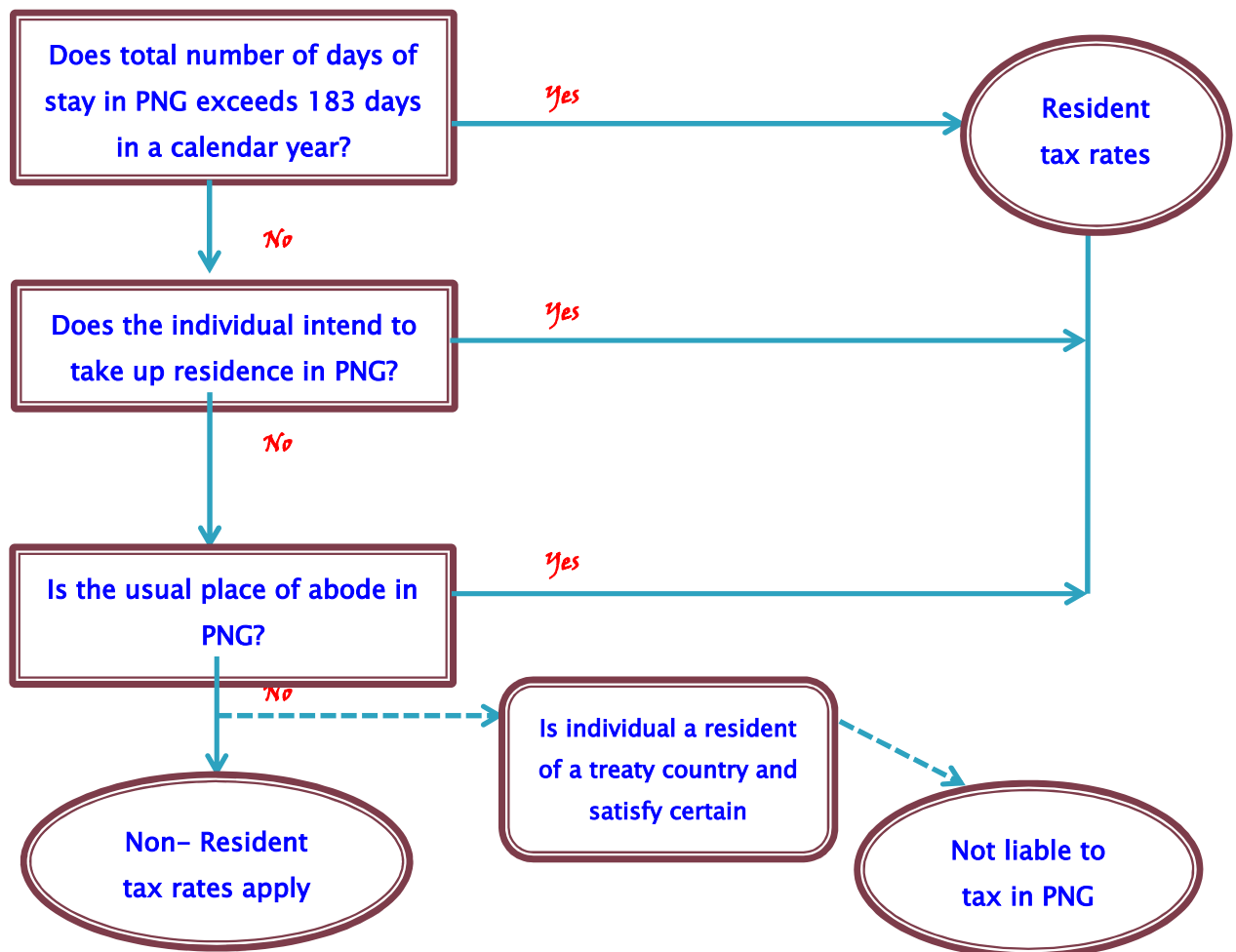


# **INDIVIDUAL TAX GUIDE**



**2012 PNG**

## Residency test



Every employee must furnish to his employer a *Salary or Wages Declaration* at the time of commencement of his employment. In this declaration the employee is required to state his residential status, details of his dependents and allowances or benefits received by him. The completed form must be signed both the employee and employer and lodged with the Internal Revenue Commission (IRC) on or before the due date of next monthly remittance of salary or wages tax.

Where an employee has indicated that he is a non-resident the employer is required to apply the non-resident tax rates in calculating the salary or wages tax. Where he has indicated resident then resident rates needs to be applied.

An employee whose usual place of abode is outside of PNG is generally required to provide evidence to support his contention. He should show that his habitual abode is outside of PNG, he has closer personal and economic ties with a country other than PNG (e.g., maintaining a family outside of PNG) and there is nothing to show that he intends to reside in PNG permanently.

### Tax Rates (for tax year beginning 1 January 2008)

Taxable income		Tax rates			
		Resident*		Non-resident	
PGK	PGK	PGK	PGK	PGK	PGK
0	10,000	-	-	0+	22% of each amount
10,001	18,000	0+	22% of each amount above 10,000	2,200 +	22% of each amount above 10,000
18,001	33,000	1,760+	30% of each amount above 18,000	3,960+	30% of each amount above 18,000
33,001	70,000	6,260+	35% of each amount above 33,000	8,460+	35% of each amount above 33,000
70,001	250,000	19,210+	40% of each amount above 70,000	21,410+	40% of each amount above 70,000
250,001	and above	91,210+	42% of each amount above 250,000	93,410+	42% of each amount above 250,000

\*Where a resident has filed a dependent declaration, he is entitled to a deduction of following dependent rebate from the tax calculated above -

1 Dependent	=	PGK450.06
2 Dependent	=	PGK750.10
3 or more dependents	=	PGK1,049.88

### Housing benefits (for tax years beginning 1 January 2011)

Type of Housing	Market Value PGK	Rent per week PGK	Area 1 <sup>1</sup> PGK	Area 2 <sup>2</sup> PGK	Area 3 PGK
High cost	=/> 800,000	=/> 3,000	18,200 p.a	13,000 p.a	Nil
Medium cost	400,001-799,999	1,001-2,999	10,400 p.a	7,800 p.a	Nil
Low cost	</= 400,000	</= 1,000	4,160 p.a	3,900 p.a	Nil
Mess/Barrack Accommodation			1,560 p.a	1,300 p.a	Nil
Government Mess/ Barracks			182 p.a	182 p.a	Nil
Approved Low cost Housing Scheme			Nil	Nil	Nil

<sup>1</sup> Located in or within 15 Km radius of boundaries of Port Moresby, Lae, Goroka, Madang and Mount Hagen. Also includes any overseas accommodation.

<sup>2</sup> Located in or within 15 Km radius of boundaries of Alotau, Bulolo, Daru, Kainantu, Kavieng, Kerema, Kimbe, Kiunga, Kokopo, Kundiawa, Loregua, Mendi, Popondetta, Pongera, Tabubil, Vanimo, Wabag, Wau, Wewak.

### Housing allowance paid in lieu of accommodation

Housing allowance provided in lieu of accommodation is fully assessable unless a variation is obtained. An employee is allowed to make an application for variation and provides details of actual cost of accommodation incurred. Once satisfied the Commissioner may direct that only the excess allowance over actual cost of accommodation may be taxed. Generally such variation is not retrospective and hence it is advisable to lodge variation applications immediately upon commencement of the financial year. [Click here](#) to download the form. Housing allowance is not assessable for citizen employee engaged in “Approved Low Cost Housing Scheme”.

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### Motor vehicles

Type of vehicle	Unrestricted usage	Restricted usage	Benefits provided Overseas
	FGK	FGK	FGK
Car supplied with fuel	3,250 p.a	As determined by Commissioner	Actual cost to employer
Car supplied without fuel	2,470 p.a	As determined by Commissioner	Actual cost to employer

### Meals

Type of meals	Taxable value	Benefits provided Overseas
	FGK	FGK
Messing type meals	780 p.a	Actual cost of meals
Other	Actual cost of meals	Actual cost of meals

### Public utilities (electricity, water, gas, sewerage, land rates etc.)

How Paid	Deductibility for Employer	Taxability for Employee
	FGK	FGK
Directly paid by employer to service provider	Non deductible	Non taxable
Paid as an allowance to employee	Deductible however must not exceed actual cost of expense	Taxable

## Telephone

Telephone expenses are generally considered private expenses and fully assessable to employee however where they are work related then a variation will be considered.

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## Security and Domestic Servants

How Paid	Deductibility for Employer	Taxability for Employee
	PGK	PGK
Directly paid by employer to Service Provider	Non deductible	Non taxable
Paid as an allowance to employee	Deductible however must not exceed actual cost of expense	Taxable

## School fee

How Paid	Deductibility for Employer	Taxability for Employee
	PGK	PGK
Directly paid by employer to Service Provider	Fully deductible provided not for tertiary studies	Non taxable
Paid as an allowance to employee	Fully deductible	Excess amount over actual cost of school fee paid

## Superannuation

Employees are not allowed to make tax free contribution to Superannuation funds however tax on Employer Contribution can be deferred or reduced depending on the period of contribution and age of employee as below.

Distributions	Tax rate applicable
Amount accrued prior to 1 January 1993	2%
Contributions 15 years or more	2%
Contributions 7 years or more and age 50 years or more	2%
upon Death or Permanent Disability	2%
Contributions not less than 9 years and not more than 15 years	8%
Contributions not less than 5 years and not more than 9 years	15%
All other cases	Marginal rate

There is no mandatory requirement to contribute superannuation for expatriate employees.

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## Gratuity and Terminal Payments

Nature of payment		Tax rate applicable
Amount accrued prior to 1 January 1993 and employee has completed at least 6 years of employment.		2%
Accrued after 1 January 1993	No change in tax rates in the period to which payment relates	Spread over previous 26 fortnights and taxed at applicable marginal rate.
	Change in tax rates in the period to which payment relates	Maximum period over which the payments are spread are extended to 6 years and taxed at applicable marginal rate.

## Tax rebates

An employee is allowed to claim rebate on certain expenses incurred by him as below.

Nature of expenses	Maximum Limit	How to claim
	PGK	
Education expenses incurred in relation to a dependent student child	Lesser of 25% of net education expenses (or) K750 per child	Lodgement of income tax return within 2 months of calendar year
Any expenses necessary incurred in the course of employment	25% of expenses provided it does not exceed total salary or wages tax paid in that year.	Lodgement of income tax return within 2 months of calendar year

## Tax clearance certificate

Transfer of an amount/s exceeding PGK500, 000 from a resident account to a non-resident account within a calendar year needs to be supported by a Tax Clearance Certificate from the IRC. [Click here](#) to download the application form.

For more information please,

Email **Hariharan** at [hariharan.bm@shishya.net](mailto:hariharan.bm@shishya.net)

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#### Disclaimer

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