



Kundu

September 2021



## Foreword



This month we provide you with an update on the seventh iteration of the Income Tax that is being redrafted. Furthermore, the IRC plans to launch an online lodgement and submission portal by the end of this year. Most importantly: 30 September (today), is the deadline for many taxpayers including individual provisional taxpayers to lodge their returns.

We also discuss how a well-designed operative and business plan can support management, especially in the area of growth.

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Please enjoy this month's Kundu and reach out to us at [kmcentee@kpmg.com.au](mailto:kmcentee@kpmg.com.au) if you would like to see KPMG cover specific topics in future editions.

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## Income Tax Act re-write – latest update

by Karen McEntee, Partner, Tax, Transactions & Accounting Services

The IRC and Treasury are now on their seventh iteration of the draft Income Tax Act re-write. The consultation process that took place early last year was based on the fourth draft of the Act.

Treasury's view is that the seventh draft captures the comments made in submissions to Treasury last year although a small number of tax agents and stakeholders have been invited to attend a second consultative workshop in early October to raise any remaining concerns.



Treasury has advised the intended effective date of the Income Tax Act re-write is 1 January 2023 to allow taxpayers over twelve months to become familiar with and plan for any legislative changes. The Act will however be tabled before Parliament in November.

In re-writing the Act the legislators are also taking the opportunity to include some policy changes. The draft legislation is likely to include changes to the taxation of employee benefits such as housing and motor vehicles with a possible move to more market-based valuations. Other proposed changes include limiting

the new capital gains tax regime to real property and to shares in companies that derive the majority of their value from real property.

Changes are also foreshadowed to the taxation of foreign companies with a possible move away from foreign contractor withholding tax and back to income tax returns for branches with permanent establishments in PNG. Also proposed is the removal of certain incentives such as most accelerated tax depreciation for various industries as well as tax concessions for primary and agricultural sector. Further proposed changes include a hard cap on management fee deductions and the ringfencing of foreign exchange losses against future foreign exchange gains.

We will provide further updates on the Act and the outcome of the consultation workshop in our next issue.

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## How a well-designed operative and business plan can support management by Norbert Kneifel, Senior Manager, Advisory Services

There is a common trope in business that something well planned is half done.

While most of the business owners and managers have a strategic plan and long-term targets, many businesses fail to achieve these objectives. There can be several reasons for the failures, but one of the most common is the lack of an implementation plan in the form of an operating or business plan. Companies with well-established business planning processes generally perform better and reach higher profits over the years. So, why is this?

The role of the business plan includes setting goals, developing goals and objectives and mobilizing employees to get on board with the implementation of the plans. A good business plan includes key performance indicators (KPI) for management, department leaders and different teams in the organization. Such KPIs can be financial (e.g. revenue, margin percentage) or operational (e.g. production volume, scrap rate), as well as qualitative or quantitative. There are common requirements for all, that the KPI at any level has to be:

- Realistic and time-bound – should be achievable and accepted by the owner of the KPI;
- Controllable – the owner of the KPI should be able to effect the results within his/her own power and responsibilities;
- Measurable and reportable – can be followed up and performance reviewed on a timely basis;
- Linked – should be in line with other KPIs and the strategic goals.

Including various levels of employees in the planning process will help foster a culture of open communication and will motivate employees to implement the plans. This creates a win-win situation and the organization can get valuable feedback and various opinions from employees while also increasing employee engagement.

The business planning process does not end with the submission of the business plan. KPIs should be linked to the remuneration system of managers and employees and results should be measured on a timely basis. Regular feedback to the KPI owners will increase accountability and commitment at all levels of the organisation and help management to react in a timely manner.

We have assisted many clients in designing internal processes and in preparing operational or business plans to boost business results.

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## IRC engaging property valuers for stamp duty

IRC recently announced that all stamp duty submissions will be subject to an independent valuation from 30 September 2021. IRC are of the view that some taxpayers are undervaluing properties and/or are incorrectly stating themselves to be first time home buyers. IRC are currently actively seeking expressions

of interest from experienced property valuers who will be appointed to value the property before an assessment is finalised and the transfer instrument is stamped.

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## Digitisation of IRC and online filing

IRC has been talking for many years of moving to an online filing system. So, it was a welcome announcement at a recent meeting between the Large Taxpayer Office and taxpayers that IRC will be introducing an online portal towards the end of this year. We await further details as to the functionality of the portal but any system that improves the timely processing of returns would be welcome. IRC advised the LTO deal with 148 taxpayers with an additional 52 expected to be migrated soon. They have recruited a further 25 new account managers. Other announcements include that they are reviewing the process for GST credit refunds and offsets and they are working on a standard form for the Country by Country report.

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## IRC site visits in NCD

Indications are that IRC will be carrying out site visits in NCD during October to collect outstanding lodgements. The difficulty is that in many cases the returns have previously been lodged with IRC but just not processed. A further complication is that the IRC's consolidated statements of account have been incorrect since earlier this year as due to a computer glitch they show some returns as outstanding even though they were previously showing as lodged and assessed. This makes it difficult for IRC and taxpayers alike to get a clear picture of the current status of a taxpayer's affairs. Selected taxpayers should expect to receive a letter from IRC in advance of any site visit.

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## Income tax deadlines

The income tax deadline for non-taxable companies with a 31 December year end and on a tax agent lodgement listing is 30 September 2021. Meanwhile provisional tax for individuals is due by 30 September and interest will apply for late payment.

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## Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters and updates on our KPMG PNG LinkedIn page. Also connect via our webpage [www.kpmg.com.pg](http://www.kpmg.com.pg) and Facebook <https://www.facebook.com/pngkpmg/>

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