



I am currently taxed under income tax but I want to be taxed under small business tax. What do I do?

Provided that you are a sole trader with an annual turnover threshold of less than K250, 000 and you met all the other SBT conditions, you can make an election to switch from income tax regime to small business tax regime by completing the **ELECTION TO OPT TO SMALL BUSINESS TAX APPLICATION FORM**. Your tax obligations under income tax must be settled before you make the switch to SBT. Any tax loss carried forward under income tax will be forfeited. Once you make the switch, you are to remain in that regime for three year after which you may decide to make an election to move to income tax regime..by completing ELECTION TO OPT TO INCOME TAX APPLICATION FORM

Where can I go to get more assistance on SBT?

Information on SBT is available on the IRC website. You can also contact the following officers:

Tax Matter	Contact	Alt Contact
Implementation	Mrs Ketty Masu masuk@irc.gov.pg Telephone 3226710	Ms Pauline Bre brep@irc.gov.pg
Law	Mr Godfrey Wau waug@irc.gov.pg	Mr Steven Sinen sinens@irc.gov.pg
Transitional Issues	Mrs Akosita moia@irc.gov.pg Telephone 3226910	Mr Elijah Titus titusc@irc.gov.pg
How to Register	Ms Helen Solien solienh@irc.gov.pg Telephone 3226884	Mrs Elisabeth Avel avele@irc.gov.pg
Northern Regional office (Lae)	Ms Ruth James jamesr@irc.gov.pg Telephone 472 7203/7511	Ms Cherry Kewa kewac@irc.gov.pg Telephone 472 7203/7511
Island Regional Office (Kokopo)	Mr Kepas Rusiat rusiatk@irc.gov.pg Telephone 9828625/27	Mr Benedict Leba lebab@irc.gov.pg Telephone 9828625/27
Highlands Regional Office (Mt. Hagen)	Ms Henna Kumo kuwimbh@irc.gov.pg Telephone 542 2208	Mr Mata Topa topam@irc.gov.pg Telephone 5422208

“Build our Nation. Pay your taxes so your Government can fund initiatives and programs to support the growth of your business and other small businesses “

Introduction

Small Business Tax (SBT) law was passed by Parliament in 2019 and 2020. This is an initiative of the Marape Government to reduce, not only the compliance burden of micro and small operators, but introduce significantly low concessional tax rates of those individuals who are operating micro and small businesses. SBT is expected to come into operation in April soon after gazettal.

Who does SBT apply to?

SBT applies to business operated by a sole trader whose annual turnover or sales is less than K250, 000. A sole trader whose source of income is from providing of Professional Services such as medical, dental, legal, accounting, financial, managerial, engineering, architectural, consulting, or other similar services are excluded from the SBT regime. This means that, sole traders whose income is from Professional Services will still be subject to tax under the Income Tax regime. In addition, the sole trader must satisfy the following conditions:

- Business must be conducted solely in PNG
- Not a salary or wage earner
- Not registered for Goods and Services Tax (GST)
- Not registered for income tax in the previous year (new registrant)

If you conduct your business with other individuals, their turnover may be considered in determining your turnover threshold.

What is Small Business Tax and what are the requirements?

Small Business Tax (SBT) is a tax on turnover or gross sales. Turnover is the total sales without any deductions for business expenses and losses.

There are two segments of SBT, micro business and the small business. A sole trader whose annual turnover is less than K60, 000 is considered as micro business and a small business is one with an annual turnover or annual gross sales of K60, 000 to less than K250, 000.

Micro businesses pay a flat tax of K250 annually. The tax is due every 28th January after the year in which the sales was made. For instance, tax of K250 on sales of less than K60, 000 made during the 2020 year is due by 28th January 2021. A sole trader who makes sales of K60, 000 to less than K250, 000 in a year is regarded as small business. Tax on small business is paid quarterly, meaning that for every quarter, SBT is charged on the quarterly turnover and paid on the 28th day after the end of the quarter. A quarter is a period of three months. Tax on the first K15, 000 is K62.50 and any sales made in excess of K15, 000 in that quarter is taxed at two (2) per cent.

How and where can I register for SBT?

To register, complete the **SMALL BUSINESS TAX TAXPAYER IDENTIFICATION NUMBER (TIN) APPLICATION, TIN 4 Form**. The TIN 4 Form is available on the IRC website www.irc.gov.pg as well as at any IRC offices. You must submit your TIN 4 Application with the following documents:

- A copy of IPA Business Name Certification
- A copy of IPA Business Extract
- A copy of a form of identification as Proof of Identity (POI).



If your business is not registered with IPA; the Business Name Certification and Extract is not required. Your registration details must be filled in correctly.

You will be issued with a SBT TIN Certificate when your registration is completed. The TIN on the Certificate is your tax reference number. You must quote the TIN in all your communication with the Internal Revenue Commission. All correspondence from the IRC will be sent to the address stated on your TIN 4 Form. You must notify the IRC when there is a change in your registration details within one (1) month of the change.

What do I need to do after getting my Taxpayer Identification Number (TIN)

Having a TIN means you are now a registered taxpayer. As a taxpayer you must comply with the tax law which requires you to file your SBT return and pay the SBT by certain dates.

Micro business

- File a SBT tax return once every year
- Pay fixed tax of K250.00
- Due date for filing and payment of SBT is the 28 January after the year in which your sales were made.

Small business

- File SBT quarterly tax return
- Pay tax of K62.50 plus 2 per cent tax on turnover amount that is more than K15,000 in that quarter
- Due date for filing and payment of SBT is the 28th day of the following month after end of the quarter

	Quarterly Tax Period	Due Date for Filing and Payment
First Quarter	01 January - 31 March	28th April
Second Quarter	01 April - 30 June	28th July
Third Quarter	01 July - 30 September	28th October
Fourth Quarter	01 October - 31 December	28th January

By way of an example, Max Goon is also registered for SBT as a small business. His sales or turnover for the year 2021 was K68,000. Since Max Goon business falls in the small business segment, he must file and pay SBT on a quarterly basis. His business records show the following:

Q1 – Sales from January to March - K15,000; Q2 – Sales from April to June – K25,000; Q3 – Sales from July to September - K18,000 and Q4 – Sales from October to December - K10,000

His SBT is calculated as:

- Q1. Tax on K15,000 = K62.50
- Q2. Tax on K25,000 = K62.50 plus 2% of (K25,000 – K15,000) = K262.50
- Q3. Tax on K18,000 = K62.50 plus 2% of (K18,000 – K15,000) = K122.50
- Q4. Tax on K10,000 = K62.50

Each quarter he pays K62.50 for sales of up to K15,000. Any sales exceeding K15,000 in any one quarter is taxed at 2 per cent.

As a small business taxpayer, Max Goon will pay a total of K510.00 in SBT on his sales of K68,000.00 for the year 2021.

How do I file and pay my SBT?

Filing of SBT Tax Return

Micro businesses file SBT Annual Tax Return and small businesses file SBT Quarterly Tax Return. You can obtain the tax return from the IRC website www.irc.gov.pg or at any IRC office location. The tax returns contain Guidance Notes that will assist you in completing the form. The SBT tax return must be filed by the due dates as there are penalties for late filing.

Paying of SBT

Payment of SBT can be made using these five (5) methods:

1. Electronic funds transfer at point of sale (EFTPOS)
2. Electronic funds transfer (EFT) Bill Pay
3. EFT Direct Deposit
4. Bank Credit Transfer Application from your local bank
5. Bank Cheque Payment.

Refer to Payment Brochure for Instructions on making payment using each of this method. IRC does not accept any cash or personal cheques.

Bank Account

Micro and small businesses must maintain a bank account for business purposes unless they are exempted by the Commissioner General

Record Keeping

Record keeping is a requirement under the tax law. The records you keep of your business transaction are use when completing your SBT Tax Return as well as for other taxation requirements like tax inspections and audits by the IRC. Under the small business tax, you are only required to keep

- A record of your sales, both cash and credit;
- Wage register must be maintained if you employ people; and other records required by the Commissioner General.

Retention of Record

The small business taxpayer is required to maintain those records for 3 years after the end of tax period to which they relate.