



Form C should be completed by any enterprise operating as:

1. A company;
2. A Unit Trust; or
3. A Superannuation Fund.

A company has been defined to include all bodies or associations, whether incorporated or not, but does not include partnerships. Thus a company includes:

1. Companies incorporated under the Companies Act;
2. Business groups;
3. Land groups;
4. Youth groups;
5. Clubs
6. Associations
7. Joint ventures, etc.

Note: The Form C 2018 relates to the year ended 1 January 2018 to 31 December 2018. The numbering system changed on the IRC forms due to the implementation of new taxation administration software. All forms now observe the same format and dating system.

Guidance on how to complete each of the fields in the form is provided in the table below:

NAME AND ADDRESS OF TAXPAYER	
Name of Taxpayer	Write the name of your Corporation or Trust here.
Contact / Representative	The name of the primary representative for your entity. This is the person to whom the IRC will address any questions regarding your entity.
Phone Number	The telephone number(s) of the main contact.
E-mail address	The e-mail address of the main contact.
Mailing Address	Write the postal address of your organisation in this block. Please note that if your address or other details have changed since your organisation was first registered with the IRC you must complete a TIN1 form and notify the IRC of the changes to your registration details.
Section No.	If the address is in the format "Section Number / Lot Number" (such as addresses in Port Moresby), use this area to write the section number.
Lot No.	If the address is in the format "Section No. / Lot No." write the Lot number.
Street / Suburb / District	Depending on the format of your address write either the name of the street, the name of the suburb or the name of the district in which your entity resides.
P.O. Box	If your entity has a Post Office Box, list the details here.
Country	This is the country in which the Head Office is found. Usually P.N.G.
Province / State	This is the Province, State, or County, etc. in which the Head Office is located.
City / Post Office	If the address is in a city, list that city. If the address is for a PO Box at a Post Office, write the name of that Post Office.
Care Of (C/-)	If the address is delivered to someone else and forwarded to your entity, then write the name of the person / organisation receiving mail on your behalf.
TAX PERIOD	
Tax Period From	This is the start date of the tax period on which you are reporting in this return. For most taxpayers this will be the 1 <sup>st</sup> of January of the previous year. For example if you are completing this return in 2019 for the 2018 tax year, write 1 Jan 2018 here. If your enterprise uses a Substituted Accounting Period (SAP – see below), then write the start date of the period covered by your return.
Tax Period To	This is the end date of the tax period on which you are reporting in this return. For most taxpayers this will be the 31 <sup>st</sup> of December of the previous year.

	<p><u>Substitute Accounting Periods</u> Adoption of Substituted Accounting Periods will only be permitted to overseas controlled companies where the overseas controller has a non-December 31 balance date. The Commissioner General's prior approval is required and a copy of the Director's Minute authorising the changed balance date should be forwarded.</p>
<b>DETAILS OF PUBLIC OFFICER / TRUSTEE</b>	
Name of Public Officer / Trustee	<p>Every corporation must have a Public Officer and every Trust must have a Trustee (or Trustees). Write the name of your organisation's Public Officer or Trustee (principal trustee if there are multiple trustees) in this box.</p> <p>Note: Every company must appoint a resident Public Officer and notify the Commissioner General accordingly, specifying the name of the Public Officer and their address for service of notices. All new appointments should be notified and a penalty of K20 per day may be imposed for failure to appoint a Public Officer.</p>
Date of Appointment	Write the date on which the Public Officer or Trustee was appointed to that role.
Residency of Taxpayer	
Percentage of Gross Sales Attributed to Business Activities in the Autonomous Region of Bougainville (ARoB)	<p>If your organisation undertakes business in the Autonomous Region of Bougainville (ARoB), write the percentage of gross sales that are attributed to your operations in ARoB, e.g. 25%.</p> <p>A Bougainville Company is defined as one whose principal place of business or whose main business activity is carried on in ARoB.</p>
Notes on Residency	<p>Taxpayers who are residents of Papua New Guinea must declare their total income from all sources throughout the world, whereas taxpayers that are non-residents need only declare their PNG-sourced income.</p> <p><u>For Taxpayers Who are Companies</u> A company will be resident in PNG if:</p> <ol style="list-style-type: none"> <li>1) It was incorporated in PNG</li> <li>2) It was incorporated outside PNG but conducts business here and has its central management and control here.</li> <li>3) It was incorporated outside PNG but conducts business here and has its voting power controlled by shareholders resident here.</li> </ol> <p>Any company lodging their first return should enclose a copy of their constitution (if any) as well as their Certificate of Incorporation and change of name (if applicable).</p> <p><u>For Taxpayers Who are Unit Trusts</u> A Unit Trust will be resident in PNG if:</p> <ol style="list-style-type: none"> <li>1. It was established in PNG; or</li> <li>2. Its central management and control is in PNG.</li> </ol> <p>Any Unit Trust lodging their first return should enclose a copy of their trust deed. For tax purposes, Unit Trusts are deemed to be Companies (not Trusts).</p> <p><u>For Taxpayers Who are Superannuation Funds</u> A Superannuation Fund will be resident in PNG if:</p> <ol style="list-style-type: none"> <li>1. It was established in PNG; or</li> <li>2. Its central management and control is in PNG.</li> </ol> <p>Any Superannuation Fund lodging their first return should enclose a copy of the Superannuation Fund Deed and evidence of authorisation of the Fund, by the BPNG, as without approval, contributions to Superannuation Funds are fully assessable. All Superannuation Funds must complete Schedule 11 of Form C. For tax purposes, Superannuation Funds are deemed to be Companies.</p>

<b>PUBLIC OFFICER'S / TRUSTEE'S DECLARATION</b>	
Signed	This is where the Public Officer / Trustee signs the return to confirm that they have made a complete and truthful declaration in the tax return.
Date	Write the date on which the declaration was signed.
<b>TAX AGENT'S CERTIFICATION</b>	Complete this block if your tax return was prepared by a Tax Agent.
I / We	Write the name of the individual(s) who completed the return.
Of	Write the name of the Tax Agency for whom the Tax Agent works.
Signed	This is where the Tax Agent signs the return to confirm that they have made a complete and truthful declaration in the return.
Date	The date on which the Tax Agent signed the return.
Contact Person	The representative of the Tax Agency to whom enquiries should be directed.
Phone Number	The telephone number of the Tax Agency's representative.
E-mail Address	Write the e-mail address of the Tax Agency's representative.
Tax Agent Number	Tax Agents operating in PNG are required to be registered with the IRC. Write the Tax Agent Number provided by the IRC in this box.
<b>TAX RETURN ITEMS</b>	
Item 1 – Income	<p>This block contains a list of all the sources of income that your organisation has. Calculate the income for each item and write it in the corresponding box on the right. For example, if your organisation received distributions of income from a trust (or trusts), write the total amount of the income received in the box to the right.</p> <p>If you earned income that cannot be categorised using any of the types of income in the list, write the total of that income in the "Other gross income" line at the bottom of the list.</p>
Item 2 – Expenses	<p>This block contains a list of the expenses that are incurred in carrying on a business. Calculate the total of the expenses incurred in each of the categories listed and write the amount in the corresponding box in the column on the right. For example if your organisation incurred depreciation costs on the assets employed in gaining your assessable income, calculate the amount and write it in the box to the right.</p> <p>If you incurred expenses that cannot be categorised using any of the types of expenses in the list, write the total of those expenses in the "All other expenses" line at the bottom of the list.</p> <p>Certain expenses have specific definitions and rules relating to what may or may not be claimed. Details are provided below:</p> <p><u>Entertainment Expenses</u></p> <p>From 1 January 1995 entertainment expenses became deductible only in very limited circumstances. Those circumstances are:</p> <ol style="list-style-type: none"> <li>1. Where the entertainment expenses are incurred because the taxpayer is in the business of providing entertainment (as defined) i.e. they provide food, drink, etc. but are paid for doing so i.e. restaurants, hotels, clubs, etc.</li> <li>2. Where the entertainment is provided by exhibiting or giving away to the public specific goods or services produced or supplied by the taxpayer.</li> <li>3. Where the entertainment, typically in the form of food or drinks is provided non-selectively to members of the public whilst the taxpayer's products or services are being advertised or exhibited.</li> <li>4. Where the entertainment is in the form of food or drink provided to employees (otherwise than at an office party or social function) during working days at staff canteens or dining rooms, or during a working seminar or overtime.</li> <li>5. Where the entertainment is provided to members of the public who are sick, disabled, poor or otherwise disadvantaged.</li> </ol>

	<p>Entertainment has been defined to include the provision of food, drink, or recreation, as well as any related travel or accommodation. The effect of limiting the deduction for entertainment is that expenses on business lunches / dinners, entertaining existing / prospective clients or business associates is no longer deductible. Nor is the cost of cocktail parties, dinner parties, Christmas parties, etc. There is also no deduction for entertainment allowances paid to employees.</p> <p><u>Salary and Wages</u> If your enterprise engages employees, write the total of the salary and wages paid in this line. Note that any employer with a payroll in excess of K200,000 per annum, in addition to lodging an income tax return, must lodge a Training Levy form (Form TL1). The definition of salary and wages for the purposes of Training Levy is broad and includes all allowances and other benefits paid to all employees. For details, refer to the notes on the TL1 form. Where a TL1 is required, it must be lodged with the Form C.</p> <p><u>Disposal, Loss or Destruction of Plant</u> Where property is disposed of, lost or destroyed at any time during the year of income, any amount by which the written-down value exceeds the consideration received or insurance claims recovered is an allowable deduction. If the consideration received or insurance claims recovered exceeds the written-down value of other depreciable property, in which case, depreciation on the plant nominated for the balancing charge will be deducted from that reduced written down value or from the cost of replacement plant less the balancing charge. An election to have the excess treated as a balancing charge must be lodged with the return.</p>
<p>TAXABLE INCOME RECONCILIATION STATEMENT</p>	<p>This section of the form is designed to adjust the income and expenses provided for any differences between accounting profit and income as it is calculated for the purposes of the Income Tax Act 1959 (as amended). The purpose of the Taxable Income Reconciliation Statement is to convert accounting net profit to taxable income. It is necessary because the underlying principles of accounting and the income tax law differ. For instance, for accounting purposes, expenses must be matched with the income period with which they are related, whereas for tax purposes they must be claimed in the year they are incurred. Similarly, some items that can be expensed for accounting purpose are not deductible for tax purposes or may even qualify for a double deduction for tax purposes. The statement of taxable income reconciles the differences between accounting principles and taxation law.</p>
<p>Item 3 – Add Back Items Not Deductible</p>	<p>This block contains a list of items that need to be added back to your total income because they receive different treatment under Income Tax law from how they are treated when calculating accounting profit. For example, goodwill or formation expenses that were written off for determining accounting profit must now be added back to calculate income for tax purposes. Write the amount of any such write off in the corresponding box in the column on the right. If any other items exist that were not included in the amounts declared elsewhere in Item 3, include them in the last line of the list, "Other items not allowable for tax purposes, being:" and specify the details in the space provided. Certain add back items have specific definitions and rules relating to what may or may not be claimed. Details are provided below: <u>Recouped Lease Premiums</u> Where after 1 June 1994, a previously leased asset, which has been acquired at its residual value by either the taxpayer or an associate, is sold at a profit, that profit,</p>

	to the extent of the lesser of the lease premium allowed or the profit made, is assessable to the taxpayer who claimed the lease premiums.
Item 4 – Less: Items Deductible	<p>In this block items that are allowed as deductions under tax law are listed so that they can be used to reduce your taxable income. Calculate the deductible items that relate to your enterprise and write the appropriate amount in the column on the right.</p> <p>In calculating “<u>Depreciation for tax purposes</u>”, please note the following: There are two standard methods of calculating depreciation and the taxpayer may elect to use either one of them. They are:</p> <ol style="list-style-type: none"> <li>1. The diminishing value method; and</li> <li>2. The prime cost method.</li> </ol> <p>A taxpayer may elect to use either method in relation to each purchase of plant but having commenced to depreciate an item of plant using one method, that method cannot be changed for that item of plant unless approval is given by the Commissioner General. Unless a taxpayer elects otherwise, the diminishing value method will be used.</p> <p>Under the diminishing value method the depreciation allowed is one and a half times the rate of depreciation allowable under the prime cost method. With depreciation being calculated on the written down value of the plant, this method will initially allow a great deduction for original cost price and a fixed deduction for each item of plant will be allowed each year. Taxpayers may pool assets with the same depreciation rate.</p> <p>The rates of depreciation to be applied to plant for income tax purposes are set out in the Schedule of Rates for Annual Depreciation. It is not practical to detail those rates here, so if you are unsure of the rates of depreciation for a particular item of plant you should ask an enquiry officer from the Internal Revenue Commission.</p> <p><u>Previous Year Losses</u></p> <p>A tax loss incurred in a previous financial period can be claimed as a deduction in any of the returns for the next 20 financial periods. The loss is to be claimed (or written off) first against any exempt income (including exempt interest) of those twenty financial periods and next against any remaining taxable income of those years after all allowable deductions have been claimed. The 20-year restriction for claiming the losses does not apply to losses incurred from engaging in primary production or any other loss incurred before 1 January 1993. Previous year losses cannot be claimed unless there is continuity of ownership of the business i.e., the same shareholders owned at least 50% of the issued share capital at all times during both the year of loss and the year the losses are being claimed, or there is continuity of business, i.e. there is insufficient continuity of shareholders but the business conducted during the whole of the year the loss is being claimed is the same as was conducted immediately before the controlling shareholders changed.</p>
Item 5 – Other Credits and Rebates	If you have credits or rebates from Dividends (s216), foreign taxes paid (s219), or any other credits not listed elsewhere in the return, write the amounts in the column on the right next to the appropriate line.
<b>BALANCE SHEET</b>	
Item 6 – Balance Sheet	<p>The balance sheet provides a summary of the assets and liabilities currently related to the operations of your enterprise.</p> <p><u>Current Assets</u> refers to items that are transient or temporary in nature, such as cash, debtors or inventory.</p> <p><u>Fixed Assets</u> are items that are used in conducting your business that have a more permanent or fixed nature, such as property, equipment, etc.</p> <p><u>Current Liabilities</u> refers to obligations that presently exist for your enterprise that are of a transient or temporary nature, including accounts payable (outstanding bills), taxes and fees.</p>

	<p><u>Long-term Liabilities</u> are obligations of a longer-term nature, including, loans, mortgages, etc.</p> <p>Any asset or liability that does not fit into the categories listed on the balance sheet should be included in the “other” section under the appropriate heading.</p> <p>There are specific rules and definitions that apply to certain elements of the balance sheet:</p> <p><u>Valuation of Trading Stock</u></p> <p>The Income Tax Act (hereafter “The Act”) provides that the value of each article of Trading Stock (not being Livestock) taken into account at the end of the year of income shall be, at the option of the taxpayer:</p> <ol style="list-style-type: none"> <li>a) Its cost price; or</li> <li>b) Its market selling value; or</li> <li>c) The price at which the stock can be replaced.</li> </ol> <p>The abovementioned option shall be exercised by the taxpayer on the lodgement of their first return showing income from a trading business and shall not be varied at any time thereafter except with the approval of the Commissioner General. Where no election is made by the taxpayer, the value of each article of trading stock will be the cost price of the stock.</p> <p><u>Valuation of Livestock</u></p> <p>The value to be placed upon livestock on hand at the end of the financial year shall be, at the option of the taxpayer:</p> <ol style="list-style-type: none"> <li>a) its cost price; or</li> <li>b) its market value.</li> </ol> <p>As was the case for Trading Stock, the basis for valuation of livestock cannot be changed from that of the previous year without the approval of the Commissioner General. The value of livestock on hand should include all natural increase (stock born during the year) at the values stated below.</p> <p><u>Valuation of Natural Increase</u></p> <p>Natural increase born during the financial year and still on hand at the end of that year must be valued as follows:</p> <ol style="list-style-type: none"> <li>a) at market value if other livestock are valued at market value; or</li> <li>b) if other livestock is valued at cost, at a value not less than the following amounts: <ol style="list-style-type: none"> <li>1. Sheep – 40 toea</li> <li>2. Cattle or Horses - K2</li> <li>3. Pigs – 50 toea</li> </ol> </li> </ol> <p>If a taxpayer fails to select a value for natural increase the Commissioner General will treat the value as being the minimum value set out immediately above.</p>
<p><b>STATISTICAL INFORMATION</b></p>	
<p>Item 7 – Schedule of Revenue Foregone</p>	<p>The information required in the Schedule of Revenue Foregone is for purposes of calculating tax revenue foregone as a result of tax incentives granted in the Income Tax Act and is used in planning future tax policy decisions and measuring the impacts of existing provisions. The information provided on this sheet are aggregated under various formlines in item 4 – Less: Items Deductible and thus affect the calculation of assessable income or tax payable.</p> <p>For each of the items in the list, write the exact amount of deduction you are seeking under the corresponding exemption/deduction. Do not calculate 30% of the deduction or otherwise include any other amounts in the form line. - Note the following specific entries below:</p>

Certain items in the list have special rules and conditions associated with them:

Agriculture Incentive

1. Any amount spent on approved Primary Production Extension Services Plan would be eligible for 150% tax deduction.
2. In the case of incentive rate primary production income derived by a company, the rate of income tax is 20% (against normal 30%) of taxable income for the period commencing on the date construction, clearing or planting was started and ending at the end of the tenth full tax year after the date of commencement. "Incentive rate of production income" means income from primary production derived by a company from a new primary production development project that is:
  - a. A project with a capital cost not less than K5 million;
  - b. Located in an area in which primary production of the crop or livestock proposed was not previously carried out, or not previously carried out on a large scale; and
  - c. That is not an extension or development of an existing primary production project; and
  - d. That commenced construction, clearing or planting during 1 January 2004 to December 2006.

Research and Development

Any amount spent on approved Research and Development Plan would be eligible for 100% tax deduction.

Depreciation

1. The incentives provided for depreciation under the schedule refer to only the amounts that are provided as incentives. The ITA prescribes a standard method of depreciating various classes of capital assets for tax purposes. In addition to the standard method, section 73 of the ITA provides additional depreciation that allows taxpayers to further reduce taxable income provided they are eligible. The declaration of depreciation by the standard method is provided for in a separate formline under Item 4.
2. Special rates or loadings to the standard rates apply in the following cases:
  - a. Certain new plant – 20% loading;
  - b. Improvements to plant to conserve fuel – 20% loading;
  - c. New non-oil-fired plant – 30% loading;
  - d. Conservation of existing oil-fired plant to non-oil-fired plant – 30% loading.
  - e. Industrial plant not previously used in PNG – 100% write-off, unless write-off would create a tax loss, in which case the write-off is limited to the amount that would reduce taxable income to nil.
  - f. Plant used directly for the purposes of agriculture production – 100% write-off.
  - g. Plant used solely for commercial fishing purposes – 100% write-off.

In this context, "loading" means that additional depreciation as a percentage of the original cost price is allowable. From January 1, 1980, depreciation cannot be claimed on buildings situated outside Papua New Guinea.

	<p><b>Section 155 Deductions</b></p> <p>Section 155 deductions are only applicable to designated mining, oil and gas companies operating in PNG. The ITA prescribes a standard method of depreciating various classes of capital assets for designated mining, oil and gas companies for tax purposes. In addition to the standard method, section 155 has provisions for additional depreciation that allows taxpayers to further reduce taxable income provided they are eligible. The declaration of depreciation for designated mining, oil and gas companies by the standard method of section 155 is provided for in separate formlines under Item 4.</p> <p><b>Avoiding Double Counting</b></p> <p>The taxpayer is <b>URGED TO TAKE NOTICE</b> of the instructions provided within parenthesis under each formline of this Item 7 – Schedule of Revenue Foregone, when calculating their income tax payable. It is important that the tax payer segregates these specific deductions/exemptions from others in order for IRC to assess the correct taxable income. At no point must the tax payer double count between any formline listed under Items 1-7.</p> <p>If you have questions about any of the items in the Schedule, contact the IRC on +675 322 6600.</p>
<b>SUMMARY INCOME TAX RETURN</b>	In this part of the return the calculations are performed to calculate the net tax payable (refundable) for your enterprise.
Taxable Income / Loss (after carried-forward losses are utilised)	To calculate the taxable income / loss add the total of Item 1 (gross income) to the total of Item 3 (non-deductibles), then take away to the totals of Item 2 (operating expenses) and Item 4 (deductibles).
Gross Tax	Gross tax is calculated as the Taxable Income multiplied by the tax rate that applies to your enterprise. For the majority of taxpayers this will be the corporate income tax rate of 30%. For example, if your Taxable Income is 1,000,000 kina then the gross tax will be 1,000,000 x 30% i.e. 300,000 kina. However, some enterprises will apply a different rate of tax due to the nature of their activities (for example mining and petroleum) or may apply different rates of tax on different projects, where certain projects receive a different tax treatment under the Income Tax Act (1959 – as amended). If you are unsure if your organisation fits into one of these categories, please contact the IRC for assistance.
Other Credits, Rebates and Foreign Tax Credits	Copy the total from Item 5 into this line.
Gross Tax Net of Other Credits	This is calculated as Gross Tax less the total of Item 5 from the line above. Note that this calculation may not result in a negative number. If the calculation results in a negative number then write zero in this box.
Additional Profits Tax	If your enterprise is subject to Additional Profits Tax under s159, write the amount of additional tax in this line.
Interest Withholding Tax Credit	If your enterprise received Interest Withholding Tax (IWT) credits under s219BB (i.e. tax was withheld from interest payments made to your enterprise) then write the total of the credits received in this line.
Business Payments Tax withholding (s282)	If your enterprise received payments from which Business Payments Tax (BPT) was withheld under s282, you must complete Schedule 2 of Form C. Schedule 2 lists all of the payments received from which BPT was deducted and calculates a total of tax credits. This total should be copied here to the appropriate line of the Summary Income Tax Return.
Provisional Tax / Advance Payment Tax (APT) – Total Paid to Date	If your entity has made payments of Provisional Tax or Advance Payment Tax (APT) then write the total of your PT/APT credits here. Note that this total should not include any PT/APT instalments that were levied but not paid. Nor should it include any penalties for late payment of PT/APT instalments.
Infrastructure Development	If your enterprise is entitled to an Infrastructure Development Credit under

Credit (s219C)	s219C, write the amount of your credit in this line.
Net Tax Payable (Refundable)	<p>To calculate Net Tax Payable (Refundable) begin with Gross Tax (net of other credits) calculated above. Add Additional Profits Tax (s159) then subtract:</p> <ul style="list-style-type: none"> <li>• IWT Credits (s219BB)</li> <li>• BPT Credits (s282)</li> <li>• PT/APT Credits; and</li> <li>• Infrastructure Development Credits (s219C)</li> </ul> <p>If the amount is positive, write the figure in the box on the right. This is the amount of tax that remains outstanding. The amount payable will be listed on your Notice of Assessment (NOA) received from the IRC. You have 30 days to pay from the date of assessment. If the figure is negative, write the figure with brackets around it in the box on the right. Negative amounts indicate that a refund is due to your enterprise. Once your return has been processed, you will receive an NOA and it will provide you with details on how to obtain your refund.</p>
DOCUMENTS AND INFORMATION TO BE FURNISHED	This section provides a checklist that informs the taxpayer of which items and schedules within Form C need to be completed and provided to the IRC.
Documents and Information Required to be Furnished with this Return	<p>Work through the checklist in this section and answer each question with a Yes or a No. Mark the appropriate box with an X like this:</p> <p style="text-align: center;"><input checked="" type="checkbox"/></p> <p>Note that some boxes only offer a “Yes” option. In such cases, the information is compulsory. The box is provided to allow you to quickly confirm that your return includes all of the necessary information.</p> <p>In some cases, such as those involving withholding taxes, your enterprise will be required to provide copies of the documents relating that tax type. For example, if your enterprise made royalty payments to non-residents, you will be required to submit a copy of your R1 form to the IRC as an attachment to your Form C.</p>

## **TAX RETURN SCHEDULES 1 TO 12**

The first portion of Form C covers the main elements of the Corporate Tax Return and all items in the first section are compulsory. However, other information will be required to process the assessment of returns for enterprises with more complex affairs. In such cases, taxpayers must complete a schedule that provides the IRC with the information necessary to process the assessment.

Use this section of this guide to help with the completion of the Form C Schedules:



	income. This amount acts as a credit on the Director's individual income tax return (Form I).
Totals	The totals for the columns Director's Fees, Salary/Wages, Allowances and SWT Deducted must be completed at the bottom of the page. These figures are important for error checking when the IRC processes your Form C.
<b>SCHEDULE 2 BPT Credits</b>	If your enterprise received any income from which Business Payments Tax (BPT) was deducted, you must complete this schedule.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Payer's Name	This is the full name (or trading name) of the individual or other commercial entity that made the payment and withheld BPT on behalf of your enterprise.
TIN of Payer	Write the Taxpayer Identification Number (TIN) of the entity that made the payment of BPT on your behalf. If you do not know the TIN of the payer, check the P5 or P8 forms provided by the payer when your payment was made. If the forms do not have the TIN, contact the payer and ask them for their TIN. If they do not have a TIN write "No TIN" in this field. Note: all businesses operating in Papua New Guinea are obliged to register with the IRC and obtain a TIN. Failure to do so may result in substantial penalties.
Income	This is the total gross amount of income received by your enterprise from the payer in question <i>before</i> BPT was deducted.
Tax Deducted	This is the total amount of BPT deducted from your enterprise's income from each payer.
Totals	Write the totals for Income and Tax Deducted at the bottom of the form.
<b>SCHEDULE 3 Dividends / Unit Trust Income</b>	If you paid or received dividends or unit trust distributions during the year, you must complete this schedule.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Total Dividends Paid During Year of Income	Write the total amount of all dividends paid by your enterprise during the year of income in this box.
Deduct Dividend Withholding Tax Paid	Write the total amount of Dividend Withholding Tax (DWT) deducted by your enterprise from dividends paid to shareholders or other entitled parties. This information should be found on your D2 Form – DWT Annual Reconciliation. Attach a copy of your D2 form to this return. Note that the figure reported in this box should match the total declared on your D2. If it does not match, provide an explanation.
Total 1 – Dividends Paid (net of DWT)	This is the difference between the two boxes above, i.e. Total Dividends Paid, less DWT paid.
Dividends or Unit Trust Distributions Received (Domestic)	This table contains the details of all dividends or Unit Trust distributions <i>received</i> during the year of income. If extra space is required, attach a separate sheet to your return.
Name of Company or Unit Trust	Write the name of the company or Unit Trust that paid the dividend in question.
TIN	This is the TIN of the company or Unit Trust from whom your enterprise received distributions. If you do not know the TIN of the payer, check the D2 form provided by the payer. If you cannot locate the TIN of the payer, contact them to confirm their TIN. If they do not have a TIN, write "No TIN" in this column. Note that all companies operating in PNG are obliged to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Gross Dividend or Distribution	Write the total amount of dividends or distributions received from that payer. Note that this amount should include the DWT deducted. For example if you received a dividend payment of 830 kina in your bank account and your dividend

	statement said that 170 kina of DWT was deducted from your payment then you would write the gross dividend amount in this column, i.e. 1000 kina.
If Exempt State Reason	If the dividend or distribution did not have any tax withheld, write an explanation for why it was exempt in this column.
DWT Deducted	Write the amount of DWT withheld by the payer and remitted to the IRC on your behalf. In the above example, this is the 170 kina of DWT that was deducted from the gross dividend.
Foreign Tax Paid (If Applicable)	If the dividend or distribution came from a foreign source, it may have had foreign tax deducted at the time of payment. In such cases, write the amount of Foreign Tax Paid in this column.
Sub Totals	Add up all of the values in each of the Gross Dividend / Distribution/ DWT Deducted and Foreign Tax Paid columns and write the totals in this line.
DWT or UTWT carried forward from previous year	Unused DWT or Unit Trust Withholding Tax (UTWT) credits may be carried forward and utilised to offset income tax in future years. If your enterprise has unused DWT or UTWT credits and chooses to make use of them in the year of income, write the amount of credits to be utilised in this box. Note: The amount of DWT carried forwards from the previous year should be adjusted for any amounts subsequently refunded under Section 189E. If DWT was deducted on your behalf, or if foreign tax credits are being claimed, attach proof to your Form C.
Total 2	To calculate Total 2, take the total from the DWT Deducted column above and then add the DWT/UTWT credits carried forward. Write the result in the box at Total 2.
Balance Payable (Carried Forward)	To calculate the balance payable, deduct Total 2 from Total 1. If the balance is positive then this is the amount payable to the IRC. If the result is negative then this is the credit to be carried forward. Note that DWT is also payable in respect of dividends received from foreign counties.
Notes on Dividend Withholding Tax	<u>Dividends and Dividend Withholding Tax (DWT)</u> Wherever a dividend has been declared, a copy of the relevant directors' minute should be enclosed with the return. In general, where dividends are paid, DWT must be deducted from the dividend and paid to the Commissioner General (currently at the rate of 17%). Specifically, DWT must be deducted in the following cases: <ol style="list-style-type: none"> <li>1) Dividends paid by all resident companies;</li> <li>2) Dividends derived by resident companies from overseas sources.</li> <li>3) Amounts deemed to be dividends derived by resident companies (this would include liquidator's distributions).</li> </ol> There are some exemptions from deduction of DWT and these are in respect of: <ol style="list-style-type: none"> <li>1) Dividends paid to certain bodies or prescribed organisations exempt from income tax;</li> <li>2) Bonus share issues (not being redeemable) paid up from capital profits or reserves or asset revaluation reserves;</li> <li>3) Dividends paid to non-residents from income resulting from petroleum or gas operations.</li> <li>4) Dividends paid by the Investment Corporation Fund;</li> <li>5) Dividends derived by Superannuation Funds (approved by the Commissioner General) or non-resident Superannuation Funds.</li> </ol> Where a company has borne DWT in respect of any dividends it has received and in turn, within 7 years of receiving the dividend, it declares a dividend from a fund that includes the dividend it received, the DWT borne can be refunded or applied towards the payment of DWT otherwise due. To qualify for this refund or credit, gross dividends received are to be recorded in an "Undistributed Dividend Income Account" and the DWT suffered in respect of such dividends recorded in a "Refundable Dividend (Withholding) Tax Account". Strictly speaking, the dividend should be declared from funds that include those set aside in the

	“Undistributed Dividend Income Account” to obtain this refund or credit. A refund of DWT is also available for dividends paid to exempt bodies from the “Undistributed Dividend Income Account”.
<b>SCHEDULE 4</b> Interest Received	If you received interest during the year of income, you must complete this schedule.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Name of Person Paying Interest	Write the name of the company or individual that paid the interest in question.
TIN	This is the TIN of the company or individual from whom your enterprise received interest payments. If you do not know the TIN of the payer, check the IW2 form provided by the payer. If you cannot locate the TIN of the payer, contact them to confirm their TIN. If they do not have a TIN, write “No TIN” in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Gross Interest Paid	Write the total amount of interest received from that payer. Note that this amount should include the IWT deducted. For example if you received an Interest payment of 900 kina in your bank account and your interest statement said that 100 kina of IWT was deducted from your payment then you would write the gross interest amount in this column, i.e. 1000 kina.
If Exempt State Reason	If the interest did not have any tax withheld, write an explanation for why it was exempt in this column.
IWT Deducted	Write the amount of IWT withheld by the payer and remitted to the IRC on your behalf. In the above example, this is the 100 kina of IWT that was deducted from the gross interest.
Foreign Tax Paid (If Applicable)	If the interest came from a foreign source, it may have had foreign tax deducted at the time of payment. In such cases, write the amount of Foreign Tax Paid in this column.
Totals	Add up all of the values in each of the Gross Interest, IWT Deducted and Foreign Tax Paid columns and write the totals in this line.
<b>SCHEDULE 5</b> Payments to Shareholders	If your enterprise made payments to shareholders or their associates (including loans, gifts, or other payments) during the year of income, you must complete this schedule.  Please note that this requirement relates to both private and public companies. If the list of information is too long to fit in the lines provided, please provide the complete list as an attachment.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Name of Shareholder or Associated Person	Write the name of the company or individual that paid the interest in question.
TIN	This is the TIN of the shareholder (whether a company or an individual) to whom your enterprise made payments. If you do not know the TIN of the recipient, contact them to confirm their TIN. If they do not have a TIN, write “No TIN” in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Loan at Start of Period	If the payment made to a shareholder was in the form of a loan, write the balance of the loan that was outstanding at the start of the period.
Repayments	If the recipient of the loan made repayments during the course of the year of income, write the total of all repayments made in this column.
Interest Charged	If interest was charged on a loan to a shareholder (or associate), write the total amount of interest charged during the period in this column.
Loan at End of Period	If the payment made to a shareholder was in the form of a loan, write the balance

	of the loan that was outstanding at the end of the period. Note that this should include any interest that accrued and was added to the balance of the loan during the period. The amount reported should be net of any repayments made during the period.
Gifts or Payments	If gifts or payments of any kind (not already reported in the previous columns) were made to shareholders, write the value of those gifts or payments in this column. If you are unsure of the value of the gift in question (for example if the gift involved second-hand goods), contact the IRC for assistance.
Notes on Associated Persons	<p>The definition of “associate” in Section 4 of the Act is very wide-reaching and complicated in its interpretation. Some of the more common relationships that would result in the parties thereto being associates would include:</p> <ol style="list-style-type: none"> <li>1) A company and a shareholder;</li> <li>2) A company and its parent company;</li> <li>3) A company and a relative or spouse of a shareholder;</li> <li>4) A company and a business in which a relative or spouse of a shareholder has an interest;</li> <li>5) A company and a branch office of that company;</li> <li>6) A company and another company with a common shareholder;</li> <li>7) An administration or service company and the person or partnership whose business they deal with.</li> <li>8) Any two companies having the same parent company;</li> <li>9) A Unit Trust and a unit holder or its trustee;</li> <li>10) A Superannuation fund and a member of that fund.</li> </ol> <p>This list is not intended to be exhaustive, but rather, illustrative of the types of relationships that can make people or enterprises associates under the Act.</p>
<b>SCHEDULE 6</b> Rental Payments	If your enterprise made payments to landlords or other parties for rental of property (commercial or domestic), the details must be provided in Schedule 6. Note that all rents paid must be declared, regardless of whether the property is commercial or domestic and regardless of who inhabits the property.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Landlord / Recipient	Write the name of the company or individual to whom your enterprise paid rent during the year of income.
TIN of Recipient	This is the TIN of the landlord / recipient to whom rent or lease payments were made (whether a company or an individual). If you do not know the TIN of the recipient, contact them to confirm their TIN. If they do not have a TIN, write “No TIN” in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Total Rent Paid During the Year	Write the total amount of all rental / lease payments made during the year to the landlord / recipient.
Stamp Duty Payment Receipt Number	All leases with a value of 500 kina or higher must be registered with the IRC and are subject to Stamp Duty. Write the receipt number from your Stamp Duty payment in this column. If the value of the lease was below the threshold for Stamp Duty, write “Not applicable” in this column. Note that if the value of the lease exceeds the Stamp Duty threshold but Stamp Duty has not yet been paid, you must visit your nearest IRC office to have the lease assessed and pay the appropriate Stamp Duty. Failure to do so may result in severe penalties being imposed.
Total	This is the total of the rent paid to all landlords / recipients during the year of income.
<b>SCHEDULE 7</b> International Dealings Schedule	<p>This schedule must be completed in the following circumstances:</p> <ul style="list-style-type: none"> <li>• If you answered Yes to any of the questions at the beginning of this schedule, you must complete the International Dealings Schedule.</li> </ul>

	<ul style="list-style-type: none"> <li>If your enterprise had any transactions or dealings with international related parties (irrespective of whether they were revenue or capital) or related party dealings then you must complete this Schedule.</li> </ul> <p>“<u>International related parties</u>” means persons who are parties to international dealings that can be subject to Division 15 Part III of the Income Tax Act (ITA) or the associated enterprises article of a relevant double tax agreement. The term includes the following:</p> <ul style="list-style-type: none"> <li>any overseas entity or person who participates directly or indirectly in your management, control or capital</li> <li>any overseas entity or person in respect of which you participate directly or indirectly in the management, control or capital</li> <li>any overseas entity or person in respect of which persons who participate directly or indirectly in its management, control or capital are the same persons who participate directly or indirectly in your management, control or capital.</li> </ul> <p>“<u>Related party international dealings</u>” means international transactions, agreements or arrangements between related parties. The term includes all transactions between a Papua New Guinea (PNG) resident and international related parties.</p>
Ultimate holding entity of the taxpayer	Write here the name of the ultimate holding entity that owns this entity or where the ultimate holding entity is party to an offshore Joint Venture project and all related parties to such arrangements be disclosed at this label. This may involve tracing ownership through several intermediate holding entities.
Country of residence of the ultimate holding entity	This is the country in which the ultimate holding entity resides.
Part A – International Related Party Transactions	In Part A, provide the details of transactions (including loans) between your enterprise and related international parties.
Question 1	<p>The intent of this question is to verify that the entity is required to complete this part of the international dealing schedule. If you are a relevant company you are required to complete this part of the international dealings schedule if you:</p> <ol style="list-style-type: none"> <li>Had international related party dealings that exceeded K 100,000 in value excluding the capital value of any related party loans- complete questions 2 and 3 of the schedule, and/or</li> <li>Had loans with international related parties whose aggregate capital value, for both amounts borrowed and amounts loaned, exceeded K 2,000,000 at any time during the year, complete questions 4 of the schedule.</li> </ol>
Question 2	The intent of this question is to identify and quantify the taxpayer’s international related party dealings. This includes identifying the countries where you have related party dealings. In addition, the question helps us to understand the transfer pricing methods you use and the extent to which you have transfer pricing documentation to support those dealings.
a. Tangible Property	<p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>The definition of trading stock in Section 4 of the Income Tax Act 1959 should be used to determine what trading stock is for the purpose of this question.</p> <p>Any amounts paid for the use of tangible assets should be included at Rent. This would include rent, hire and operating lease payments.</p> <p>All other payments in relation to tangible assets should be included as Other. This will include transfer of capital assets and consumables. Where amounts are</p>

	included at Other, you will need to provide a description of the dealings.
Purchases / Expenditure	At labels <b>A, F &amp; K</b> provide your gross purchases or expenditure for tangible property obtained from international related party dealings.
Sales / Revenue	At labels <b>B, G &amp; L</b> , provide your gross sales or revenue from tangible property provided to international related parties.
Method	At labels <b>C, H &amp; M</b> , record the code for the principal arm's length pricing method used to value the transactions for this item.
Country	At labels <b>D, I &amp; N</b> , record the code for the country with the highest Kina value of transactions for this item.
Documentation	<p>The IRC advocates a four-step process that links the arm's length principle, questions of comparability and the transfer pricing methodologies. These are set out in Internal Revenue Commission Taxation Circular No 2011/2.</p> <p>The arm's length principle involves comparing what a business has done and what a truly independent party would have done in the same or similar circumstances. Companies are expected to prepare sufficient documentation to support how they value international transactions with related parties.</p> <p>At Labels <b>E, J &amp; O</b> record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>• For the list of price methodology codes, see <b>Appendix 1</b></li> <li>• For the list of country codes, see <b>Appendix 2</b></li> <li>• For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
b. Intangible Property	<p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>The definition of Royalties in Section 4 of the Income Tax Act 1959 should be used to determine what Royalties are for the purpose of this question.</p> <p>Any amounts paid for the transfer of intangible assets should be included at 'Transfer of intangibles'.</p> <p>All other payments in relation to intangible assets should be included as Other. Where amounts are included at Other, you will need to provide a description of the dealings.</p> <p>At labels <b>A, F &amp; K</b> provide your gross purchases or expenditure for Intangible Property obtained from, or Royalties paid to, international related parties.</p> <p>At labels <b>B, G &amp; L</b>, provide your gross sales or revenue from Intangible Property provided to, or Royalties received from, international related parties.</p> <p>At labels <b>C, H &amp; M</b>, record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels <b>D, I &amp; N</b>, record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels <b>E, J &amp; O</b> record the code for your estimates of the percentages of the</p>

	<p>total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>• For the list of price methodology codes, see <b>Appendix 1</b></li> <li>• For the list of country codes, see <b>Appendix 2</b></li> <li>• For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
<p>c. Financial Transactions</p>	<p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>For the purposes of this schedule, interest, discounts and guarantees should be given their ordinary meaning within the context of commercial and accounting practices. This will include amounts paid in respect of loans redeemable preference shares, promissory notes convertible notes and other interests that may be considered to be debt.</p> <p>Insurance includes activities associated with the management of insurance contracts (predominantly undertaken through intermediaries). Effectively, the expenditure and revenue will represent intermediaries' commissions for providing an insurance management type service (e.g. placement of the insurance portfolio to a third party; or providing back office functions).</p> <p>All other financial transaction payments should be included as Other. Where amounts are included at Other, you will need to provide a description of the dealings. Amounts to be included here would include acquisitions or disposals of ordinary shares, preference shares or other debt or equity instruments.</p> <p>At labels A, F &amp; K provide your gross purchases or expenditure for financial transactions paid to, international related parties.</p> <p>At labels B, G &amp; L, provide your gross sales or revenue for financial transactions received from, international related parties.</p> <p>At labels C, H &amp; M, record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels D, I &amp; N, record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels E, J &amp; O record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>• For the list of price methodology codes, see Appendix 1</li> <li>• For the list of country codes, see Appendix 2</li> <li>• For the list of percentage of dealings with documentation codes (and further information), see Appendix 3</li> </ul>
<p>d. Services</p>	<p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>The definition of Management Fee in Section 4 of the Income Tax Act 1959 should be used to determine what a Management Fee is for the purpose of this question. This includes fees of a management or technical nature and would include fees for administration services.</p> <p>Marketing fees should be given its ordinary meaning within the context of</p>

	<p>commercial and accounting practices. This will include fees for the promotion of products and services as well as research into the market for products and services.</p> <p>IT and Communication includes fees for the provision of information technology or communication services that are not included in Management Fees. This may include provision of internet or communication network access.</p> <p>Construction and engineering includes fees for the provision of Construction and engineering services that are not included in Management Fees.</p> <p>R&amp;D (Research and Development) should be given its ordinary meaning within the context of commercial and accounting practices. This will include fees for contract research and development as well as amounts paid on a cost allocation basis for research and development undertaken for the economic group.</p> <p>All other payments in relation to services should be included as Other. Where amounts are included at Other, you will need to provide a description of the dealings.</p> <p>At labels <b>A, F, K, P, U &amp; Z</b> provide your gross purchases or expenditure for financial transactions paid to, international related parties.</p> <p>At labels <b>B, G, L, Q, V &amp; AA</b>, provide your gross sales or revenue for financial transactions received from, international related parties.</p> <p>At labels <b>C, H, M, R, W &amp; AB</b>, record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels <b>D, I, N, S, X &amp; AC</b>, record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels <b>E, J, O, T, Y &amp; AD</b> record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>• For the list of price methodology codes, see <b>Appendix 1</b></li> <li>• For the list of country codes, see <b>Appendix 2</b></li> <li>• For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
e. Other	<p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>Revenue should be given its ordinary meaning within the context of commercial and accounting practices. Items that appear here would normally be accounted for in financial statements within the Statement of Profit and Loss. Where amounts are included at Revenue, you will need to provide a description of the dealings.</p> <p>Capital should be given its ordinary meaning within the context of commercial and accounting practices. Items that appear here would normally be accounted for in financial statements within the Balance Sheet. Where amounts are included at Capital, you will need to provide a description of the dealings.</p> <p>At labels <b>A &amp; F</b> provide your gross purchases or expenditure for other transactions paid to, international related parties.</p>

	<p>At labels <b>B &amp; G</b>, provide your gross sales or revenue for other transactions received from, international related parties.</p> <p>At labels <b>C &amp; H</b>, record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels <b>D &amp; I</b>, record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels <b>E &amp; J</b> record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>• For the list of price methodology codes, see <b>Appendix 1</b></li> <li>• For the list of country codes, see <b>Appendix 2</b></li> <li>• For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
Question 3	<p>The intent of this question is to ascertain what percentage of your total dealings (i.e. related and unrelated parties) for the five categories used in Question 2 are your international related party dealings.</p> <p>(For example if for the year ended 31 December 2018 your total sales are K 10,000,000 (to your related and unrelated parties) but your international related party sales are only K 3,400,000 then the percentage of your international related party dealings to total dealings is 34%).</p>
Question 4	<p>This question collects information about your loan arrangements with international related parties.</p> <p>The Kina amounts or values asked for in this question are all based on your accounting records.</p> <p>A loan arrangement should be given its ordinary meaning within the context of commercial and accounting practices. In general terms, a loan arrangement is defined as a contract where the lender pays a sum of money in consideration of a promise by the borrower to repay the money at some time in the future (and this promise may/may not include the promise to repay interest on the money borrowed). This may include amounts described as Redeemable Preference Shares or Promissory Notes, where the economic substance of the loan is that of a debt instrument.</p> <p>Other financing arrangements that are economically in substance a loan arrangement would be regarded as a loan for the purposes of this question. For example securities loan arrangements where the collateral is cash, sale and buyback arrangements to be settled in cash or repurchase agreements (repos) to be settled in cash.</p> <p>Whether a financing arrangement economically constitutes a loan arrangement is a matter to be decided based on the facts and circumstances of each case/arrangement, for example, whether the arrangement involves revenue assets and/or constitutes an ordinary business activity undertaken by the taxpayer.</p> <p>For the purposes of this question, for arrangements that are economically in substance loans:</p> <ul style="list-style-type: none"> <li>• the cash collateral or cash settlement amount would be considered the loan amount</li> </ul>

	<ul style="list-style-type: none"> <li>any fees paid/received in respect of those arrangements would be considered interest.</li> </ul> <p>We recommend that you source appropriate guidance in light of the particular facts and circumstances of your case.</p> <p>To complete each part of this question you need to:</p> <ul style="list-style-type: none"> <li>identify all loan arrangements</li> <li>divide the loan arrangement into <ul style="list-style-type: none"> <li>interest bearing loans</li> <li>interest free loans</li> </ul> </li> <li>calculate the average balance of the loans, by <ul style="list-style-type: none"> <li>adding up the loan balance amount at the start of the year and the loan balance amounts at the end of each quarter</li> <li>dividing the result by five</li> </ul> </li> <li>in respect of interest bearing loans, determine the amount of interest expenditure or interest revenue in respect of these loans.</li> </ul>
a. Interest-Bearing	<p>At labels <b>A, F, K, P, U, Z, AE, AJ &amp; AO</b> provide the average balance of interest bearing loans in relation to amounts borrowed from related entities (Label <b>A, F, K, P &amp; U</b>) or loaned to related entities (Label <b>Z, AE, AJ &amp; AO</b>).</p> <p>At labels <b>B, G, L, Q, V, AA, AF, AK &amp; AP</b> provide the interest paid to related entities in relation to the amounts borrowed (Label <b>B, G, L, Q &amp; V</b>) or interest received from related parties in relation to the amounts loaned (Label <b>AA, AF, AK &amp; AP</b>).</p> <p>At labels <b>C, H, M, R, W, AB, AG, AL &amp; AQ</b> record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels <b>D, I, N, S, X, AC, AH, AM &amp; AR</b>, record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels <b>E, J, O, T, Y, AD, AI, AN &amp; AS</b> record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>For the list of price methodology codes, see <b>Appendix 1</b></li> <li>For the list of country codes, see <b>Appendix 2</b></li> <li>For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
b. Non-Interest-Bearing	<p>At labels <b>A, E, I, M, Q, U, Y &amp; AC</b> provide the average balance of non-interest bearing loans in relation to amounts borrowed from related entities (Label <b>A, E, I &amp; M</b>) or loaned to related entities (Label <b>Q, U, Y &amp; AC</b>).</p> <p>At labels <b>B, F, J, N, R, V, Z &amp; AD</b> record the code for the principal arm's length pricing method used to value the transactions for this item.</p> <p>At labels <b>C, G, K, O, S, O, W, AA &amp; AE</b> record the code for the country with the highest Kina value of transactions for this item.</p> <p>At Labels <b>D, H, L, P, T, X AB &amp; AF</b> record the code for your estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation to support the Four Step process.</p> <ul style="list-style-type: none"> <li>For the list of price methodology codes, see <b>Appendix 1</b></li> <li>For the list of country codes, see <b>Appendix 2</b></li> </ul>

	<ul style="list-style-type: none"> <li>For the list of percentage of dealings with documentation codes (and further information), see <b>Appendix 3</b></li> </ul>
Part B – Foreign-Sourced Income Information	In Part B, provide the details of income earned through international branches or foreign entities in which your enterprise has an interest. This Part is for the purpose of understanding your interests and dealings with overseas entities and branches that you control.
Question 5	Did you have an overseas branch or a direct or indirect interest in a foreign company or trust? If you answer yes, you must complete questions 6 to 8 of Part B of the Schedule. If you answer no, then you do not need to complete the remainder of the schedule.
Question 6	Record the number of foreign entities that are your associates for this question. The definition of associate in section 4 of the Income Tax Act 1959 should be used to determine whether to include an entity as an associate.
Question 7	Record the number of foreign branches you held during the year for this question. A foreign branch will exist where its business is carried out through a permanent establishment as defined in section 4 of the Income Tax Act 1959.
Question 8	<p>If your enterprise derived any foreign-sourced income during the year, mark the “Yes” box at Question 8 and then write the amount of income earned from foreign sources below.</p> <p>If you answer ‘yes’, you need to provide the total amount of gross assessable foreign income. This amount should not be reduced by any foreign tax paid on this income. You should include at this question any assessable foreign source capital gains. Include any foreign dividends or interest you received even if included in the income declared in Schedule 3 and 4 or any other part of the Company tax return.</p> <p>The Kina amount is based on your tax records. Foreign income is income derived from sources in a foreign country. A receipt sourced from a foreign country is foreign income only if it is income according to PNG income tax law. Its characterisation under the tax law of the foreign country is irrelevant.</p> <p>This question is intended to help us to quantify the significance of Papua New Guinea taxpayers’ international dealings.</p>
<b>SCHEDULE 8</b> Royalty Payments	If your enterprise made payments to any persons or companies for royalties, the details must be provided in Schedule 8.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Name and Address of Recipient	Write the name and address of the company or individual to whom your enterprise paid royalties during the year of income.
TIN of Recipient	This is the TIN of the recipient to whom royalty payments were made (whether a company or an individual). If you do not know the TIN of the recipient, contact them to confirm their TIN. If they do not have a TIN, write “No TIN” in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Date of Payment	Write the date of the payment of royalties in this column – i.e. the date on which each individual royalty payment was made. Write a new line for each payment, even if multiple payments were made to the same recipient. If necessary, attach a separate sheet if there is not enough space to list all recipients.
Amount Paid	Write the amount of the royalty payment made during the year to the recipient.
Total	This is the total of the royalties paid to all recipients during the year of income.
<b>SCHEDULE 9</b> Management Fees	If your enterprise made payments to non-residents for management fees, the details must be provided in Schedule 9.
Taxpayer Identification	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right

Number	hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Name and Address of Recipient	Write the name and address of the company or individual to whom your enterprise paid management fees during the year of income.
TIN of Recipient	This is the TIN of the recipient to whom management fees payments were made (whether a company or an individual). If you do not know the TIN of the recipient, contact them to confirm their TIN. If they do not have a TIN, write "No TIN" in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Date of Payment	Write the date of the payment of management fees in this column – i.e. the date on which each individual payment was made. Write a new line for each payment, even if multiple payments were made to the same recipient. If necessary, attach a separate sheet if there is not enough space to list all recipients.
Amount Paid	Write the amount of the management fees payment made during the year to the recipient.
Total	This is the total of the management fees paid to all recipients during the year of income. This total should match the total of all management fees listed in your M2 (Management Withholding Tax Annual Reconciliation form). A copy of your M2 must be attached to your Form C.
<b>SCHEDULE 10 Foreign Shipping payments</b>	If your enterprise made payments to foreign shipping companies delivering goods or passengers in PNG, the details must be provided in Schedule 10.
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Name and Address of Shipping Company	Write the name and address of the company to whom your enterprise paid for delivering goods or passengers in PNG during the year of income.
TIN of Company	This is the TIN of the recipient to whom payments were made for delivering goods or passengers in PNG. If you do not know the TIN of the recipient, contact them to confirm their TIN. If they do not have a TIN, write "No TIN" in this column. Note that all companies operating in PNG are obligated to have a TIN. Failure to register with the IRC may result in severe penalties being applied.
Date of Payment	Write the date of the payment of foreign shipping fees in this column – i.e. the date on which each individual payment was made. Write a new line for each payment, even if multiple payments were made to the same shipping company. If necessary, attach a separate sheet if there is not enough space to list all recipients.
Amount Paid	Write the amount of the payment made to each foreign shipping company during the year.
Total	This is the total of the fees paid to all foreign shipping companies during the year of income.
<b>SCHEDULE 11 Superannuation Contributions</b>	This schedule is to be completed by <u>Superannuation Funds only</u> .
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
11A) Superannuation Contributions and Pay-outs	This table is to be completed by all superannuation funds.
Member's Name	Write the name of the individual from whom your superannuation fund received contributions or made pay-outs during the year of income.
Date contributions commenced	This is the date on which this individual member commenced their superannuation contributions to your fund. For example, 23 August 1983.

Fully-Taxed Salary or Wage for the Year	Write the total gross (pre-tax) salary or wage earned by the member during the year of income.
Employer's Contribution	This is the amount of the superannuation contributions for the member that was paid by the employer during the course of the year.
Employee's Contribution	This is the amount of the superannuation contributions for the member that was paid by the employee (i.e. the member) during the course of the year.
Pay-out Made During the Year (If Any)	If the member received a pay-out of any kind from the superannuation fund during the period, write the amount of the pay-out here.
Total	Write the total of each column in this row.
11B) Superannuation Fund Loan Backs to Members / Associates	If your superannuation fund made (or had) any loans to members or their associates during the period in question, this table must be completed.
Member or Associate to whom Funds Loaned	Write the name of the member (or their associate) who had a loan outstanding during the year of income in this column.
Date of Loan	This is the date on which the loan was originally granted, e.g. 6 June 2006.
Loan Balance at Start of Period	This the amount of the loan that remained outstanding on the <u>first</u> day of the period. For example, Mr Smith owed 56,000 kina on 1 January. His superannuation fund would report K56,000 in this field.
Security	This is the asset (if any) that was used as collateral to secure the loan. For example, "mortgage on primary residence".
Interest	Write the total of interest accrued on the debt during the year of income.
Repayments	This is the total of all loan repayments made by this member during the year of income. For example, if Mr Smith made 12 repayments of K1,000 each during the year, his superannuation fund would report K12,000 in this box.
Loan Balance at End of Period	This is the amount of the loan that remained outstanding on the <u>last</u> day of the period. For example, Mr Smith owed 44,000 kina on 31 December. His superannuation fund would report K44,000 in this field. The balance at the end of the period is the opening balance plus interest and less repayments made during the year.
Total	Write the total of each column in this row (except the "Security" column).
SCHEDULE 12 Distributions by Trustee	This schedule is to be completed by <u>Trusts only</u> .
Taxpayer Identification Number	Write the Taxpayer Identification Number (TIN) of your enterprise in the top right hand corner of the schedule in the nine boxes provided (one for each digit of your TIN).
Full Name of Each Beneficiary	Write the name of the company or individual nominated in the trust agreement as the party that benefits from the trust and receives payments from the trust.
TIN of Beneficiary	This is the TIN of the beneficiary to whom current or future payments are made from the trust (whether a company or an individual). If you do not know the TIN of the beneficiary, contact them to confirm their TIN. If they do not have a TIN, write "No TIN" in this column.
Beneficiary's Share of Tax Payable by the Trustee	This is the portion of the tax payable by the trustee that relates to beneficiary in question. For example, Trust ABC has beneficiaries Mr X. and Ms. Y. Mr X is entitled to 40% of the income of the trust. The Trust pays 100 kina in taxes to the IRC for the year of income. Mr X's share of that tax is 40 kina. The trust reports 40 kina in this column for Mr X.
Is the Beneficiary Presently Entitled?	The beneficiary is currently in a position to receive payments from the trust i.e. there is no impediment to the beneficiary receiving payments under the trust agreement. For example, a trust was set up to pay K1,000 to Maria on her 18 <sup>th</sup> birthday. Maria is currently 16 years old, therefore she is <i>not</i> presently entitled. The trustee marks the "No" box in this column.
Income Derived by Beneficiaries or to Which They are Presently Entitled	Write each beneficiary's proportion and amount of income received from the trust (or to which they are presently entitled). For example, Trust ABC has 1,000 kina available for distribution in the year of income. Both Mr X. and Ms. Y are

	presently entitled. Mr X. receives 40% of the income i.e. 400 kina. Ms. Y receives 60% of the income i.e. 600 kina. The trust reports 40% and K400 in the row for Mr X and 60% and K600 in the row for Ms. Y.
Total	Write the total of each column in this row (except "Is Beneficiary Presently Entitled"). Note that they total of the "Proportion" column should be 100%. If it is not, check your figures to ensure that you have entered them correctly.

## **GENERAL NOTES ON FORM C**

### Appointment of Liquidators or Receivers

A liquidator of any Company that is being wound up, an agent for a non-resident required by his principal to wind up its business or a receiver for debenture holders who has taken possession of any assets of a company, is required, within 14 days of being appointed as Liquidator or after he has taken possession of the assets, to give notice thereof to the Commissioner General and request advice as to the amount that must be set aside for the payment of tax. In the case of voluntary liquidations, a copy of the directors' resolution agreeing to voluntary liquidation should be enclosed with notification of the liquidator's appointment. Failure to give notice or provide for tax could result in the liquidator, agent, or receiver becoming personally liable for the tax payable and a fine of up to K5,000.

Liquidator's distributions, to the extent that they represent income derived by the company (before or after the liquidator's appointment) or are from amounts that have been (or should have been) included in a company's assessable income, are deemed to be dividends. Dividend Withholding Tax (DWT) would be payable on such deemed dividends, which would form part (or all) of the tax liability to be notified to the liquidator. To assist the IRC in calculating this final tax liability, the liquidator should submit accounts to a date at which point all assets have been realised (or distributed in specie) and all liabilities paid off. To the extent that the final accounts do show assets or liabilities, advice should be given as to how the liquidator proposes to deal with them.

### Agents and Trustees

Under the Act any person who can be described as an agent or trustee for another taxpayer or who is in receipt or control of money belonging to or owing to a non-resident, may be liable to pay tax on that person's behalf and otherwise attend to their tax obligations. Failure to do so can result in personal liability to pay the tax due from that other taxpayer or non-resident. Examples of cases where a local taxpayer might be responsible as agent or trustee or for taxes due by a non-resident include:

- The master or agent of an overseas shipping company;
- A person or company engaging a foreign contractor;
- A person or company paying a taxable management fee;
- A company paying interest to a non-resident;
- A person or company paying an insurance premium to a non-resident insurer.
- An insurer reinsuring with a non-resident;
- A liquidator.

## **APPENDIX 1: ARM'S LENGTH METHODOLOGIES**

The arm's length pricing methodologies should be identified using the codes listed below

Arm's length pricing method	Code
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Comparable uncontrolled price (CUP) method	1
Resale price method	2
Cost P-plus method	3
Transactional Net Margin method (TNMM)	4
Transitional Profit Split method	5
Other method	6
No transfer pricing method used	7

## **APPENDIX 2: COUNTRY NAMES AND CODES**

**Note: Guernsey, Jersey and Isle of Man each have a separate country code.**

Country	Code	Country	Code
Afghanistan	AFG	Liberia	LBR
Aland Islands	ALA	Libya	LBY
Albania	ALB	Liechtenstein	LIE
Algeria	DZA	Lithuania	LTU
American Samoa	ASM	Luxembourg	LUX
Andorra	AND	Macau	MAC
Angola	AGO	Macedonia, The Former Yugoslav Republic of	MKD
Anguilla	AIA	Madagascar	MDG
Antarctica	ATA	Malawi	MWI
Antigua and Barbuda	ATG	Malaysia	MYS
Argentina	ARG	Maldives	MDV
Armenia	ARM	Mali	MLI
Aruba	ABW	Malta	MLT
Australia	AUS	Marshall Islands	MHL
Austria	AUT	Martinique	MTQ
Azerbaijan	AZE	Mauritania	MRT
Bahamas	BHS	Mauritius	MUS
Bahrain	BHR	Mayotte	MYT
Bangladesh	BGD	Mexico	MEX
Barbados	BRB	Micronesia, Federated States of	FSM

Belarus	BLR	Moldova	MDA
Belgium	BEL	Monaco	MCO
Belize	BLZ	Mongolia	MNG
Benin	BEN	Montenegro	MNE
Bermuda	BMU	Montserrat	MSR
Bhutan	BTN	Morocco	MAR
Bolivia	BOL	Mozambique	MOZ
Bosnia and Herzegovina	BIH	Myanmar (was Burma)	MMR
Botswana	BWA	Namibia	NAM
Bouvet Island	BVT	Nauru	NRU
Brazil	BRA	Nepal	NPL
British Indian Ocean Territory	IOT	Netherlands, The	NLD
British Virgin Islands	VGB	Netherlands Antilles	ANT
Brunei Darussalam	BRN	New Caledonia	NCL
Bulgaria	BGR	New Zealand	NZL
Burkina Faso	BFA	Nicaragua	NIC
Burundi	BDI	Niger	NER
Cambodia	KHM	Nigeria	NGA
Cameroon	CMR	Niue	NIU
Canada	CAN	Norfolk Island	NFK
Cape Verde	CPV	Northern Mariana Islands	MNP
Cayman Islands	CYM	North Korea	PRK
Central African Republic	CAF	Norway	NOR
Chad	TCD	Oman	OMN
Chile	CHL	Pakistan	PAK
China	CHN	Palau	PLW
Christmas Island	CXR	Palestinian Territory, Occupied	PSE
Cocos (Keeling) Islands	CCK	Panama	PAN
Colombia	COL	Papua New Guinea	PNG
Comoros	COM	Paraguay	PRY

Congo, Democratic Republic of (was Zaire)	COD	Peru	PER
Congo, People's Republic of	COG	Philippines	PHL
Cook Islands	COK	Pitcairn Island	PCN
Costa Rica	CRI	Poland	POL
Cote D'Ivoire (Ivory Coast)	CIV	Portugal	PRT
Croatia (Hrvatska)	HRV	Puerto Rico	PRI
Cuba	CUB	Qatar	QAT
Cyprus	CYP	Reunion	REU
Czech Republic	CZE	Romania	ROU
Denmark	DNK	Russian Federation	RUS
Djibouti	DJI	Rwanda	RWA
Dominica	DMA	St Helena	SHN
Dominican Republic	DOM	St Kitts and Nevis	KNA
East Timor (Timor Leste)	TLS	St Lucia	LCA
Ecuador	ECU	St Pierre and Miquelon	SPM
Egypt	EGY	St Vincent and The Grenadines	VCT
El Salvador	SLV	Samoa	WSM
Equatorial Guinea	GNQ	San Marino	SMR
Eritrea	ERI	Sao Tome and Principe	STP
Estonia	EST	Saudi Arabia	SAU
Ethiopia	ETH	Senegal	SEN
Falkland Islands (Malvinas)	FLK	Serbia	SRB
Faroe Islands	FRO	Seychelles	SYC
Fiji	FJI	Sierra Leone	SLE
Finland	FIN	Singapore	SGP
France	FRA	Slovakia (Slovak Republic)	SVK
French Guiana	GUF	Slovenia	SVN
French Polynesia	PYF	Solomon Islands	SLB
French Southern Territories	ATF	Somalia	SOM
Gabon	GAB	South Africa	ZAF

Gambia	GMB	South Georgia and the South Sandwich Islands	SGS
Georgia	GEO	South Korea	KOR
Germany	DEU	Spain	ESP
Ghana	GHA	Sri Lanka	LKA
Gibraltar	GIB	Sudan	SDN
Greece	GRC	Suriname	SUR
Greenland	GRL	Svalbard and Jan Mayen Islands	SJM
Grenada	GRD	Swaziland	SWZ
Guadeloupe	GLP	Sweden	SWE
Guam	GUM	Switzerland	CHE
Guatemala	GTM	Syria	SYR
Guernsey	GGY	Taiwan	TWN
Guinea	GIN	Tajikistan	TJK
Guinea-Bissau	GNB	Tanzania, United Republic of	TZA
Guyana	GUY	Thailand	THA
Haiti	HTI	Timor-Leste (East Timor)	TLS
Heard and McDonald Islands	HMD	Togo	TGO
Holy See (Vatican City State)	VAT	Tokelau	TKL
Honduras	HND	Tonga	TON
Hong Kong	HKG	Trinidad and Tobago	TTO
Hrvatska (Croatia)	HRV	Tunisia	TUN
Hungary	HUN	Turkey	TUR
Iceland	ISL	Turkmenistan	TKM
India	IND	Turks and Caicos Islands	TCA
Indonesia	IDN	Tuvalu	TUV
Iran	IRN	Uganda	UGA
Iraq	IRQ	Ukraine	UKR
Ireland	IRL	United Arab Emirates	ARE
Isle of Man, The	IMN	United Kingdom	GBR

Israel	ISR	United States	USA
Italy	ITA	United States Minor Outlying Islands	UMI
Ivory Coast (Cote D'Ivoire)	CIV	United States Virgin Islands	VIR
Jamaica	JAM	Uruguay	URY
Japan	JPN	Uzbekistan	UZB
Jersey	JEY	Vanuatu	VUT
Jordan	JOR	Vatican City State (Holy See)	VAT
Kazakhstan	KAZ	Venezuela	VEN
Kenya	KEN	Vietnam	VNM
Kiribati	KIR	Wallis and Futuna Islands	WLF
Korea, Democratic People's Republic of (North Korea)	PRK	Western Sahara	ESH
Korea, Republic of (South Korea)	KOR	Yemen	YEM
Kuwait	KWT	Zambia	ZMB
Kyrgyzstan	KGZ	Zimbabwe	ZWE
Laos	LAO		
Latvia	LVA	If not listed	OTH
Lebanon	LBN		
Lesotho	LSO		

### **APPENDIX 3: PERCENTAGE OF DEALINGS COVERED**

The fourth column – **Documentation**, at Question 2 and 4 of the International Dealings Schedule requires estimates of the percentages of the total Kina value of the related-party international dealings for which you have written documentation you consider sufficiently explains how the outcome of your dealings satisfy the arm's length principle.

The type of documentation required in international dealings is discussed at paragraphs 198 to 219 Taxation Circular No 2011/2.

The Internal Revenue Commission does not expect taxpayers to prepare or obtain documents beyond that needed to make a reasonable assessment of whether they have complied with the arm's length principle in setting prices or consideration. The amount and type of documentation that should be created or obtained over and above that created in the ordinary course of business will depend on the facts and circumstances of each case.

The issue is a practical one having regard to what a prudent business person would do in the same circumstances, and taxpayers need to exercise commercial judgment in assessing their own compliance with the arm's length principle.

**To determine the code for the percentage of your dealings with international related parties**

In the item provided in the fourth column – **Documentation**, at Question 2 and 4 specify the code for the percentage of your dealings with international related parties for which you have supported the arm's length outcome with written documentation. Enter the relevant code from the table below.

Example:

If after exercising commercial judgment you have decided to aggregate and test the arm's length nature of multiple international related party dealings through the application of the transactional net margin method (code 5 from Appendix 1) on a whole-of-entity basis, then you would:

- write "5" at column 4 Documentation at Questions 2 and 4 to indicate that 100% of your transactions have been documented.
- If, in exercising your commercial judgement you decide not to apply a whole of entity transactional net margin method analysis, you could test and document your international related party dealings separately and use one of the following numeric codes to state the percentage of the total of the Kina value for which you have documentation.

Percentage	Code
0%	1
1% to less than 25%	2
25% to less than 50%	3
50% to less than 75%	4
75% to less than 100%	5
100%	6

You may calculate the percentage on the basis of a reasonable estimate.

A statistical sample may be an appropriate method of calculating the relevant percentage, provided the sample selection and mathematical consideration are consistent with generally accepted statistical methods.

Keep your working papers if you have used a sampling process to make this estimate.



HOURS FOR PAYMENT: 8:30 A.M. TO 3:30 P.M. MONDAY TO FRIDAY.

PAYMENTS MAY BE MADE ELECTRONICALLY THROUGH YOUR BANK WITHOUT NEEDING TO VISIT AN IRC OFFICE. FOR DETAILS SEE [www.irc.gov.pg](http://www.irc.gov.pg)

PAYMENTS MAY ALSO BE MADE VIA EFTPOS. TAX FORMS AND GUIDES ARE AVAILABLE FOR DOWNLOAD FROM THE IRC WEB SITE [www.irc.gov.pg](http://www.irc.gov.pg)