

No. 25 of 2019.

Income Tax (2020 Budget)(Amendment) Act 2019.

Certified on : 07 MAY 2020



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ARRANGEMENT OF SECTIONS.

1. Interpretation (Amendment of Section 4).
2. Imposition of income tax (Amendment of Section 11).
3. New Section 11A.

~11A. IMPOSITION OF SMALL BUSINESS TAX.~

4. Losses of previous years (Amendment of Section 101).
5. Restriction on interest deduction (Amendment of Section 155H).
6. New Section 223A.

~223A. PROCEDURAL RULES FOR SMALL BUSINESS TAX.~

7. Application for review or appeal (Amendment of Section 247).
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No. 25 of 2019.

AN ACT

entitled

Income Tax (2020 Budget)(Amendment) Act 2019.

Being an Act to amend the *Income Tax Act 1959*,

MADE by the National Parliament and deemed to come into operation -

- (a) in respect of Sections 1, 2, 3 and 6, in accordance with a notice in the National Gazette by the Head of State, acting with, and in accordance with, the advice of the Minister; and
- (b) in respect of Section 4, on 1 January 2019; and
- (c) in respect of Section 7, on 1 January 2018; and
- (d) in respect of the remainder of the Act, on 1 January 2020.

1. INTERPRETATION (AMENDMENT OF SECTION 4).

Section 4 of the Principal Act is amended by inserting the following new definitions in their correct alphabetical order:

“quarter” means the period of three months ending on 31 March, 30 June, 30 September and 31 December;

“small business tax” means small business tax imposed under Section 11A;

“small business taxpayer” means a person who is liable for small business tax.”

2. IMPOSITION OF INCOME TAX (AMENDMENT OF SECTION 11).

Section 11 of the Principal Act is amended by inserting, after Subsection (2), the following new subsection:

“(3) This section does not apply to a small business taxpayer.”

3. NEW SECTION 11A.

Part III of the Principal Act is amended by inserting, after Section 11, the following new section:

“11A. IMPOSITION OF SMALL BUSINESS TAX.

(1) In this section -

“business” does not include professional services;

“professional services” means medical, dental, legal, accounting, financial, managerial, engineering, architectural, consulting or other similar services;

“turnover”, in relation to an individual conducting a business, means the assessable income received by the person from the conduct of the business without deduction of expenditures or losses.

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(2) Subject to this Act, a small business tax is imposed on an individual conducting business who satisfies all the following conditions -

- (a) the individual conducts the business solely in PNG; and
- (b) the individual is not a registered person for the purposes of the *Goods and Services Tax Act 2003*; and
- (c) the individual was not subject to income tax under Section 11 for the previous tax year; and
- (d) the total turnover of the individual for the previous tax year did not exceed the goods and services tax registration threshold specified in Section 43 of the *Goods and Services Tax Act 2003*.

(3) In determining the total turnover of an individual for a tax year for the purposes of Subsection (2)(d), the Commissioner General may have regard to the turnover of an associate or associates of the individual for the year.

(4) Where the total turnover of an individual who is subject to tax under this section for a tax year is less than K50,000.00 -

- (a) the individual is liable for small business tax annually; and
- (b) the amount of small business tax payable by the individual for a tax year is K400.00.

(5) Where the total turnover of an individual who is subject to tax under this section for a tax year is K50,000.00 or more -

- (a) the individual is liable for a quarterly small business tax; and
- (b) the amount of small business tax payable by the individual for a quarter is two percent of the total turnover of the individual for the quarter.

(6) An individual who is subject to small business tax may apply, in the prescribed form, to the Commissioner General for Section 11 to apply to the individual instead of this section.

(7) The Commissioner General may approve an application under Subsection (6) if he is satisfied that the individual will keep proper records as required for the purposes of the income tax imposed under Section 11.

(8) An approval under Subsection (7) takes effect from the commencement of the first fiscal year after the approval is granted and remains in force indefinitely or until the Commissioner General permits the individual to be subject to this section under Subsection (11).

(9) Subject to Subsection (10), an individual who is subject to income tax under Section 11 for a fiscal year who satisfies Subsection (2) may apply, in the prescribed form, to the Commissioner General for permission for him to be subject to the small business tax.

(10) An individual who has been granted permission under Subsection (7) for Section 11 to apply to him cannot make an application under Subsection (9) within three years of the date of service of the notice granting him permission for Section 11 to apply.

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(11) The Commissioner General may approve an application under Subsection (9) if he is satisfied that there is reasonable grounds to do so and the approval shall apply from the date specified in the notice of approval.

(12) An approval under Subsection (7) or (11) may be subject to such conditions as the Commissioner General may specify in the notice of approval.

(13) Subsection (2)(c) does not apply when determining whether the small business tax applies to an individual for the first fiscal year after the coming into force of the Act.”.

4. LOSSES OF PREVIOUS YEARS (AMENDMENT OF SECTION 101).

Section 101 of the Principal Act is amended by repealing Subsection (4C) and replacing it with the following:

“(4C) Notwithstanding any other provision of this section, no loss incurred on or before 31 December 2018 is deductible, that, under the provisions in force prior to 1 January 2019, would have been deductible from income derived in the year ended 31 December 2018 or in a later year.”.

5. RESTRICTION ON INTEREST DEDUCTION (AMENDMENT OF SECTION 155H).

Section 155H of the Principal Act is amended in Subsection (3) by repealing the number “3” wherever appearing and replacing it with the number “2”.

6. NEW SECTION 223A.

Part III of the Principal Act is amended by inserting, after Section 223, the following new section:

“223A. PROCEDURAL RULES FOR SMALL BUSINESS TAX.

(1) In this section, “tax period”, in relation to the small business tax, means -

- (a) for a small business taxpayer subject to Section 11A(3), the fiscal year; or
- (b) for a small business taxpayer subject to Section 11A(4), the quarter.

(2) A small business taxpayer must keep the following records:

- (a) a cash book recording daily sales, including credit sales; and
- (b) where the person employs employees, a salary or wages register; and
- (c) any other records as required by the Commissioner General.

(3) A small business taxpayer must retain the records referred to in Subsection (1) for three years after the end of the tax period to which they relate.

(4) A small business taxpayer must furnish a small business tax return -

- (a) for a small business taxpayer to whom Section 11A(3) applies, within 28 days after the end of the fiscal year; or
- (b) for a small business taxpayer to whom Section 11A(4) applies, within 28 days after the end of the quarter.

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(5) A small business tax return is a self-assessment return for the purposes of the *Tax Administration Act 2017*.

(6) The small business tax payable by a small business taxpayer for a tax period must be payable on the date that the small business tax return for the period is due.”.

7. APPLICATION FOR REVIEW OR APPEAL (AMENDMENT OF SECTION 247).

Section 247 of the Principal Act is amended by repealing Subsection (2) and replacing it with the following:

“(2) Prior to making an application to a Review Tribunal or filing an appeal in the National Court pursuant to Subsection (1), a dissatisfied taxpayer must pay to the Commissioner General -

- (a) 50 percent of any tax due and payable on the assessment, the subject of the decision with which the taxpayer is dissatisfied; and
- (b) 50 percent of any additional tax which has accrued up to the date of filing of the review or appeal, pursuant to Section 262, on the tax due and payable on the assessment the subject of the decision with which the taxpayer is dissatisfied, and which has not been remitted pursuant to Subsection 262(2) prior to the making of the application or filing of the appeal by the dissatisfied taxpayer.”.

8. NOTICE OF COMPANY PROVISIONAL TAX PAYABLE (AMENDMENT OF SECTION 275N).

Section 275N of the Principal Act is amended by repealing Subsection (1) and replacing it with the following:

“(1) Where the Commissioner General has determined the company provisional tax for a year of tax, or a year of tax approved under Section 12A, he must issue a notice setting out the amount of tax payable and this must be paid in three equal installments which will be due and payable as follows:

- (a) first installment due 90 days from the end of the preceding year of tax or a year of tax approved under Section 12A; and
- (b) second installment due 180 days from the end of the preceding year of tax or a year of tax approved under Section 12A; and
- (c) third installment due 270 days from the end of the preceding year of tax or a year of tax approved under Section 12A.”.

9. PAYMENT OF TAX (AMENDMENT OF SECTION 311AQ).

Section 311AQ of the Principal Act is amended by repealing Subsection (1) and replacing it with the following:


“(1) An amount determined by the Commissioner General to be the estimated taxable income liable to tax under this division must be taxed at the rates declared by the *Income Tax and Dividend (Withholding) Tax Rates Act* (Chapter 111) and must be payable in three instalments as follows:

- (a) first installment due 90 days from the end of the preceding year of tax or a year of tax approved under Section 12A; and
- (b) second installment due 180 days from the end of the preceding year of tax or a year of tax approved under Section 12A; and

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- (c) third installment due 270 days from the end of the preceding year of tax or a year of tax approved under Section 12A.”

I hereby certify that the above is a fair print of the ***Income Tax (2020 Budget)(Amendment) Act 2019***, which has been made by the National Parliament.


Acting Clerk of the National Parliament.

07 MAY 2020

I hereby certify that the ***Income Tax (2020 Budget)(Amendment) Act 2019***, was made by the National Parliament on 5 December 2019.


Speaker of the National Parliament.

01 MAY 2020