



Taxation Circular
TC 2019/1

Document status: **For Distribution**

Internal Revenue Commission - Taxation Circular

Taxation Circular TC 2019/1: Use of GST Credits to Offset other Taxes Due

SUBJECT

This Circular will explain;

- The A/Commissioner General decision of 24th September 2019;
- IRC Policy regarding Offset of GST Credit;
- Requirements under mandatory verification;
- Date of effect of decision; and
- The administrative aspects of GST Credit Transfers by way of CR 1 Forms.

Use of GST Credits in Settling Salary or Wages Tax Debts

1. On 24th Day of September 2019, a decision was made by the A/Commissioner General to cease, with immediate effect, the practice of using Goods and Service Tax (GST) Credits in offsetting Salaries and Wages Tax (SWT), hereinafter “the decision”.
2. The decision is based on the principle that whilst the employer bears the obligation to deduct and remit SWT on behalf of its employees, the liability to SWT still remains with the employee.
3. The decision considered the administrative convenience to employers that came with the old practice, however in light of the high non-compliance by employers in remitting the taxes of their employees to the IRC as required by law, the decision was considered necessary.
4. The decision does not affect requests for transferring GST credits to offset other types of outstanding taxes, which will continue and now be subject to mandatory verification.

5. The CR1 Form has been updated accordingly to make it clear that SWT is not a tax type against which GST credits can be transferred to offset. A copy of the new CR 1 form is attached for your convenience. The new form is also available from the IRC Website www.irc.gov.pg
6. Whilst the decision does not have retrospective effect, those taxpayers who lodged CR 1 Forms pertaining to offset of SWT prior to the date of the decision, will be required to submit an accompanying "Suppliers Listing" (Template Attached) before their requests can be considered.
7. Section 91(5) of the Goods and Services Tax Act 2003 grants the Commissioner General a discretionary power in determining whether or not to apply any GST credits to satisfy any other types of taxes due and owing by the taxpayer.
8. If you have any questions, or require any clarification regarding this issue please contact the following officers:
9. For any information or advice required by LTO clients please contact: LTO Service Centre@irc.gov.pg
10. For issues regarding refunds please contact: Bernadette Uruna urunab@irc.gov.pg
11. For issues regarding Processing of CR 1 and CR 2 forms please contact: Arua Naime naimea@irc.gov.pg
12. For issues regarding CR 1's lodged prior to the decision of 24th September please contact: Arua Naime naimea@irc.gov.pg
13. For any other issues regarding this circular please contact Steve Burke : burkes@irc.gov.pg

Application

The administrative aspects of this circular, to the extent that they are a change in policy, will have prospective application as of the 24th day of September 2019.

Authorized by


SAM KOIM, LLB (Hons)

A/Commissioner General of Internal Revenue Commission

Subject References

Goods and Services Tax

Salary or Wage Tax

Employee

Employer

GST Credit Transfers

Legislative References

Section 299D of ITA

Section 299G of ITA

Section 91 of GST Act 2003

Related Taxation Circulars

NONE

Attachments

Revised CR 1 Form

Suppliers Listing Template