	<i>Old DWT rate</i>	<i>New DWT rate</i>
<i>Non-Resource Company</i>	<i>17%</i>	<i>15%</i>
<i>Petroleum/Gas Companies</i>	<i>exempt</i>	<i>15%</i>
<i>Mining Companies</i>	<i>10%</i>	<i>15%</i>
<i>Offshore Dividend Received by Resident Companies</i>	<i>17%</i>	<i>15%</i>

4.3 Employee Housing Benefits - Salary and Wages Tax

The existing prescribed values that apply for tax purposes to employees in receipt of employer provided housing were last updated in 2011. There has since been a significant increase in rental amounts that has created a huge disparity for those in the High Cost Housing category.

This has resulted in the prescribed value becoming overly generous especially for the highest income earners.

For example, prior to 1 January 2017, a family man working as a middle manager in Port Moresby with employer provided accommodation in Waigani that costs K3, 000 per week, falls within the high cost housing category and is taxed on a prescribed value of K700 per fortnight. A senior executive or expatriate employee with employer provided accommodation at Touaguba Hill that costs K8, 000 per week is also taxed on the same prescribed value of K700 per fortnight. As of 1 January 2017, the prescribed value for that senior executive or expatriate employee will now be increased to K2, 500 per fortnight.

The Government has capped off the High Cost Housing category at K5,000 per week rental and introduced two additional categories of Up Market Cost Housing and Very High Cost Housing in Regulation 9A of the *Income Tax Regulation*.

<i>Type of Housing</i>	<i>Value of taxable benefit per fortnight</i>		
	<i>Area 1</i>	<i>Area 2</i>	<i>Area 3</i>
<i>Very High Cost house or flat</i>	<i>K2500.00</i>	<i>K1500.00</i>	<i>K0.00</i>
<i>Up-Market Cost house or flat</i>	<i>K1500.00</i>	<i>K1000.00</i>	<i>K0.00</i>
<i>High cost house or flat</i>	<i>K700.00</i>	<i>K500.00</i>	<i>K0.00</i>
<i>Medium cost house or flat</i>	<i>K400.00</i>	<i>K300.00</i>	<i>K0.00</i>
<i>Low cost house or flat</i>	<i>K160.00</i>	<i>K150.00</i>	<i>K0.00</i>
<i>Mess/barracks</i>	<i>K60.00</i>	<i>K50.00</i>	<i>K0.00</i>
<i>Government mess/barracks</i>	<i>K7.00</i>	<i>K7.00</i>	<i>K0.00</i>
<i>Employees in an approved citizen employee first time home buyer scheme</i>	<i>K0.00</i>	<i>K0.00</i>	<i>K0.00</i>

- *High Cost Housing – market rental between K3, 000.00 and K5, 000.00 per week*
- *Up-Market Cost Housing – market rental between K5, 000.00 and K7, 000.00 per week*
- *Very High Cost housing – market rental of K7, 000.00 per week or more*

The prescribed fortnightly values remain unchanged for the majority in the Low, Medium and the lower end of the High Cost Housing categories.

The range of urban centres to which these values apply has also changed. The urban centres of Kokopo, Alotau and Kimbe have been elevated from Area 2 to Area 1 whilst Buka, Arawa, Lihir and Rabaul have been added to the Area 2 list.

4.4 Additional Profits Tax

Additional profits tax (APT) is now extended to all resource projects. There is now a single accumulation rate of 15% (compared to the previous 17.5% and 20%) and a single APT rate of 30% (compared to the previous 7.5% and 10%). The only exception is for projects subject to fiscal stability agreements with the State.

4.5 Repeal of Interest Income Exemption

The tax exemption under Section 35(2)(e) in respect of interest income derived by a non-resident lender from a company engaged in mining, petroleum or gas operations in PNG has been repealed. Interest Withholding Tax (IWT) is therefore applicable from 1 January 2017 on these non-resident lenders.

4.6 Repeal of Dividend Income Exemption

The exemption under Section 42(3) in respect of dividend income paid directly or indirectly out of income that was assessable income from petroleum and gas operations, has been repealed. The only exception is for projects subject to fiscal stability agreements with the State.

4.7 Repeal of Double Deduction for Exploration Expenditure

The double deduction for exploration expenditure for mining companies in Section 156E has been repealed. This is in line with the policy intent of streamlining the treatment for all resources companies.

4.8 Foreign Contractors

As of 1 January 2017, the foreign contractor's withholding tax (FCWT) rate is now a flat 15%.

The deemed profit margin method where 25% of the gross income is deemed as the taxable income on top of which the non-resident rate of 48% is applied, has been done away with. The calculation now involves the new flat 15% withholding tax rate applying directly on gross contract receipts.

Furthermore, the ascertainment of FCWT by the IRC will not be deemed to be an "assessment" as defined under the *Income Tax Act*. As such, the formal objection rights that were previously available to affected non-resident taxpayers do not arise.

The process whereby foreign entities could seek the approval of the Commissioner General to instead lodge returns and be taxed at the non-residents rate on a profits basis, is no longer available.

As a transitional arrangement, those foreign entities that have existing approvals to lodge returns from the Commissioner General, will only be allowed to lodge their returns for the 2016 year of income. There will be no more lodgements of returns for ensuing years.

4.9 Introduction of Country By Country (CBC) Reporting Regime

Consistent with OECD recommendations and other international obligations, the Government has adopted the Country by Country regime template to implement Action 13 of the Base Erosion and Profit Shifting (BEPS) initiatives.

All PNG resident enterprises that are part of a multinational enterprise (MNE) group are now required, subject to certain requirements, to report annually on certain aggregate details relating to their affairs in each tax jurisdiction in which they do business.

There is a monetary revenue threshold of K2.3 billion below which, the rules do not apply.

The new regime requires the PNG entities that must lodge a CBC Report to do so within 12 months of the end of the MNE group's annual reporting period. All PNG resident entities that are the ultimate parent entity of an MNE group must file a CBC Report.

The CBC Report itself has two distinct detailed requirements:

- ❖ One is identification of each constituent entity within the MNE group globally, its location tax jurisdiction wise and nature of each entity's business activities.
- ❖ The second is aggregate detail on the gross revenues, profit outcomes, tax paid or payable, capital employed, retained earnings, workforce size and tangible assets for each tax jurisdiction in which the MNE group operates.

The legislation binds the IRC to only use the CBC Report information for transfer pricing risk assessment purposes, for identifying other BEPS related risks or for appropriate economic and statistical analysis. It also stipulates that transfer pricing adjustments by the IRC will not be based on the CBC report.

4.10 Impact of Changes on Resource Projects Subject to Fiscal Stability Clauses

The above changes, to the extent that they are catered for under fiscal stability clauses, will not apply to or impact resource projects that are party to Fiscal Stability Agreements with the State. The affected changes include;

- Additional profits tax calculation
- Dividend income exemption
- Interest income exemption
- Foreign contractors withholding tax

This is the policy intent of the Government as advised and announced during the presentation of the changes in Parliament.

The IRC recognises that there may be potential shortcomings in the form of the recent legislative changes, however, advises that regardless of this, the administration of these changes will be done so in order to give full effect to the policy intent of the Government.

5.0 OUTSTANDING LEGISLATIVE MATTERS

The IRC acknowledges the following unintended consequences from the legislative amendments passed in the February sitting of Parliament that remain outstanding;

5.1 Sunset clause restricting the application of the dividend rebate

5.2 Removal of the DWT exemption to authorised superannuation funds

It is the policy intent of the Government that the dividend rebate remain and that ASF's continue to be exempted from DWT.

These matters are being addressed with Treasury to be corrected at the earliest opportunity with application from 1 January 2017 as intended. Given this, the IRC will administer the law in respect of the above matters according to the policy intent of the Government so that relevant taxpayers are not affected.

6.0 OTHER LEGISLATIVE CHANGES

6.1 Repeal of Stamp Duty on Betting Books

There is no longer any stamp duty applicable on betting books. This is consistent with the changes to the book-makers turnover tax regime where betting shops are no longer required to obtain betting books from the IRC.

6.2 Bookmakers Turn Over Tax

The book-makers turnover tax rate has been increased from 4% to 15%. It is now a monthly tax due by the 21st of each month.

6.3 Gaming Tax

The betting tax imposed under the *Gaming Control Act* has increased from 46% to 55% of the gross profits made by gaming machine operators.

7.0 IRC CONTACT MAILBOXES

SIGTAS@irc.gov.pg – use for any reported error in keying of a transaction into the system such as applying a payment to the wrong tax period or wrong tax type, incorrectly dating the receipt date of an electrical payment, or any other suspected “data entry” problem. You may also use this address to file a variation request, or other routine query such as requesting an account balance for a client.

Registrations@irc.gov.pg – use for any query related to the lodgement of a TIN application, or request a reprint of a TIN certificate.

SOELodgement@irc.gov.pg – use for electronic submission of annual statement of earnings documentation.

remissions@irc.gov.pg – use for electronic request for remission of penalties, or follow up on same.

Anonymous Information can be submitted to Intelligence@irc.gov.pg – If you have any information about someone you think may be deliberately evading or avoiding tax, you can report it to us via this email address. Report someone to IRC if you think they are evading tax.

For example they might be;

- Not telling the IRC about tax they owe (e.g. on business profits)
- Keeping business “off the books” by dealing in cash and not giving receipts,
- Hiding money, shares or other assets in an offshore bank accounts (‘offshore tax evasion).

Your identity will be protected to ensure your safety.

IRC Objections – objections@irc.gov.pg – All objections against assessments are to be forwarded to this email address. By emailing your request to this email box, we will be better able to evidence that the request has met the 60 days timeframe as required under section 245 of the PNG Income Tax Act 1959 as amended to-date.

To warrant a valid objection, it must be in writing and must contain the followings:

- 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 your reasoning as to 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 laws or similar precedent cases where this is helpful to your case, and
- Be signed and dated.

8.0 CONTACTS

Names:	Area of Responsibility:	Telephone:	Email:
Mr Rakatani Helai	Tax Agent Coordination Section	3226786	helair@irc.gov.pg
Ms Dorothy Sonny	Tax Agent Liaison Officer	3226401	sonnyd@irc.gov.pg
Mrs Ueri Pahina	AC, Office of the Commissioners	3226929	pahinau@irc.gov.pg
Mrs Ketty Masu	Director, Resources Policy & Advice	3226710	masuk@irc.gov.pg
Mr Terence Tamarua	Manager, Individual Assessing	3226890	tamaruat@irc.gov.pg
Mr Kapera Lohia	Large Business Assessments	32266685	lohiak@irc.gov.pg
Ms Stella Bima	Manager, - Large Business Resources Oil Auditor	3226626	bimas@irc.gov.pg
Mr Biuna Papua	Manager, High Wealth Individual Audits	3226673	papuab@irc.gov.pg
Ms Bernadette Urana	Manager – GST Refunds	3226616	urunab@irc.gov.pg
Mr John Heni	Manager, SME Audits	3226558	henij@irc.gov.pg
Mrs Cecilia Magun	Director, Product Ownership	3226656	magunc@irc.gov.pg
Ms Emily Loko	Director, Objections, Reviews & Advice	3226916	lokoe@irc.gov.pg
Mr Anoko Sasi	GST Manager – Product Ownership	3226593	sasia@irc.gov.pg
Ms Maryanne Hasola	Director, Procedures, Policies & Exemptions	3226629	hasolam@irc.gov.pg
Ms Arua Naime	Director, SIGTAS Tax Processing	3226714	naimea@irc.gov.pg
Mr David Hebbend	Director, Other Clients Audits	3226626	hebbendd@irc.gov.pg
Mr Solomon Vali	Manager, Taxpayer Accounting	3226776	valis@irc.gov.pg
Mrs Garo Lakasi	Manager, Revenue Accounting	3226729	lakasig@irc.gov.pg
Mr Dollarcruise A Potjepat	Director, Debt Reduction & Enforcement	3226664	augustined@irc.gov.pg
Mrs Vavine Rupa	Manager, Legal & Early Collections	3226781	rupav@irc.gov.pg
Ms Geua Taumaku	Manager, Lodgement Enforcement	322 6672	taumakug@irc.gov.pg
Mr Stephen Burke	Manager, Source Collection Product Owner	3226681	burkes@irc.gov.pg
Ms Lalau Stephen	Manager, Resource Portfolio	3226665	stephenl@irc.gov.pg
Mr Joseph Maiauka	AC, Large Business Assessments	3226961	maiaukaj@irc.gov.pg
Ms Helena Solien	Deputy Director, SIGTAS Tax Processing	3226884	solienh@irc.gov.pg
Mr Miria Igo	Supervisor, SIGTAS Processing	3226655	igom@irc.gov.pg
Ms Cassandra Lai	Secretary to the Review Tribunal	3226914	laic@irc.gov.pg

We look forward to another year of harmonious working relationships with you.

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