

Papua New Guinea

1. This report is Papua New Guinea's first annual peer review report. Consistent with the agreed methodology this report covers: (i) the domestic legal and administrative framework, (ii) the exchange of information framework as well as (iii) the appropriate use of CbC reports. The filing obligation for a CbC report in Papua New Guinea applies to reporting fiscal years commencing on or after 1 January 2017. Papua New Guinea also allows its MNE groups to file a CbC report on a voluntary basis for reporting fiscal years beginning between 1 January 2016 and 31 December 2016.¹

Summary of key findings

2. Papua New Guinea's implementation of the Action 13 minimum standard meets all applicable terms of reference (OECD, 2017_[2]), except that:

- Papua New Guinea has set a threshold for the definition of exempt MNEs applying a revenue figure as at a fixed date rather than annually. It is recommended that Papua New Guinea take steps to amend its legislation or otherwise alter the threshold condition to bring it in line with the Action 13 minimum standard.
- Papua New Guinea does not have provisions to enforce CbC requirements on the Ultimate Parent Entity of an MNE Group that is resident for tax purposes in Papua New Guinea. It is recommended that Papua New Guinea amend its legislation or otherwise take steps to ensure that enforcement provisions relating to the CbCR's effective implementation are provided for as required by the terms of reference as soon as possible.

3. It is recommended that Papua New Guinea take steps to put in place an exchange of information framework that allows Automatic Exchange of Information and have QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which they have an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

4. It is recommended that Papua New Guinea take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of the first exchanges of information.

5. It is recommended that Papua New Guinea take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.

Part A: The domestic legal and administrative framework

6. Papua New Guinea has primary law in place to implement the BEPS Action 13 minimum standard, establishing the necessary requirements including the filing and reporting obligations². Guidance has also been published³.

(a) Parent entity filing obligation

7. Papua New Guinea has primary law which imposes a CbC filing obligation on Ultimate Parent Entities of MNE Groups which have a consolidated group revenue above a certain threshold. All required Constituent Entities of the MNE Group are included in the CbC report and no entity is excluded from CbC Reporting other than permitted by the Action 13 report (OECD, 2015). Papua New Guinea has set a threshold for the definition of exempt MNEs applying a revenue figure at a fixed date rather than annually, as clarified and confirmed in its guidance. This means that some MNEs which would have had to report in some years based on their previous year's revenue will not have to and vice versa. This is not in line with the threshold required by the Action 13 standard. It is recommended that Papua New Guinea take steps to amend its legislation or otherwise alter the threshold condition to bring it in line with the Action 13 minimum standard.

(b) Scope and timing of parent entity filing

8. The first filing obligation for a CbC report in Papua New Guinea commences in respect of fiscal years beginning on 1 January 2017 or later. Papua New Guinea also allows its MNE groups to file a CbC report on a voluntary basis for reporting fiscal years beginning between 1 January 2016 and 31 December 2016. The CbC report must be filed within 12 months of the last day of the fiscal year of the MNE Group.

9. No inconsistencies were identified with respect to the scope and timing of parent entity filing.

(c) Limitation on local filing obligation

10. Papua New Guinea has provision for a local filing requirement in its legislation but this requirement has been suspended in a public announcement⁴ and will not apply until further notice.

11. No inconsistencies were identified with respect to the limitation on local filing obligation.

(d) Limitation on local filing in case of surrogate filing

12. Papua New Guinea's legislation allows for the local filing requirements to not apply if there is surrogate filing in another jurisdiction by an MNE group, subject to conditions. The legislative local filing requirement is suspended until further notice.

13. No inconsistencies were identified with respect to the limitation on local filing in case of surrogate filing.

(e) Effective implementation

14. Papua New Guinea has no legal mechanisms in place to enforce compliance by its MNEs with the filing requirements.

Conclusion

15. In respect of paragraph 8 of the terms of reference, Papua New Guinea has a domestic legal and administrative framework to impose but not enforce CbC requirements

on the Ultimate Parent Entity of an MNE Group that is resident for tax purposes in Papua New Guinea. Papua New Guinea meets all the terms of reference relating to the domestic legal and administrative framework, with the exception of

- the filing exemption resulting from a definition of exempt MNE which is not consistent with the standard (paragraph 8(a) iv. and (b) ii. of the terms of reference), and
- the lack of enforcement provisions (paragraph 8(e) ii. of the terms of reference).

16. It is recommended that Papua New Guinea take steps to amend its legislation or otherwise alter the threshold condition to bring it in line with the Action 13 minimum standard.

17. It is recommended that Papua New Guinea amend its legislation or otherwise take steps to ensure that enforcement provisions relating to the CbCR's effective implementation are provided for as required by the terms of reference as soon as possible.

Part B: The exchange of information framework

(a) Exchange of information framework

18. As of 31 May 2019, Papua New Guinea has no bilateral relationships in place for the exchange of CbC reports. It is recommended that Papua New Guinea take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Papua New Guinea has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

(b) Content of information exchanged

19. Papua New Guinea does not have processes in place that are intended to ensure that each of the mandatory fields of information as required in the CbC template are present in the information exchanged.

(c) Completeness of exchanges

20. Papua New Guinea does not have processes in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC reporting template with which it should exchange information as per the relevant QCAAs.

21. No information or peer input was received for the reviewed jurisdiction in relation to the completeness of exchanges.

(d) Timeliness of exchanges

22. Papua New Guinea does not have processes in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAAs and terms of reference.

(e) Temporary suspension of exchange or termination of QCAA

23. Papua New Guinea does not have processes in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA be carried out only as per the conditions set out in the QCAA.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

24. Papua New Guinea does not have processes in place that are intended to ensure that the Competent Authority consults with the other Competent Authority prior to making a determination that there is or has been significant non-compliance with the terms of the relevant QCAA or that the other Competent Authority has caused a systemic failure.

(g) Format for information exchange

25. Papua New Guinea has not confirmed the format that will be used for the international exchange of CbC reports.

(h) Method for transmission

26. Papua New Guinea has not indicated that it uses the Common Transmission System, or any other mechanism, to exchange CbC reports

Conclusion

27. It is recommended that Papua New Guinea take steps to have QCAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which Papua New Guinea has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

28. It is recommended that Papua New Guinea take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of its first exchanges of information.

Part C: Appropriate use

29. Papua New Guinea does not yet have measures in place relating to appropriate use. It is recommended that Papua New Guinea take steps to have measures in place relating to appropriate use ahead of the first exchanges of information remains in place.

Conclusion

30. It is recommended that Papua New Guinea take steps to ensure that the appropriate use condition is met ahead of its first exchanges of information.

Summary of recommendations on the implementation of Country-by-Country Reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that Papua New Guinea take steps to amend its legislation or otherwise alter the threshold condition to bring it in line with the Action 13 minimum standard.
Part A	Domestic legal and administrative framework	It is recommended that Papua New Guinea amend its legislation or otherwise take steps to ensure that enforcement provisions relating to the CbCR's effective implementation are provided for as required by the terms of reference as soon as possible.
Part B	Domestic legal and administrative framework	It is recommended that Papua New Guinea take steps to put in place an exchange of information framework that allows Automatic Exchange of Information and have QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which they have an international exchange of information agreement in effect that allows for the automatic exchange of tax information
Part B	Exchange of information framework	It is recommended that Papua New Guinea take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of the first exchanges of information.
Part C	Appropriate use	It is recommended that Papua New Guinea take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.

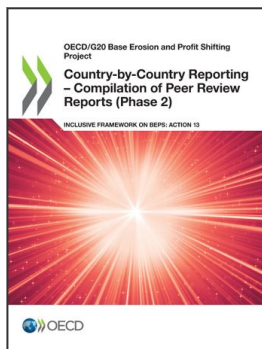
Notes

¹ <http://irc.gov.pg/wp-content/uploads/2017/07/SBg09dc217010615340.pdf>.

² www.parliament.gov.pg/uploads/acts/16A_47.pdf.

³ <http://irc.gov.pg/wp-content/uploads/2018/04/CbCR-Information-sheet.pdf>.

⁴ <http://irc.gov.pg/wp-content/uploads/2019/01/Public-notice-re-CBCR-Final.pdf>.



From:

Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2)

Inclusive Framework on BEPS: Action 13

Access the complete publication at:

<https://doi.org/10.1787/f9bf1157-en>

Please cite this chapter as:

OECD (2019), “Papua New Guinea”, in *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2): Inclusive Framework on BEPS: Action 13*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/71a68594-en>

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