

## EXPLANATORY MEMORANDUM

### *Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates (2017 Budget)(Amendment) Bill 2016.*

This bill proposes an amendment to:

- apply a fixed 15 percent Foreign Contractors Withholding Tax Rate and delinks the rate correlated with the non-resident rate of 48 percent. This amendment simplifies tax administration;
- standardise the Dividend Withholding Tax Rate at 15 percent across all sectors of the economy. This amendment ensures fairness in the tax system and promotes efficiency;
- standardise the resident corporate income tax of 30 percent across all sectors of the economy. The effect of this alignment will now restore imposition of 15 percent Interest Withholding Tax in the mining and petroleum sector. This amendment simplifies and harmonises taxation in the mining and petroleum sector with those in the non-resources sector; and
- introduce other minor technical amendments to rectify typographical errors and redundant references for ease of administration.

## SECOND READING SPEECH

### ***INCOME TAX, DIVIDEND (WITHHOLDING) TAX AND INTEREST (WITHHOLDING) TAX RATES (2017 BUDGET)(AMENDMENT) BILL 2016.***

MR SPEAKER,

THIS BILL PROPOSES AN AMENDMENT TO:

- APPLY A FIXED RATE OF 15 PERCENT ON FOREIGN CONTRACTORS WITHHOLDING TAX RATE AND DELINKS THE RATE CORRELATED WITH THE NON-RESIDENT RATE OF 48 PERCENT. THIS AMENDMENT SIMPLIFIES TAX ADMINISTRATION;
- STANDARDISE THE DIVIDEND WITHHOLDING TAX RATE AT 15 PER CENT ACROSS ALL SECTORS OF THE ECONOMY. THIS AMENDMENT ENSURES FAIRNESS IN THE TAX SYSTEM AND PROMOTES EFFICIENCY;
- STANDARDISE THE RESIDENT CORPORATE INCOME TAX OF 30 PERCENT ACROSS ALL SECTORS OF THE ECONOMY. THE EFFECT OF THIS ALIGNMENT WILL NOW RESTORE IMPOSITION OF 15 PERCENT INTEREST WITHHOLDING TAX IN THE MINING AND PETROLEUM SECTOR. THIS AMENDMENT SIMPLIFIES AND HARMONISE TAXATION IN THE MINING AND PETROLEUM SECTOR WITH THOSE IN THE NON-RESOURCE SECTOR; AND
- INTRODUCE OTHER MINOR TECHNICAL AMENDMENTS TO RECTIFY TYPOGRAPHICAL ERRORS AND REDUNDANT REFERENCES FOR EASE OF ADMINISTRATION.

MR SPEAKER, I COMMEND THE BILL.



No. of 2016.

***Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates  
(2017 Budget)(Amendment) Bill 2016.***

**ARRANGEMENT OF CLAUSES.**

1. Interpretation (Amendment of Section 1).
2. Rate of Tax Payable by Foreign Contractors (Amendment of Section 6A).
3. Rate of Dividend (Withholding) Tax (Amendment of Section 10).
4. Rates of Income Tax Payable by a Company other than a Company in the Capacity of a Trustee (Amendment of Schedule 4).



A BILL

for

AN ACT

entitled

***Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates  
(2017 Budget Amendment) Act 2016,***

Being an Act to amend the *Income Tax, Dividend (Withholding) Tax and Interest (Withholding) Tax Rates Act 1984*,

MADE by the National Parliament and deemed to come into operation on 1 January 2017.

**1. INTERPRETATION (AMENDMENT OF SECTION 1).**

Section 1 of the Principal Act is amended by repealing the definitions of “incentive rate petroleum operations” and “new petroleum project”.

**2. RATE OF TAX PAYABLE BY FOREIGN CONTRACTORS (AMENDMENT OF SECTION 6A).**

Section 6A of the Principal Act is amended by repealing the figure “48%” and replacing it with the following figure:

“15%”.

**3. RATE OF DIVIDEND (WITHHOLDING) TAX (AMENDMENT OF SECTION 10).**

Section 10 of the Principal Act is amended by repealing Paragraphs (a), (b), (c) and (d) and replacing them with the following new paragraphs:

- “(a) dividends (other than unit trust dividends) paid by a resident company is 15%;
- and
- (b) dividends received by a resident company from a source outside Papua New Guinea is 15%.”

**4. RATES OF INCOME TAX PAYABLE BY A COMPANY OTHER THAN A COMPANY IN THE CAPACITY OF A TRUSTEE (AMENDMENT OF SCHEDULE 4).**

Schedule 4 of the Principal Act is amended in Schedule 4.4 by repealing Subsection (1) and replacing it with the following new subsection:

“(1) The rate of tax in respect of income from mining, petroleum and gas operations is 30% of the taxable income.”.