14th December 2018

Country by Country Reporting in Papua New Guinea

The requirement for multinational enterprises (MNEs) to lodge Country-by-Country Reports (CbCR) emanates from the Base Erosion and Profit Shifting (BEPS) Action 13 Report. Division 16A of the Income Tax Act 1959 (ITA) provides for Country-by-Country Reporting. Ultimate Parent Entities (UPEs) of multinational entities (MNEs) are required to file CbC Reports in their jurisdiction of residence after which those CbC Reports will be exchanged through the Automatic Exchange of Information (AEOI) standard with other jurisdictions in which their constituent entities are located. The requirement to file CbC Reports in Papua New Guinea takes effect from income years commencing on or after 1 January 2017.

There are three instances where a jurisdiction may require an entity that is not the UPE of a MNE to file a CbC Report (local filing):

1. Where the UPE of a MNE group is not obligated to file a CbC Report in its jurisdiction of residence; or
2. Where the jurisdiction of the UPE has a current International Agreement but does not have a Qualifying Competent Authority Agreement in effect; or
3. Where there has been a Systemic Failure of the jurisdiction of the UPE.

The Commissioner General of Internal Revenue, who is tasked with receiving CbC Reports pursuant to section 199 of the ITA, wishes to advise that PNG companies that are not the UPE of a MNE and foreign companies with a permanent establishment in PNG do not need to submit CbC Reports for the income years commencing on or after 1 January 2017 as required in instances where local filing is triggered. However, the requirement to notify the Commissioner General pursuant to s.200 of the ITA still stands.

We will advise once our circumstances change and local filing is activated again.

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