

Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates Act 1984

**[Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates Act 1984 consolidated to No.9 of 2019]**

**INDEPENDENT STATE OF PAPUA NEW GUINEA.**

***Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates Act 1984***

Being an Act to declare the rates of income tax and dividend (withholding) tax and for related purposes to be read as one with the *Income Tax Act 1959*.

**PART I—PRELIMINARY.**

**1. INTERPRETATION.**

In this Act-

**“incentive rate petroleum operations” [Repealed by No 48 of 2016].**

**“incentive rate primary 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 K1million; and
- (b) located in an area in which primary production of the crop or the 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 the period 1 January 2004 to 31 December 2011.

**“new petroleum project” [Repealed by No 48 of 2016].**

**“taxable income”** means a taxable income of the year of income;

**“the Income Tax Act”** means the *Income Tax Act 1959*.

**1A. FISCAL STABILITY**

Where a taxpayer is subject to fiscal stability under the provisions of the *Resource Contracts Fiscal Stabilisation Act 2000* then, notwithstanding any other provisions of this Act, the tax rates applicable to that taxpayer shall be those which are or were in force at the time the fiscal stability period commenced and shall continue to apply to that taxpayer at those rates until the expiry of that fiscal stability period.

**PART II—IMPOSITION OF INCOME TAX AND DIVIDEND (WITHHOLDING) TAX**

**2. DECLARATION OF RATES.**

The rates of income tax and dividend (withholding) tax for the fiscal year commencing on 1 January 1982, and except as provided otherwise by Act for each subsequent fiscal year, are the rates specified in this Act and no others.

**PART III—RATES OF INCOME TAX**

**3. RATES OF TAX PAYABLE BY INDIVIDUALS**

- (1) Subject to Subsection (2), the rates of income tax payable by a resident person other than a company are as set out in Schedule 1.
- (1A) The rates of income tax payable by a non-resident person other than a company are as set out in Schedule 1A.
- (2) Where a taxpayer's assessable income includes, in addition to salary or wages, any other income other than salary or wages, the tax payable on that income which has not borne salary or wages tax shall be calculated in accordance with the following formula:-

$$A - B = C$$

where-

"A" = gross tax payable under Schedule 1 on income equivalent to the total of salary or wages received (but not including income or payments to which Section 1(2) of the *Income Tax (Salary or Wages Tax) (Rates) Act 1979* applies), plus taxable income other than salary or wages;

"B" = gross tax payable under Schedule 1 on income equivalent to the total of salary or wages received (but not including income or payments to which Section 1(2) of the *Income Tax (Salary or Wages Tax) (Rates) Act 1979* applies);

"C" = gross tax payable on taxable income other than salary or wages.

**4. RATE OF TAX BY REFERENCE TO A NOTIONAL INCOME.**

The rate of income tax on taxable income in any case where Section 80, 117(2) or 212 of the Principal Act applies, is as set out in Schedule 2.

**5. RATES OF TAX PAYABLE BY TRUSTEES.**

- (1) The rate of income tax payable by a trustee on the net income of a trust estate (other than a unit trust) is as set out in Section Sch. 3.1.
- (2) The rate of income tax on distributions of income of a trust estate, payable by a trustee, is as set out in Section Sch. 3.2.
- (3) The rate of income tax payable by a trustee on the net income of a unit trust is set out in Schedule 3.3.

**6. RATES OF TAX PAYABLE BY COMPANIES (OTHER THAN TRUSTEES).**

- (1) The rates of income tax payable by a company, other than-
  - (a) a company in the capacity of trustee; or
  - (b) a company in which Section 154C of the Principal Act applies; or
  - (c) a unit trust,

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as are set out in Schedule 4.

(2) The rates of income tax payable by a company to which Section 154C of the Principal Act applies are as set out in Schedule 6.

(3) Notional tax or instalments of notional tax is or are payable by a company in accordance with the provisions of Part VI.A of the Principal Act in respect of the fiscal year commencing 1 January 1980 and for each subsequent fiscal year.

### **6A. RATES OF TAX PAYABLE BY FOREIGN CONTRACTORS<sup>1</sup>.**

The rate of tax imposed by this Act upon income to which Section 196C of the *Income Tax Act 1959* applies is 15%<sup>23</sup>.

### **6B. MANAGEMENT FEE WITHHOLDING TAX**

The rate of tax imposed by this Act upon income to which Division III.14C of the *Income Tax Act 1959* applies is 17% of the gross amount of the taxable management fee.

### **6C. RATE OF TAX ON RAMU NICKEL PROJECT**

(1) Interpretation-

“joint ventures” and

“tax holiday” have the same meanings respectively as in the Mining Development Contract Ramu Nickel Project:

“Mining Development Contract”-Ramu Nickel Project” means the Mining Development Contract-Ramu Nickel Project that was signed on 26 July 2000 by the Independent State of Papua New Guinea, Ramu Nickel Limited and Orogen Minerals (Ramu) Limited as amended by the Mining Development Contract Amendment Agreement Ramu Nickel Project that was signed on 10<sup>th</sup> August 2000 by the Independent State of Papua New Guinea, MCC Ramu Nico Ltd, Ramu Nickel Limited, Mineral Resources Ramu Limited and Mineral Resources Madang Limited.

(2) The rate of tax applicable to the joint ventures is 0% of their taxable income for the period of the tax holiday.

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<sup>1</sup> Amended by No.48 2016, s.2

<sup>2</sup> 48% is repealed and replaced with 15% by *Income Tax and Dividend (Withholding) Tax Rates (Amendment) Act 2016*, s.2.

<sup>3</sup> Words ‘of the taxable income’ repealed by No 3 of 2017.

**6D. CONCESSIONAL RATE FOR LARGE SCALE TOURISM ACCOMMODATION<sup>4</sup>**

The rate of tax imposed by this Act upon income to which Division III.9B of the Income Tax Act 1959 applies is 20% of the gross amount of the taxable income.

**7. RATE OF TAX PAYABLE IN RESPECT OF ROYALTIES**

The rate of tax imposed by this Act on income to which Section 4C (other than assessable income from mining operations or assessable income from petroleum operations or assessable income from gas operations) of the Principal Act applies is-

- (a) where the recipient is an associated person-30% of the assessable income; or
- (b) where the recipient is not an associated person-10% of the assessable income or 48% of the taxable income whichever is the lesser.

**8. REPEALED by No 47 of 2000, s.2**

**9. REPEALED by No 35 of 1992, s.1**

**PART IV—RATES OF DIVIDEND (WITHHOLDING) TAX**

**10. RATES OF TAX PAYABLE BY INDIVIDUALS.<sup>5</sup>**

The rate of dividend (withholding) tax payable in respect of dividends (other than unit trust dividends) paid by a resident company is 15 percent.

- (a) [Repealed by No. 3 of 2017]
- (b) [Repealed by No.3 of 2016]
- (c) [Repealed by No 48 of 2016]
- (d) [Repealed by No 48 of 2016]

**PART V—RATES OF INTEREST (WITHHOLDING) TAX**

**10A. RATE OF INTEREST (WITHHOLDING) TAX.**

The rate of Interest (Withholding) Tax payable shall be 15% of the gross interest income in the case of a resident and a non resident taxpayer.

**SCHEDULES**

**SCHEDULE 1**

**GENERAL RATES OF INCOME TAX ON TAXABLE INCOME PAYABLE BY RESIDENT PERSONS OTHER THAN COMPANIES**

<sup>4</sup> Amended by No. 18 of 2012

<sup>5</sup> Repealed and replaced by No.3 of 2017, s.2

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The rate of income tax for each part of the taxable income specified in Column 1 of the following table is the percentage of that part set out in Column 2 of that table opposite the reference to that part of the taxable income in Column 1:-

**Table 1-Rates of Tax for the period 1 January 2006 to 31 December 2006<sup>6</sup>**

<b>Column 1 Parts of Taxable Income</b>	<b>Column 2 Percentage</b>
The part of the taxable income that:- does not exceed K6, 300.00	0
exceeds K6, 300.00 but does not exceeds K18,000.00	25
exceeds K18,000.00 but does not exceed K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K150,000.00	40
exceeds K150,000.00	45

**Table 2-Rates of Tax for the period 1 January 2007 to 30 June 2012<sup>7</sup>**

<b>Column 1 Parts of Taxable Income</b>	<b>Column 2 Percentage</b>
The part of the taxable income that:- does not exceed K6, 600.00	0
exceeds K6, 600.00 but does not exceeds K18,000.00	25
exceeds K18,000.00 but does not exceed K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**Table 3 -Rates of Tax for the period 1 July 2012 to 31 December 2018<sup>8</sup>**

<b>Column 1 Parts of Taxable Income</b>	<b>Column 2 Percentage</b>
The part of the taxable income that:- does not exceed K10, 000.00	0
exceeds K10, 000.00 but does not exceeds K18,000.00	22
exceeds K18,000.00 but does not exceed K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35

<sup>6</sup> Inserted by No 17 of 2005, s.2

<sup>7</sup> Inserted by No 17 of 2005, s.2

<sup>8</sup> Amended by No.23 of 2018, s.1

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exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**Table 4<sup>9</sup> -Rates of Tax for the period 1 July 2019 and onwards**

<b>Column 1 Parts of Taxable Income</b>	<b>Column 2 Percentage</b>
The part of the taxable income that:-	
does not exceed K12, 500.00	0
exceeds K12, 500.00 but does not exceeds K20,000.00	22
exceeds K22,000.00 but does not exceed K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**SCHEDULE 1A**

**GENERAL RATES OF INCOME TAX ON TAXABLE INCOME PAYABLE BY NON-RESIDENT PERSONS OTHER THAN COMPANIES**

The rate of income tax for each part of the taxable income specified in Column 1 of the following table is the percentage of that part set out in Column 2 of that table opposite the reference to that part of the taxable income in Column 1:-

**Table 1-Rates of Tax for the period 1 January 2006 to 31 December 2006<sup>10</sup>**

<b>Column 1 Parts of Taxable Income</b>	<b>Column 2 Percentage</b>
The part of the taxable income that:-	
does not exceed K18, 000.00	25
exceeds K18, 000.00 but does not exceeds K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K150,000.00	40
exceeds K150,000.00	45

**Table 2-Rates of Tax for the period 1 January 2007 to 31 June 2007<sup>11</sup>**

<b>Column 1</b>	<b>Column 2</b>
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<sup>9</sup> Inserted by No.23 of 2018, s.1

<sup>10</sup> Amended by No 23 of 2018, s.2

<sup>11</sup> Inserted by No 17 of 2005, s.2

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Parts of Taxable Income	Percentage
The part of the taxable income that:- does not exceed K18, 000.00	25
exceeds K18, 000.00 but does not exceeds K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**Table 3-Rates of Tax for the period 1 January 2008 to 31 December 2018<sup>12</sup>**

Column 1 Parts of Taxable Income	Column 2 Percentage
The part of the taxable income that:- does not exceed K18, 000.00	25
exceeds K18, 000.00 but does not exceeds K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**Table 4-Rates of Tax for the period 1 January 2019 and onwards<sup>13</sup>**

Column 1 Parts of Taxable Income	Column 2 Percentage
The part of the taxable income that:- does not exceed K20, 000.00	22
exceeds K20, 000.00 but does not exceeds K33,000.00	30
exceeds K33,000.00 but does not exceed K70,000.00	35
exceeds K70,000.00 but does not exceed K250,000.00	40
exceeds K250,000.00	42

**SCHEDULE 2**

**RATE OF INCOME TAX ON TAXABLE INCOME BY REFERENCE TO A NOTIONAL INCOME**

In respect of the taxable income of a taxpayer deriving a notional income, as specified by Section 80,117(2) or 212 of the *Income Tax Act*, the rate of income tax payable shall be determined-

<sup>12</sup> Inserted by No 17 of 2018, s.2

<sup>13</sup> Inserted by No 23 of 2018, s.2

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- (a) by ascertaining the amount of income tax that would be payable under Schedule 1 on a taxable income equal to the notional income; and
- (b) by expressing the amount so ascertained as a percentage of the amount of the notional income,

and the percentage so expressed is the rate of tax payable on the taxable income of the taxpayer.

### **SCHEDULE 3**

#### **RATES OF INCOME TAX IN RELATION TO TRUST ESTATES**

##### **Sch. 3.1. Trustees.**

In respect of the net income of a trust estate in respect of which a trustee is liable, under Section 130 of the Principal Act, to be assessed and to pay tax, the rate of income tax is 30%<sup>14</sup>.

##### **Sch. 3.2. Non-resident beneficiaries.**

In respect of a distribution of the income of a trust estate (other than a unit trust) in respect of which a trustee is liable, under Section 135 of the Principal Act, to be assessed and to pay tax, the rate of income tax is 10% of the amount of the distribution.

##### **Sch. 3.3 Unit trust.**

In respect of the net income of a unit trust in respect of which a trustee is liable to pay tax under Section 136C, the rate of income tax is 30%.

### **SCHEDULE 4**

#### **RATES OF INCOME TAX PAYABLE BY A COMPANY OTHER THAN A COMPANY IN THE CAPACITY OF A TRUSTEE**

##### **Sch. 4.1. Resident corporations (other than income derived by a company for which rates are set in Schedules 4.4, 4.8 or 4.9) of Papua New Guinea<sup>15</sup>.**

In the case of a company (other than income derived by a company for which rates are set in Schedules 4.4, 4.8 or 4.9) that is a resident corporation of Papua New Guinea, the rate of income tax (other than additional tax under Section 138 of the Principal Act) is in relation to income derived on or after 1 January 2003, 30% of the taxable income.

##### **Sch. 4.2. Non-resident corporations (other than petroleum mining companies).**

In the case of a company (other than a company that derives assessable income from petroleum) that

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<sup>14</sup> Schedule 3.1 amended by No 31 of 2003, by substituting the figure 30% for the figure 28%.

<sup>15</sup> Amended by No 31 of 2003



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is a non-resident corporation, the rate of income tax is 48% of the taxable income.

### **Sch. 4.3. Unincorporated associations, etc.**

In the case of a company (other than in respect of assessable income from petroleum operations or from gas operations or from mining operations) that is a non-resident corporation, the rate of income tax is in relation to income derived on or after 1 January 2004, 30% of the taxable income.

### **Sch. 4.4. Mining, Petroleum and Gas Income.**

- (1) The rate of tax in respect of income from mining, petroleum and gas operations is 30 percent of the taxable income, which is applicable to the 2017 year of income and each subsequent year of income<sup>16</sup>.
- (2) <sup>17</sup>If the taxpayer is subject to fiscal stabilisation under the provisions of the Resource Contracts Fiscal Stabilization Act 2000, an additional 2% (which shall be additional to the rate of tax otherwise payable under Subsection (1)) of the taxable income of all resource operations excluding operations pursuant to the LNG PNG Gas Agreement or the Papua LNG Gas Agreement, each, as defines in Section 4(1) of the ***Income Tax Act 1959***<sup>18</sup>.

**Sch. 4.5. (Repealed by No.31 of 2003)**

**Sch. 4.6. (Repealed by No.31 of 2003)**

**Sch.4.7. (Repealed by No.47 of 2000)**

### **Sch.4.8. Authorised Superannuation Funds<sup>19</sup>**

In the case of a company that is an Authorized Superannuation Fund, the rate of income tax is 25% of the taxable income.

### **Sch.4.9. Incentive rate primary production income<sup>20</sup>**

In the case of incentive primary production income derived by a company, the rate of the income tax is 20% of the 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.

## **SCHEDULE 5 (Repealed by No 47 of 2000)**

## **SCHEDULE 6**

### **RATES OF INCOME TAX PAYABLE UNDER SECTION 154C OF THE INCOME TAX ACT**

#### **Sch. 6.1. First K50,000.00 of taxable income.**

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<sup>16</sup> Repealed and replaced by No. 3 of 2017

<sup>17</sup> Amended by No 9 of 2019

<sup>18</sup> Substituted by No 14 of 2008

<sup>19</sup> Inserted by No.31 of 2003

<sup>20</sup> Inserted by No.31 of 2003

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In respect of the first K50,000.00 of taxable income, the rate of tax is nil.

**Sch. 6.2. Income above K50,000.00.**

In respect of so much of the taxable income that exceeds K50,000.00 the rate of income tax (other than additional tax under Section 138 of the Income Tax Act) is 35%.

**SCHEDULE 7 (Repealed by No 35 of 1992)**