

Four things you should know before you get to Papua New Guinea

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Key Points

- Papua New Guinea (**PNG**) presents many exciting investment opportunities, but it is important to plan appropriately
- If you are a foreign company looking to invest in PNG, you must receive Investment Promotion Authority (**IPA**) certification
- You must obtain a visa before arriving

Introduction

PNG is often described as the land of the unexpected. Although unpredicted events can happen at any time (and they often do), PNG still offers many opportunities to foreign investors.

Despite the recent reduction of growth in PNG's economy, the IMF recently projected that PNG will be the fastest growing country in the world in 2015, with GDP growth of c15%-20%.¹ 2016 will also see growth to the economy, and presents vast opportunities for investors.² The multibillion dollar PNG LNG project demonstrates PNG's ability to instigate a large scale innovation, with the project commencing 6 months ahead of schedule.³ Such undertakings improve investment confidence because they are intended to increase capacity development and provide economic growth.

You may now want to consider starting business operations in PNG. So what do you need to know?

1. Before you start business operations in PNG

A foreign company wishing to conduct business in PNG must (unless an exemption applies) obtain IPA approval and be issued with an IPA certificate. Without IPA certification any contract, agreement or understanding would be considered unlawful and may be found void and unenforceable.

¹ Morgans, PNG- Driving growth in the Pacific region: Overview of economy and financial system, 25 May 2015, Accessed 24/2/16.

² For rates of GDP growth in 2016, see Asian Development Bank, <http://www.adb.org/countries/papua-new-guinea/economy>

³ Morgans, PNG- Driving growth in the Pacific region: Overview of economy and financial system, 25 May 2015, Accessed 24/2/16.

Before an IPA certificate can be issued a foreign business must either register as an Overseas Company under the Companies Act 1997 or incorporate a new PNG company.

To register an Overseas Company in PNG you will need to complete Form 46 and pay the prescribed fee of 500 Kina (about AUD \$200). **[Note: a resident agent and a physical address in PNG are required to complete the form].**

To incorporate a PNG company you will need to complete Forms 1, 2, 3, 4 and 6 and pay the prescribed fee of 500 Kina (about AUD \$200). All foreign companies registered or incorporated under the Companies Act 1997 must then apply within 14 days for Certification under the Investment Promotion Act, 1992.

Note: you can also purchase a PNG shelf company. Typically this will cost about 2,000 Kina or about AUD \$1,000.

Downloading free company forms:

A range of IPA and company forms can be downloaded for free at <http://www.ipa.gov.pg/>

2. Before you arrive in PNG - Visa

Prior to landing in PNG you need to make sure that you have the correct visa. This will depend on the purpose of the trip.

Visitors

All visitor entry permits are valid for a single entry stay of 60 days from the date of arrival. Work is prohibited under visitor entry permits. A visitor entry permit may be extended for a further 30 days. Visas may be obtained from:

- PNG High Commissions; and
- Consulates and Offices overseas.

It is important to note that visas on arrival are only available to eligible foreign nations and under specific circumstances. Australia is not an eligible foreign nation and therefore Australian citizens **must** organise their visas **before** travelling to PNG.

Business visa

This type of visa is applicable to persons wishing to invest in PNG and/or establish a business. The visa entitles the holder to attend business meetings and visit clients, but a valid work permit is required.

Employment

Any persons wishing to work in PNG for 6 months to 3 years will require a valid work permit.

Short-term employment

Persons wishing to perform short work assignments and relief duties for a period of up to 12 months will need a visa. Approval from the Department of Labour and Industrial Relations (**DLIR**) is required prior to the visa being issued. A specialist or consultant single entry 90 day visa can also be obtained.

PNG posting – long term employment visa

In most cases Long Term Employment Visas are issued only to skilled staff. Approval is required by the DLIR prior to the issue of the visa.

In addition, undertakings must be given by the employing company regarding the maintenance, accommodation, and repatriation of the workers concerned.

Dependants visa

The existing legislation allows for the spouse or a child of the holder of a valid work permit to apply for a multiple entry dependant visa. If the visa is issued, then it will be for the same period as the work permit. Dependant visa holders are prohibited from undertaking employment.

3. Housing in PNG

The costs of expatriate rental accommodation can be very expensive. In Port Moresby the average rental for a two bedroom apartment is around K4,500 (AU\$2,200) per week, plus GST.

4. Tax rates

All taxpayers must lodge their tax returns each year. Tax returns are based on income earned from 1 January to 31 December (**balance date**). In certain situations the Internal Revenue Commission may approve to adopt a substituted balance date.

PNG has different tax rates for resident, non-resident, resident mining, non-resident mining and petroleum companies.

Actions to consider

- Obtain IPA approval and certification.
- Ensure that you have all relevant paperwork to apply for a visa before travelling to PNG. The required paperwork will vary depending on the type of visa you are applying for.
- Clarify your specific tax return obligations.

Conclusion

Sometimes, local knowledge makes a huge difference. PLN has relationships with local firms which can assist you with establishing a new business presence in PNG. Our team can advise you on the appropriate visas for your needs, and can guide you through the process of setting up your corporate entity with a minimum of delay.

Contact

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