



# INTERNAL REVENUE COMMISSION



## PAPUA NEW GUINEA

### Country by Country Reporting

#### Information sheet

Below is the IRC response on some of the questions raised as well as some FAQ responses on Country by Country Reporting:

- **What is the prescribed format for the section 200 notification that is required to be given this year?**

Ans: There is no prescribed format for the CBC notification; this can simply be submitted to the IRC in a letter form.

- **How / where should the section 200 notification be lodged (eg with whom, or just over the counter at Era Rumana)?**

Ans: The CBC notification can be lodged in a letter form with our LTO Service Centre on Ground floor Revenue Haus or email [LTO\\_Service\\_Centre@irc.gov.pg](mailto:LTO_Service_Centre@irc.gov.pg). Notifications for more than one entity in a MNE group can file this in a letter form indicating the notification is for the corporate group as a whole (e.g. MNE Ltd Group). Within this notification, list all the constituent entities as a 'sub-group', for CbCR purposes this would indicate combined members of an MNE Group in one tax jurisdiction (e.g. the sub-group will include names of all MNE Ltd Group entities operating in PNG).

- **What is the prescribed format for the section 201 report that is required to be given no later than 12 months after the last day of the Reporting Fiscal Year? The reporting format will be sent separately and also published on the website.**

Ans: Yes, there is a prescribed format for the CBC report that will have the following information reported;

- Name of the MNE group, fiscal year, currency used
- Tax jurisdiction
- Revenues from unrelated party, related party and total revenues from both related/unrelated parties
- Profit(Loss) before Income tax
- Income tax paid
- Income tax accrued
- Stated Capital
- Accumulated Earnings
- Number of employees
- Tangible assets other than Cash and Cash Equivalents

- **Whether the IRC has a view / any guidance on how foreign currencies should be converted to PGK to determine the K2.3bn turnover threshold. If there are a couple of examples that are right around the 2.3bn turnover threshold, and using (for example) average vs year end exchange rates could make a difference.**

Ans: The conversion of foreign currency to determine the K2.3bn turnover threshold should be based on the average exchange rate for the year.

- The turnover threshold seems to be defined by reference to January 2016 (see definition of excluded MNE group in section 198), ie as a once and for all test, not as an annual turnover test - ie if you are not over the threshold in Jan 2016, you are never subject to CbCR. I would have thought the intention was for this to be an annual test. Can the IRC provide some clarification on this, or does it need legislative amendment?

Ans: Initially, the annual turnover threshold is a once and for all test and is intended to only capture MNE groups consistently within that threshold and not those that occasionally fall in and out of the threshold. However, to be consistent with the standard all subsequent years will need to do this test annually. Where there is inconsistency in the threshold test, the threshold under the standard will prevail.

- Whether foreign contractors (that are members of relevant MNE groups) are required to give you a CbC report - and therefore a notification this year - even if they are not lodging a tax return in PNG (ie because they are foreign contractors).

Ans: Foreign contractors (i.e. permanent establishments) are covered as Constituent Entities (or separate business unit of an MNE Group) in section 198 provided they prepare separate financial statements for financial reporting, regulatory, tax reporting or their own internal management control purposes.

- How the rules will apply to substituted accounting periods. New Division 16 comes into operation from 1 January 2017. So it is simple for 31 December reporters, but does this mean the first year of CbCR for a (say) June reporting company is 30 June 2017, since the balance date (30 June 2017) falls after the operative date, or 30 June 2018, being the first year commencing (1 July 2017) after the operative date? Or should this be worked out by reference to the year of income / year of tax?

Ans: The IRC intends to link the filing obligations with the annual Income tax returns filing dates of 28 February or 30 June for those on the tax agent lodgement program for 31 December reporters.

For the SAP reporters for example 30 June 2017, their notification date would be 30 June 2017 and the filing due date would be 30 June 2018 using the year of income or fiscal year.

- Notifications under section 200

Ans: For 31 December reporters it will fall due on the 31 December 2017 while for 30 June reporters this is already due and can be accepted on 31 December as part of the transition.

- Time for Filing under section 201A

Ans: For 31 December reporters the filing due date is 31 December 2018 being 12 months after the end of the *Reporting Fiscal Year*

- Legal Instruments under which Country by Country Reporting will take effect

Ans: Whilst PNG is in the process of signing up to the Multilateral Convention for Mutual Administrative Assistance, Multilateral Legal Instrument and other Tax Information Exchange Agreements the existing bilateral tax conventions provides the legal authority for the exchange of tax information with existing treaty partners. However, where there is CbCR filing made by the UPE or SPE in their tax jurisdiction the IRC through its Public Notice dated 14<sup>th</sup> December 2018 no longer requires for local filing until a further notice is issued once our circumstances change.