



INTERNAL REVENUE COMMISSION



TAXPAYER GUIDE

PRESCRIBED ROYALTY PAYMENT WITHHOLDING TAX **FORMS**

The Internal Revenue Commission has recently modified the process and stationery for submitting Prescribed Royalty Payment Withholding Tax. The process is a result of an on-going effort on the part of the IRC to improve service delivery, reduce compliance costs for taxpayers and standardise forms.

PRESCRIBED ROYALTY PAYMENT

A prescribed royalty payment is a payment that–

- (a) arises out of any of the following activities:
- (i) the exploration, taking, extraction, processing, transport or conveyance of any form of hydrocarbon and all activities incidental or ancillary to such exploration, taking, extraction, processing, transport or conveyance; or
 - (ii) the exploration, taking, extraction, processing, transport or conveyance of any mineral and all activities incidental or ancillary to such exploration, taking, extraction, processing, transport or conveyance; or
 - (iii) activities of the kinds listed in the definition of “fishing operations” under Section 4 of the Income Tax Act 1959 or listed in the definition of “fishing” under Section 2 of the Fisheries Management Act 1998 and all activities incidental or ancillary to such activities; or
 - (iv) activities of the kinds listed in the definition of “timber operations” under Section 166 of the Income Tax Act 1959 and all activities incidental or ancillary to such activities; and
- (b) is made by reason of the activity being performed on or in the vicinity of customary land or in waters adjacent to customary land.

Five per cent (5%) of the gross amount of such payments are to withheld and remitted to the Commissioner General no later than twenty-one (21) days after the end of the month that the payment is made.


MONTHLY REMITTANCE FORMS

A monthly remittance form for the Prescribed Royalty Payment Withholding Tax has been issued by the IRC. This form is called the PR1 form ‘Prescribed Royalty Payment Withholding Tax Remittance Advice Form’, and it replaces any other monthly forms issued in prior years. This form (and the PR2) is used for Prescribed Royalty payments.

You may download a copy of the PR1 form from the IRC website at http://www.irc.gov.pg/tax_forms.html or pick up a copy in person from the IRC office of your choosing. The form may be completed by hand, or completed electronically.

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The PR2 form looks like this:

FORM PR2		 PAPUA NEW GUINEA INTERNAL REVENUE COMMISSION PNGIRC - Your Partner in Nation Building	PLACE SIGTAS BAR CODE HERE <small>25 Areas x 5 Digits</small>	PLEASE PROVIDE A FULL LIST OF NAMES AND ADDRESSES OF PERSONS / BUSINESSES TO WHOM PRESCRIBED ROYALTY WITHHOLDING TAX HAS BEEN DEDUCTED BY YOU FOR THE ABOVE PERIOD INCLUDING DETAILS OF TOTAL TAX DEDUCTIONS.			
Prescribed Royalty Withholding Tax		Taxpayer Identification Number (TIN):		DETAILS OF PRESCRIBED ROYALTY WITHHOLDING TAX DEDUCTED			
				TAXPAYER IDENTIFICATION NUMBER (TIN) of Recipient	NAME AND ADDRESS OF PERSON/BUSINESS	GROSS AMOUNT	TAX AMOUNT DEDUCTED
PRESCRIBED ROYALTY WITHHOLDING TAX RECONCILIATION STATEMENT							
NAME AND ADDRESS OF TAXPAYER (WITHHOLDER)							
NAME OF TAXPAYER:							
CONTACT / REPRESENTATIVE:							
PHONE No:							
E-MAIL ADDRESS:							
MAILING ADDRESS							
SECTION No:		LOT No:					
STREET / SUBURB / DISTRICT:							
P.O. BOX:							
COUNTRY:		PROVINCE:					
CITY / POST OFFICE:							
CARE OF (C/-):							
DEDUCTION PERIOD				YEAR:			
DEDUCTION PERIOD FROM 1 JANUARY TO 31 DECEMBER							
PRESCRIBED ROYALTY WITHHOLDING TAX REMITTANCES							
SHOW BELOW REMITTANCES PAID TO THE I.R.C. DURING THE YEAR							
DEDUCTION MONTH	AMOUNT PAID	DEDUCTION MONTH	AMOUNT PAID				
JANUARY	K	JULY	K				
FEBRUARY	K	AUGUST	K				
MARCH	K	SEPTEMBER	K				
APRIL	K	OCTOBER	K				
MAY	K	NOVEMBER	K				
JUNE	K	DECEMBER	K				
		TOTAL (1)					
SHOW BELOW THE TOTAL AMOUNT OF TAX DEDUCTIONS SHOWN ON THE SCHEDULE ATTACHED FOR THE YEAR							
		TOTAL (2)					
NOTE: IF THE TWO TOTALS DO NOT AGREE YOU MUST FURNISH AN EXPLANATION IN WRITING DETAILING THE REASON FOR THE DISCREPANCY							
NOTE: Under s280(1)(f)(ii) of the Income Tax Act 1959 (as amended), this form must be submitted to the Commissioner General of the Internal Revenue Commission no later than the 21st of February following the end of the deduction period.							
PLEASE CONTINUE ON PAGE 2 TO LIST THE NAMES AND ADDRESS OF PERSONS / BUSINESSES TO WHOM PRESCRIBED ROYALTY WITHHOLDING TAX HAS BEEN DEDUCTED BY YOU FOR THE ABOVE PERIOD INCLUDING DETAILS OF TOTAL TAX DEDUCTIONS.							
				If additional lines are required, provide the data on a separate sheet and attach it to this form.			
				WHERE THE TAX HAS NOT BEEN DEDUCTED THEN A FULL EXPLANATION SHOULD ALSO BE SUPPLIED			
				DECLARATION			
				I declare that the information that I have provided is true and correct in every detail and discloses a full and complete statement of the facts. I understand that the law imposes heavy penalties for false and misleading statements.			
				SIGNED: _____		DATE: _____	

COMPLETING THE RECONCILIATION FORM

Here are some tips for completing the Reconciliation Form:

Page 1:

- At the top right-hand side of the form there is a space for the TIN of the withholder. The TIN is the *Taxpayer Identification Number* – a nine-digit number that is issued by the IRC to every taxpayer. TINs are replacing Tax File Numbers (TFNs) in the PNG tax system. One TIN will cover all of your tax obligations – Salary & Wages Tax, Dividend Withholding Tax, etc. If you have not yet been issued a TIN, please contact your nearest IRC office to have one issued. **Note:** TINs are issued centrally from Revenue Haus in Port Moresby; however the Provincial IRC offices can receive TIN applications and submit them for processing on your behalf.
- The ‘Prescribed Royalty Payment Withholding Tax Remittances’ section lists each month of the year and shows the amounts that you have remitted to IRC. These are the amounts payable for each monthly return throughout the year. *Total (1)* is the sum of the twelve monthly remittances.
- Total (2)* shows the total Tax Deductions from the schedule of the payments made for the year detailed on page 2.

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Page 2:

- The “Details of Prescribed Royalty Payment Withholding Tax Deducted” schedule requires the TIN, Name and Address, Gross Amount and Tax Deducted totals for the whole year. Only one line per person/business is required and this represents the total amounts paid to the person/business. Do not list each payment made to the person/business, just the totals for the year.
- Please note that where *Total (2)* from the schedule of the deductions does not match *Total (1)* then your forms do not reconcile for the year and you should review your information and correct any errors. If your Reconciliation Statement does not balance then a detailed explanation is required.

IRC CONTACT DETAILS

For further information on the process contact:

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