

**CENTRAL BANKING ACT 2000
CENTRAL BANKING (FOREIGN EXCHANGE AND GOLD) REGULATION
JUNE 2005
FOREIGN EXCHANGE MANUAL**

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**CENTRAL BANKING ACT 2000
CENTRAL BANKING (FOREIGN EXCHANGE AND GOLD) REGULATION
JUNE 2005**

INTRODUCTION TO THE FOREIGN EXCHANGE NOTICES

Authority to administer exchange control under the Central Banking Regulation is vested in the Bank of Papua New Guinea, which, in turn, issues instructions, directions and requirements to the Authorized Dealers in respect of classes of transactions in accordance with Regulation 2(2).

The Notices contained in this Foreign Exchange Manual are issued by the Bank of Papua New Guinea primarily for use by Authorized Dealers in Papua New Guinea. All Notices contained in this Manual are nonetheless available to the general public for reference purposes and, where appropriate, can be relied upon for guidance by persons other than Authorized Dealers.

THESE NOTICES DATED 1st JUNE 2005 REPLACE ALL PREVIOUS FOREIGN EXCHANGE CONTROL NOTICES (PREVIOUSLY CALLED “NOTICES TO AUTHORISED DEALERS”) ISSUED BY THE BANK OF PAPUA NEW GUINEA IN MARCH 1996.

DEFINITIONS OF TERMS USED IN THE FOREIGN EXCHANGE NOTICES

“Authorized Dealer” – means each of the entities appointed to be an Authorized Dealer under the Central Banking Regulation;

“Balance of Payment Reporting Forms” or **“BOP Forms”** – means the Balance of Payment Reporting Forms listed in FE Notice 2 in this Manual;

“Central Banking Regulation” – means the *Central Banking (Foreign Exchange and Gold) Regulation 2000*, as amended from time to time;

“Conditions” – means those conditions listed in Schedule 4 of the Exemption Notice;

“Exchange Control” – means the control of foreign exchange and gold transactions under the Central Banking Regulation;

“Exemption Notice” – means the Exemption Notice dated [01st June 2005] and gazetted on [31st May 2005] together with the Conditions to that Exemption Notice in respect of exemptions from certain provisions of the Regulation, such Exemption Notice being substantially in the form of FE Notice 22;

“Foreign Exchange Manual” or **“Manual”** – means the compilation of all Foreign Exchange Notices;

“Foreign Exchange Notices” or **“FE Notices”** – means one (or more) of the Foreign Exchange Notices in this Manual;

“Notification” – means to inform and supply to the Bank of Papua New Guinea information and documents on a transaction (or a class of transactions) or to request for information, guidance and advice on the same covered in this Manual;

“Person” – means an individual or corporation or any other entity having legal personality.

REFERENCE TO THE BANK

All questions or uncertainties in relation to the Notices or any aspect of exchange control should be referred to the Exchange Control Department of the Bank of Papua New Guinea.

INCONSISTENCIES

In the event of any inconsistency between the Central Banking Regulation, the Foreign Exchange Notices and the Exemption Notice, the Central Banking Regulation will prevail.

1. FE 1 – Authorised Dealers

1.1 Introduction

This FE Notice lists those commercial banks appointed by the Bank of Papua New Guinea under the Central Banking Regulation to act as Authorized Dealers and defines their functions.

This Notice is issued by the Bank of Papua New Guinea solely for use by Authorized Dealers in Papua New Guinea. Its purpose is to give certain directions to Authorized Dealers and to lay down certain requirements in respect of matters under the Central Banking Regulation, which the Authorized Dealers are empowered to deal with. This Notice is available to the general public for reference purposes only.

1.2 Authorised Dealers

(a) The Authorised Dealers in Papua New Guinea are:

- (i) Australia and New Zealand Banking Group (PNG) Limited;
- (ii) Bank of South Pacific Limited;
- (iii) Westpac Bank-PNG-Limited; and
- (iv) Maybank (PNG) Limited.

These banks have been appointed to act as Authorised Dealers for the purposes of the Central Banking Regulation and may exercise the powers set out in paragraph (b) below within the limits laid down from time to time in FE Notices issued by the Bank of Papua New Guinea.

(b) The Authorised Dealers may:

- (i) deal in all foreign currencies and for this purpose open and maintain accounts in those currencies;
- (ii) authorise the purchase of such currencies; and
- (iii) authorise the transfer of Kina to the accounts of persons or business entities who are residents outside of Papua New Guinea.

(c) Authorised Dealers must obtain a tax clearance certificate in respect of all transactions where the production of a tax clearance certificate is required by law. (See FE 19 – Tax Surveillance)

1.3 Exemptions

The Bank of Papua New Guinea by publication of a notice dated [01st June 2005] and gazetted on [31st May 2005] has granted a number of exemptions from the need to obtain authorities from the Bank of Papua New Guinea under the Central Banking Regulation. These exemptions are subject to strict compliance with a number of conditions, which relate principally to the reporting obligations of parties who would formerly have required approval under the Central Banking Regulation. Details of the exemptions and the conditions on which the exemptions are granted are set out in FE Notice 22.

FAILURE TO OBSERVE A CONDITION MEANS THAT THE PARTICULAR TRANSACTION IS NOT EXEMPT UNDER THE CENTRAL BANKING REGULATION AND SEVERE PENALTIES MAY APPLY.

PENALTIES FOR BREACHES OF THE REGULATION INCLUDE FINES OF UP TO K500,000 AND IMPRISONMENT FOR UP TO 5 YEARS.

Unless elsewhere prescribed all reporting must be completed within 30 days of the transaction, matter or thing occurring.

Any questions or uncertainties in relation to the exemptions should be referred to the Exchange Control Department, Bank of Papua New Guinea.

1.4 Notifications under the Central Banking Regulation

- (a) Notifications under the Central Banking Regulation should normally be directed to the Authorised Dealers who will, if necessary, consult the Bank of Papua New Guinea.
- (b) Any original supporting documentation, which is returned to the applicant, should be signed and dated and stamped by the Authorised Dealer concerned to signify that the documentation has been sighted and used to support a notification. Duplicate copies of documentation are not normally acceptable in support of a notification.

1.5 Supply of BOP Forms

BOP Forms (see FE Notice 2) can be obtained from an Authorized Dealer or the Exchange Control Department, Bank of Papua New Guinea, P O Box 121, Port Moresby, Papua New Guinea.

1.6 Processing BOP Forms

Where applicable, all BOP Forms must be **completed**, signed, dated, and stamped and delivered by applicants to Authorized Dealers. The Authorized Dealers should verify, stamp, sign and date the Forms, where applicable, and forward them to the Bank of Papua New Guinea in accordance with the directions given in FE Notice 2 and other relevant FE Notices.

1.7 Customer Identification

Authorized Dealers must maintain an internal system of customer identification when dealing with resident and non-resident customers.

1.8 Notification to Resident and Non-Resident Customers

In addition to the completion and submission of relevant BOP Forms, Authorized Dealers must inform their resident and non-resident customers who pass capital transactions (i.e. loans, equity, money market investments etc.) through foreign currency accounts, that they must obtain approval from the Bank of Papua New Guinea to enter into agreements to effect these transactions and must also submit copies of the signed, stamped and dated contractual and other supporting documents to the Bank of Papua New Guinea.

2. FE 2 – Balance of Payment Reporting Forms and Reporting Requirements

2.1 Introduction

This FE Notice lists the BOP Forms that are to be used in the collection of Balance of Payment information in Papua New Guinea. The Notice sets out the circumstances in which the Forms are to be completed. The Notice also advises where Bank of Papua New Guinea approval is required under the Central Banking Regulation.

By this Notice, the Bank of Papua New Guinea directs that Authorized Dealers in Papua New Guinea use the BOP Forms and requires the general public, in dealing with the Authorized Dealers, to use the BOP Forms.

Where an Authorized Dealer is in doubt of an act or thing, a notification **should** be made to the Bank of Papua New Guinea for the appropriate BOP Form(s) to be used.

All BOP Forms either provided through an Authorised Dealer or direct to the Bank of Papua New Guinea must be signed, dated and stamped by entities, where applicable. In the case of individuals, the Forms must be signed and dated.

2.2 Types of BOP Forms. Requirements and validity

FORM BOP-X – Notification of Receipts for Exports or Export-Related Receipts by Business Entities and Individuals Resident in Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 6)	To record export proceeds to ensure that Papua New Guinea receives full value for its exports, including freight, insurance and other export related receipts, and for BOP reporting.	<ul style="list-style-type: none"> i. For any receipt or series of receipts in relation to one transaction through and Authorized Dealer. ii. Where advised specifically by the Bank of Papua New Guinea. <p>The Form must be completed and submitted by the resident entity or individual through an Authorized Dealer to the Bank of Papua New Guinea.</p>

FORM BOP-M – Notification of Payment for Imports or Import-Related Charges by Business Entities and Individuals Resident in Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
(FE 5)	<p>To record payments for imports into Papua New Guinea and to capture information on different categories of imports and import-related payments for balance of payment (BOP) reporting</p> <p>Use for notification of foreign currency payments related to imports, bona fide freight payments, insurance cover, clearing and forwarding charges etc. incurred in the purchase and shipment of physical goods.</p>	<ul style="list-style-type: none"> i. For any payment or series of payments in relation to a single transaction through an Authorized Dealer. ii. Where advised specifically by the Bank of Papua New Guinea. <p>The Form must be completed and submitted by resident entity or individual to the Bank of Papua New Guinea through an Authorized Dealer.</p>

FORM BOP-R2 – Notification of Inward Receipt of Kina or Foreign Currency by Business and Individuals in Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
	<p>For collection of information on inflow of funds not covered elsewhere for BOP reporting.</p> <p>Used for notification of receipt of foreign currency in Papua New Guinea for non-export related receipts.</p>	<p>For receipts of Kina or foreign currency in any amount for transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fee; superannuation funds and employee compensation; construction services; interest, dividends, taxes, etc. through an Authorized Dealer.</p>

		The Form must be completed and submitted by resident entity or individual through an Authorized Dealer.
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FORM BOP-R1 – Notification of Outward Remittance of Kina or Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
(FE 20)	For collection of information on other types of remittances overseas not covered elsewhere for BOP reporting.	<ul style="list-style-type: none"> i. Whenever an individual or business entity remits Papua New Guinean Kina or the foreign currency equivalent. ii. For payments of Kina or foreign currency in any amount for transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fees; superannuation funds and employee compensation; construction services; interest, taxes, etc. through an Authorized Dealer. <p>The Form must be completed and submitted by resident entity or individual through an Authorized Dealer.</p>

FORM BOP-R1D – Notification of Outward Remittance of Dividend by Business Entity in Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 20)	Notification by business entity in Papua New Guinea of payment of dividend.	Whenever a dividend is declared and a payment is remitted overseas through an Authorized Dealer. The Form must be completed for remittance of profits overseas by resident entities in Papua New Guinea.

FORM: BOP-C1 Application for Taking Physical Cash in Excess of K20,000.00 (or Foreign Currency Equivalent) out of Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 8)	To monitor physical cash in notes and coins taken out of Papua New Guinea in excess of K20,000.00 (or foreign currency equivalent)	Whenever a traveler intends to take physical cash in notes and coins in excess of K20,000.00 (or foreign currency equivalent). The Form must be completed and submitted by the resident or non-resident directly or through the Authorized Dealer to the Bank of Papua New Guinea.

FORM: BOP-G1 – Notification of Papua New Guinea Guarantees issued in Favour of Non-Residents Outside Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 10)	For collection of information on Papua New Guinea guarantees and to monitor contingent liabilities to residents outside Papua	(i) Whenever a Papua New Guinea resident issues a guarantee in favour of an overseas resident.

	New Guinea.	<p>(ii) Whenever a change is effected to an existing Papua New Guinea Guarantee.</p> <p>The Form must be completed and submitted by a resident business entity or individual directly to the Bank of Papua New Guinea.</p>
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FORM: BOP-LC – Notification of Historical Loan Data from Offshore Sources by Resident Entities and Individuals of Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 15)	For notification of historical information on borrowings in Kina or foreign currency from offshore by Entities and Individuals in Papua New Guinea.	<p>Whenever a person enters into an agreement for offshore Kina or foreign currency borrowing.</p> <p>Where advised specifically by the Bank of Papua New Guinea.</p> <p>The Form must be completed and submitted by the resident entity or individual directly to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea approval is required to the loan agreement or any variation.</p>

FORM BOP-LA – Notification for Borrowing in Kina or Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 15)	<p>For collection of information to maintain a registry of external private debt, which is used for reporting Papua New Guinea's private external debt position.</p> <p>To notify the Bank of Papua New Guinea of the following particulars:</p> <ul style="list-style-type: none"> i. purpose of borrowing; ii. details of the lender; iii. details of the loan and draw-downs; iv. schedule of interest, fees and principal repayment; and v. the location of any security involved in a transaction, including full details of any bank accounts or other instruments into which proceeds (including valuable consideration) have been invested or converted. 	<p>Whenever a person enters into an agreement for new offshore Kina or foreign currency borrowing or any variation, reconstruction or amendment to a transaction.</p> <p>The Form must be completed and submitted by a resident entity or individual directly to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea approval is required to the loan agreement or any variation.</p>

FORM BOP-L1 – Notification of Foreign Currency or Kina Loan Draw-down from Offshore by Business Entities and Individuals Resident in Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 15)	For collection of information on actual loan draw-downs to maintain a registry of external private debt, used for reporting Papua New Guinea's private external debt position and for BOP reporting. Used for notification of actual loan draw-downs by persons resident in Papua New Guinea.	To be submitted for each and every Kina or foreign currency loan draw-down at the time the money comes on shore through an Authorized Dealer.

FORM BOP-L2 – Notification of Foreign Currency or Kina Repayments of Principal, Interest and Other Fees by Business Entities and Individuals Resident in Papua New Guinea to a Non-Resident

FORM	PURPOSE	WHEN REQUIRED
(FE 15)	<p>For collection of information on actual loan principal repayments, interest payments, commitment fees, penalties and other charges to maintain a registry of external private debt. The information is used for reporting Papua New Guinea's private external debt position, BOP reporting and for monitoring outflows to ensure they are consistent with the original or amended loan terms. Used for notification of payments relating to Kina or foreign currency borrowings by persons resident in Papua New Guinea.</p>	<p>i. Whenever a person pays interest or other consideration on Kina or foreign currency borrowing to a non-resident through an Authorized Dealer;</p> <p>ii. Whenever a resident person repays Kina or foreign currency borrowing to a non-resident through an Authorized Dealer.</p>

FORM: BOP-LB Notification of Borrowing From Papua New Guinea by Non-Residents Outside Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
(FE 15)	<p>For collection of information to maintain a registry of external private debt, which is used for reporting Papua New Guinea's external loan position.</p> <p>To notify the Bank of Papua New Guinea and the Authorized Dealers of the</p>	<p>Whenever a person enters into an agreement for new domestic Kina or foreign currency lending to non-residents outside Papua New Guinea or any variation, reconstruction or amendment to a transaction.</p>

	<p>following particulars:</p> <ul style="list-style-type: none"> vi. purpose of borrowing; vii. details of the lender; viii. details of the loan and draw-downs; ix. schedule of interest, fees and principal repayment; and <p>the location of any security involved in a transaction, including full details of any bank accounts or other instruments into which proceeds (including valuable consideration) have been invested or converted.</p>	<p>The Form must be completed and submitted by a resident party to the loan transaction directly to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea approval is required to the loan agreement and any variation.</p>
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FORM: BOP-L1(B) Notification of Draw-down of Loans from Papua New Guinea by Non-Residents Outside Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
(FE 15)	<p>For collection of information on actual loan draw-downs to maintain a registry of external private debt, used for reporting Papua New Guinea's external debt position and for BOP reporting.</p> <p>Used for notification of actual loan draw-downs by persons resident in Papua New Guinea.</p>	<p>To be submitted for each and every Kina or foreign currency loan draw-down at the time the money is remitted to a non-resident outside Papua New Guinea, through an Authorized Dealer.</p> <p>The Form must be completed and submitted by a resident party to the loan transaction directly to the Bank of Papua New Guinea.</p>

FORM: BOP-L2(B) – Notification of Kina or Foreign Currency Receipt of Principal, Interest and Other Fees by Residents in Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 15)	<p>For collection of information on the receipt of actual loan principal repayments, interest payments, commitment fees, penalties and other charges to maintain a registry of domestic private external debt. The information is used for reporting Papua New Guinea's external loan position, BOP reporting and for monitoring inflows to ensure they are consistent with the original or amended loan terms.</p> <p>Used for notification of receipts relating to Kina or foreign currency lending to persons resident outside Papua New Guinea.</p>	<p>i. Whenever a person receives interest or other consideration on Kina or foreign currency lending to a non-resident outside Papua New Guinea, through an Authorised Dealer.</p> <p>ii. Whenever a resident person lends Kina or foreign currency loans to a non-resident outside Papua New Guinea.</p> <p>The Form must be completed and submitted by a resident party to the loan transaction directly to the Bank of Papua New Guinea.</p>

FORM BOP-VE – Notification of Stock of Inward Equity Investments in Resident Entities by Non-Resident Business Entities and Individuals – Historical Details		
FORM	PURPOSE	WHEN REQUIRED
(FE 16))	<p>Notification of historical details for verification of inward investment in a Papua New Guinean entity, including details of:</p> <p>i. the Papua New Guinea entity;</p> <p>ii. particulars of investment;</p>	<p>Whenever a Papua New Guinean resident entity receives Kina or foreign currency for investment purposes.</p> <p>The Form must be completed and submitted by resident business entity or individual directly to the Bank of Papua New Guinea.</p>

	<p>iii. details of major non-resident shareholders; and</p> <p>iv. particulars of dividends/profit remittances overseas.</p>	<p>Prior Bank of Papua New Guinea approval is required to any agreement relating to the acquisition of or any dealing for value with the investment.</p>
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FORM: BOP-V1 – Notification of Foreign Investment in Papua New Guinea by Non-Residents and the Operation of Non-Resident Accounts with Authorized Dealers

FORM	PURPOSE	WHEN REQUIRED
(FE 16)	<p>For collection of information on actual foreign equity and other investments to maintain a registry of private equity to monitor and analyze Papua New Guinea's external investment position and for BOP reporting.</p> <p>Used for notification of foreign investment in a new or existing business entity, to acquire property from a person resident in Papua New Guinea or to deposit funds in Papua New Guinea. The form must be completed for notification by non-residents to open Kina or foreign currency accounts, for investments specified on the Form.</p> <p>The Form is also used to capture non-cash transaction type(s) specified on it.</p>	<p>Whenever a non-resident person brings Kina or foreign currency into Papua New Guinea for:-</p> <ul style="list-style-type: none"> i. the purchase of property from a person resident in Papua New Guinea, ii. the purchase of domestic Company or Government securities, real estate or other domestic capital assets; iii. the placing of funds on deposit with an Authorized Dealer or such other entity in Papua New Guinea; and iv. re-organization of existing foreign assets and liabilities of an entity in Papua New Guinea. <p>The Form must be completed and lodged by the resident party of the investment directly with the Bank of Papua New Guinea or through an Authorized Dealer.</p> <p>Prior Bank of Papua New Guinea approval is required to any agreement relating to the acquisition of or any dealing for value with the investment.</p>

FORM BOP -V2 – Notification of Remittance of Kina or Foreign Currency Arising from the Sale or Liquidation of Investments in Papua New Guinea, the Repayment of Funds Placed on Deposit in a Non-Resident Kina or Foreign Currency Account with an Authorized Dealer		
FORM	PURPOSE	WHEN REQUIRED
(FE 16)	Used for notification of a remittance following the sale (or liquidation) of a foreign investment or property in Papua New Guinea.	Whenever a remittance is to be made to a non-resident outside Papua New Guinea, following the sale (or liquidation) of a foreign investment or property in Papua New Guinea. The Form must be completed and submitted by the resident party to the transaction directly or through an Authorized Dealer to the Bank of Papua New Guinea.

FORM BOP-V3 – Notification of Outward Investment by Residents of Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 16)	For collection of information on actual sale, liquidation or redemption of foreign equity and other investments to maintain a registry of private overseas investment, for monitoring and analyzing Papua New Guinea's external investment position and for BOP reporting. Used for notification of the remittance of Kina or foreign currency arising from the sale or liquidation of investments or sale of capital assets and for redemption of securities or deposits held with a Papua	Whenever a resident person remits Kina or foreign currency for:- i. acquisition of property outside Papua New Guinea. ii. Investment in Company or Government securities; iii. Placement of funds on deposit in money market investment and The Form must be completed and submitted

	<p>New Guinean financial institutions for investment in overseas assets.</p> <p>The Form is also used for notification of a change of investments or assets held outside Papua New Guinea by residents of Papua New Guinea.</p>	<p>by a resident entity or individual directly or through an Authorized Dealer to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea approval is required to any agreement relating to the acquisition of or any dealing for value with the investment.</p>
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FORM BOP-V3(A) - Notification of Overseas Assets held by Residents of Papua New Guinea		
FORM	PURPOSE	WHEN REQUIRED
(FE 16)	<p>For collection of information on stock of assets of any form held outside Papua New Guinea and to maintain a registry of overseas assets and for monitoring and analyzing Papua New Guinea's external investment position.</p>	<p>Whenever a resident of Papua New Guinea has acquired and has direct and indirect control over an overseas asset of any form held outside Papua New Guinea.</p> <p>The Form must be completed and submitted by resident entity or individual directly to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea approval is required to any agreement relating to the acquisition of or dealing for value with the asset.</p>

FORM BOP-V4 – Notification of Sale and Liquidation of Foreign Investments by Residents of Papua New Guinea

FORM	PURPOSE	WHEN REQUIRED
(FE 16)	<p>For collection of information on actual sale, liquidation or redemption of overseas equity and other investments to maintain a registry of private foreign investment, for monitoring and analysing Papua New Guinea's external investment position and for BOP reporting.</p> <p>Used for notification of transactions representing inward receipts in relation to the sale and/or liquidation of foreign investments listed on the Form.</p> <p>The form is also used for notification of a change of investments or assets held outside Papua New Guinea by a resident of Papua New Guinea.</p>	<p>Whenever a resident or non-resident brings Kina or foreign currency into Papua New Guinea in receipt for:</p> <ul style="list-style-type: none"> i. sale of shares in a foreign business; ii. sale of foreign government securities; i. sale of other foreign securities; or ii. sale of foreign real estate. <p>The Form must be completed and submitted by resident entity or individual directly or through an Authorized Dealer to the Bank of Papua New Guinea.</p>

FORM: FE-OS – Monthly Report on Foreign Currency Accounts Held by Papua New Guinean Resident Entities

FORM	PURPOSE	WHEN REQUIRED
(FE 11)	<p>To report on an account denominated in a currency other than Kina.</p> <p>A calendar monthly report on actual foreign currency inflows and outflows of the account. The report is to be submitted by a Papua New Guinean entity or an individual.</p>	<p>Whenever a Papua New Guinean entity or an individual operates a bank account in a foreign currency and makes payments in foreign currency or receives foreign currency in relation to transactions such as:</p> <ul style="list-style-type: none"> i. exports or imports; ii. freight and insurance; iii. leases;

		<p>iv. consultancy fees, etc,; and</p> <p>ii. whenever a Papua New Guinean entity is anticipating receipts and payments in foreign currency for the ensuing calendar quarter.</p> <p>The Form must be completed and lodged with the Bank of Papua New Guinea directly by the Account-holder.</p> <p>Prior Bank of Papua New Guinea approval is required to open a bank account outside Papua New Guinea.</p> <p>Domestic contractual obligations between Residents must be settled in Kina.</p>
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FORM: FE-OS(I) Summary Monthly Report of Foreign Currency Accounts Held by Resident Individuals with Authorized Dealers.

FORM	PURPOSE	WHEN REQUIRED
(FE 11)	<p>To report on accounts denominated in currency other than Kina.</p> <p>For notification of transactions effected through foreign currency accounts of resident individuals held with Authorized Dealers.</p>	<p>Whenever a resident individual operates a foreign currency account with an Authorized Dealer and receives or makes payments in foreign currency for purposes specified on the Form.</p> <p>Authorized Dealer must complete and lodge the Form with the Bank of Papua New Guinea.</p> <p>Domestic contractual obligations between Residents must be settled in Kina.</p>

3. FE 3 – Determination of Residential Status

3.1 Introduction

This FE Notice sets out the categories of residential status, which apply in Papua New Guinea as well as the circumstances in which Authorized Dealers may determine and change the residential status of their customers.

3.2 General

The Central Banking Regulation distinguishes between residents and non-residents of Papua New Guinea.

Authorized Dealers are requested to bring to the notice of each customer, and in particular to new account holders:

- (a) the precise status of accounts maintained by the customer with the Authorised Dealer; and
- (b) any change in the designation of the customer's accounts which result from a change in the customer's residential status.

3.3 Establishment of residential status for individuals

Unless otherwise advised by the Bank of Papua New Guinea, Authorized Dealers must designate the account of an individual who has resided in Papua New Guinea for six months or longer as a resident.

3.4 Establishment of non-resident status for individuals

Unless otherwise advised by the Bank of Papua New Guinea, Authorized Dealers must not designate the account of an individual as non-resident in circumstances where an existing resident decides to emigrate from Papua New Guinea.

3.5 Establishment of residential status for companies, partnerships and other business entities

- (a) The Authorised Dealer must designate as resident of Papua New Guinea:
 - (i) those companies which are locally incorporated or which are foreign companies operating actively in Papua New Guinea on a branch basis; and
 - (ii) those partnerships or other non-corporate business entities which are formed in Papua New Guinea or are operating actively in Papua New Guinea.
- (b) An entity is deemed to be operating actively in Papua New Guinea if there exists some location (dwelling, place of production, or other premises) within the country from which the entity engages and intends continuing to engage in economic activities and transactions on a significant scale.

3.6 Establishment of non-resident status for foreign companies

Authorized Dealers must designate as non-resident of Papua New Guinea those companies, which do not actively trade or operate in Papua New Guinea even though they may be registered in Papua New Guinea as foreign companies.

**4. FE 4 – Transfer of Surplus Earnings by Temporary Residents of Papua
New Guinea**

NOT USED

5. FE 5 – Imports to Papua New Guinea

5.1 Introduction

This FE Notice contains the applicable reporting requirements and procedures when making payments for imports into Papua New Guinea, including imports of capital.

This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

5.2 Notification obligations in respect of Imports

Where payments are made for imports that have arrived and cleared by Customs or are in transit to Papua New Guinea under letters of credit arrangements against shipping documents or under documentary collection passed directly to the authorized dealer, the importer must:

- (a) Provide to an Authorised Dealer:
 - (i) documentary evidence supporting the purchase and value of the goods (e.g. a commercial invoice or shipping documents); and
 - (ii) one of the original Customs Entry Form (Form 15) that has been processed by Customs; and
- (b) Complete and submit the Form: BOP-M to the Bank of Papua New Guinea through an Authorised Dealer on a daily basis.

5.3 Holders of foreign currency accounts

Holders of a foreign currency account must report cash inflows and outflows on that account on Form BOP-OS in accordance with FE 11.

5.4 Gold

All applications that relate to the importation of gold must be referred to Bank of Papua New Guinea for consideration.

6. FE 6 – Exports from Papua New Guinea

6.1 Introduction

This FE Notice sets out the administrative and reporting requirements and procedures that apply to the export of goods from Papua New Guinea and to the receipt of export proceeds.

This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

6.2 Background

Reporting is required for goods exported from Papua New Guinea to ensure that the full proceeds of sale of such goods are received in Papua New Guinea.

6.3 Administrative procedures for exporters

The exporter must comply with the requirements and procedures of the Customs authorities for export of goods from Papua New Guinea and the reporting requirements of the Bank of Papua New Guinea. Authorized dealers must ensure that exporters comply with these requirements.

6.4 Completion and Submission of Forms

The Form: BOP-X must be completed by an exporter and submitted together with an original Customs Entry Form (Form 15) to the Bank of Papua New Guinea through an Authorised Dealer on a daily basis:

If the funds are held offshore, the resident must complete and submit the Form: BOP-V3(A) to the Bank of Papua New Guinea.

The holder of a foreign currency account must report cash inflows and outflows on that account on Form BOP-OS in accordance with FE 11.

7. FE 7 – Trade credits

NOT USED

8. FE 8 – Import and Export of Currency Notes, Coins, Bills of Exchange etc

8.1 Introduction

This FE Notice deals with the physical import and export of notes, coins and documents of value whether carried on the person or sent through the post. The Notice explains what constitutes foreign currency and Papua New Guinean currency and sets out instructions on how to deal with the import and export of such currencies.

This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

8.2 Definitions of foreign currency and Papua New Guinean currency

- (a) “Foreign currency” includes notes, coins, postal notes, money orders, bills of exchange, promissory notes, drafts, letters of credit and travellers' cheques, payable or expressed otherwise than in Kina, and also includes rights and instruments of title to any such foreign currency.
- (b) “Papua New Guinean currency” includes notes, coins, postal notes, money orders, bills of exchange, promissory notes, drafts, letters of credit and travellers' cheques, payable or expressed in Kina, and also includes rights and instruments of title to any such Papua New Guinean currency.

8.3 Imports of currency

There is no restriction on the import into Papua New Guinea of any currency whether it is foreign currency or Papua New Guinea currency.

8.4 Export of notes and coins by travellers

A person travelling to places outside Papua New Guinea may take notes and coins expressed in the currency of Papua New Guinea up to an amount of K20,000.00 or the foreign currency equivalent, subject to a taxation clearance certificate if required. Application for approval to take in excess of this amount should be made to the Bank of Papua New Guinea.

An application for exchange control authority must be made to the Bank of Papua New Guinea on Form: BOP-C1 to take physical cash in notes and coins in excess of K20,000.00 or foreign currency equivalent.

8.5 Additional provision for visitors

In addition to the currency exports provided for in Section 8.4 above, visitors to Papua New Guinea (being persons who are non-resident) may take out any notes, including notes expressed in Papua New Guinea currency, which they brought in with them. Where doubt exists as to the ownership of such notes, reference should be made to the Bank of Papua New Guinea. The duration of a visit should not exceed six months, thereafter reference should be made to the Bank of Papua New Guinea to establish the residential status of the person concerned.

9. FE 9 – Payments Under Non-Life and Life Policies Including Superannuation Schemes

10. FE 10 – Guarantees and Indemnities to or for the Benefit of a Non-residents of PNG

10.1 Introduction

The FE Notice imposes approval and reporting obligations on persons who give guarantees or indemnities to, or on behalf of, non-residents.

This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

10.2 Approval is need for the giving of guarantee or indemnity

A resident of Papua New Guinea who enters into an agreement which provides a guarantee or indemnity in respect of the obligations of a non-resident of Papua New Guinea, or to a non-resident in respect of the obligations of any party, must obtain the prior approval of the Bank of Papua New Guinea to that agreement, and must notify the Bank of Papua New Guinea in writing of the giving of the guarantee or indemnity by completing and submitting Form BOP-G1, and provide full details of the terms and conditions of that guarantee or indemnity.

10.3 Notification of payments following the exercise of guarantees

An Authorized Dealers must notify the Bank of Papua New Guinea of any payments under, or any increase in liability under guarantees or indemnities to which this Notice relates. Where the guarantee relates to an import transaction, a Form BOP-M should be completed and forwarded to the Bank of Papua New Guinea immediately after execution of any such guarantee. In all other cases, the relevant BOP Form must be completed and forwarded to the Exchange Control Department, Bank of Papua New Guinea.

11. FE 11 – Resident Foreign Currency Accounts and Non-resident Kina and Foreign Currency Accounts

11.1 General

In respect of all foreign currency accounts held by residents of Papua New Guinea (in PNG or overseas) and all kina and foreign currency accounts held for non-residents of Papua New Guinea by Authorized Dealers, and all accounts held off-shore by Papua New Guinea residents (the Relevant Accounts) the following provisions apply.

- (a) The prior approval of the Bank of Papua New Guinea must be obtained to the opening by a Resident of any bank account outside Papua New Guinea.
- (b) Approval is required for a Resident to enter into an agreement which creates an obligation in favour of another Resident in a foreign currency. Obligations under such an agreement must be settled in Kina.
- (c) A Form: BOP-V1 must be completed and submitted to the Bank of Papua New Guinea through an authorised dealer at the time the account is opened.
- (d) The Account-holder must provide a Monthly Foreign Currency Account Report on Form: BOP-OS showing actual cash inflows and outflows from each account on the 15th day of the month following the end of the reporting calendar month;
- (e) Authorised Dealers must report to the Bank of Papua New Guinea all resident foreign currency account balances and non-resident Kina and foreign currency account balances on the 15th day of the month following the end of the reporting calendar month.
- (f) Authorized Dealers must provide to the Bank of Papua New Guinea a Monthly Summary Report of transactions effected through the foreign currency accounts of resident individuals on Form: BOP-OS(I) on the 15th day of the month following the end of reporting calendar month.

Authorized Dealers should advise their customers that payments by residents to non-resident accounts must be in accordance with the Foreign Exchange Notices and reporting requirements

11.2 Designation of foreign currency accounts

Authorised Dealers must designate separately Kina and foreign currency accounts in their books as resident or non-resident accounts.

11.3 Taxation Clearance Certificates

Authorized Dealers may not transfer any funds out of Papua New Guinea kina or foreign currency accounts to non-residents unless there is produced to the Authorized Dealer a current taxation clearance certificate where required by law.

12. FE 12 – Inter-Company Accounts

NOT USED

13. FE 13 – Emigration From Papua New Guinea by Permanent Residents

NOT USED

**14. FE 14 – Payment of Dividends, Profits, Royalties, Licence Fees,
Management Fees, Lease Fees and Similar Payments.**

NOT USED.

Aspects of this FE 14 are contained/included in the FE20 – “Outward Remittance of Kina or Foreign Currency ...”

15. FE 15 – Borrowing in Kina or Foreign Currency from Off-shore by Residents of Papua New Guinea; Loans by Residents to Non-residents

15.1 Introduction

This FE Notice sets out the Bank of Papua New Guinea's approval and reporting requirements for Kina or foreign currency borrowings by persons resident in Papua New Guinea from off-shore parties. It also sets out the approval and reporting requirements for lending by a resident of Papua New Guinea to a non-resident outside Papua New Guinea.

This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

Section 15.2 sets out the approval and reporting requirements which must be met when a resident of Papua New Guinea borrows in Kina or foreign currency from offshore sources or from an Authorised Dealer in Papua New Guinea.

Section 15.4 sets out the reporting requirements which have to be met when a resident of Papua New Guinea makes a payment of interest and/or principal to a non-resident on such Kina or foreign currency borrowing.

Section 15.6 sets out the approval and reporting requirements which must be met when a resident of Papua New Guinea lends in Kina or foreign currency to a non-resident of Papua New Guinea overseas.

Section 15.7 sets out the reporting requirements which must be met when a resident of Papua New Guinea receives a payment of interest and/or principal on such Kina or foreign currency lending to a non-resident of Papua New Guinea overseas.

15.2 Approval and Reporting Requirements for Borrowing in Kina or foreign currency by person resident in Papua New Guinea

All persons resident in Papua New Guinea seeking to borrow in Kina or foreign currency from offshore must comply with the following requirements:

- (a) they must obtain the approval of the Bank of Papua New Guinea to the draft loan agreement;
- (b) Form: BOP-LA, which has been completed, signed, dated and stamped by the applicant must be submitted to the Bank of Papua New Guinea providing full details of the transaction to be undertaken;
- (c) a copy of the signed, dated and stamped supporting documentation (loan agreement, which must be in conformity with the draft approved by the Bank of Papua New Guinea, guarantees etc) must be lodged with the Bank of Papua New Guinea;

; and

- (d) a Form: BOP-L1, which has been completed, signed, dated and stamped by the applicant and a duly authorised officer of an Authorised Dealer, must be submitted to the Bank of Papua New Guinea through an Authorised Dealer for every Kina or foreign currency loan draw-down.

An Authorised Dealer should ensure that all the required information on Form: BOP-L1 is provided before certifying the Forms.

15.3 Matters to be considered by Central Bank

In considering an application for approval under this FE Notice 15 the Bank of Papua New Guinea will have regard to the following:

- (a) the currency of borrowing must be readily convertible;
- (b) the interest rate, fees and charges all combined must not exceed the level determined by the Bank of Papua New Guinea from time to time;
- (c) there must be no condition attached to the financing which may result in the borrower becoming liable for the debts of third parties who are not residents of Papua New Guinea;
- (d) the term of the borrowing must be for a period of one year or more; and
- (e) after the borrowing, the borrower must have a following maximum debt to equity ratio: 3:1 for mining, petroleum and logging companies; 4:1 for gas companies and 5:1 for all other companies..

15.4 Payment of Interest and Principal on Foreign Currency Borrowings

Notification of all payments of interest, fees, commissions or other charges directly related to the borrowing or to repay principal should be made to an Authorized Dealer with a completed Form BOP-L2 accompanied by supporting documentation including a Taxation Clearance Certificate where appropriate (see FE Notice 19- Tax Surveillance).

An Authorised Dealer should ensure that all the required information on Form BOP-L2 is provided before certifying the Form.

15.5 Tax surveillance

It may be necessary for applicants wanting to transfer funds out of Papua New Guinea to make payments relating to Kina or foreign currency borrowings to obtain tax clearance. This requirement will be dependent upon the country to which the payments are to be made and the amounts involved (See Notice FE 19 Taxation Surveillance).

15.6 Approval and reporting Requirements for Lending in Kina or foreign currency to Overseas residents

All persons resident in Papua New Guinea seeking to lend to overseas residents in Kina or foreign currency must comply with the following requirements:

- (a) they must obtain the approval of the Bank of Papua New Guinea to the draft loan agreement;
 - (b) the terms of lending (interest rate, fees and charges etc.) all combined must not exceed the level determined by the Bank of Papua New Guinea from time to time;
 - (c) Form: BOP-LB, which has been completed, signed, dated and stamped by the applicant must be submitted to the Bank of Papua New Guinea providing full details of the transaction to be undertaken;
 - (d) a copy of the signed, dated and stamped supporting documentation (loan agreement, which must be in conformity with the draft approved by the Bank of Papua New Guinea, guarantees etc) must be forwarded to the Bank of Papua New Guinea;
- ; and
- (e) a Form:BOP-L1(B), which has been completed, signed, dated and stamped by the applicant and a duly authorised officer of an Authorised Dealer, must be submitted to the Bank of Papua New Guinea through an Authorised Dealer for every Kina or foreign currency loan draw-down.

An Authorized Dealer should ensure that all the required information on Form BOP-L1(B) is provided before certifying the Forms.

15.7 Receipt of Interest, Principal and Others on Kina or Foreign Currency Lending to Overseas Residents

Notification of all principal, interest, fees, commissions or other receipts directly related to lending to overseas residents should be made to an Authorised Dealer with a completed Form BOP-L2(B) accompanied by supporting documentation, where appropriate.

An Authorised Dealer should ensure that all the required information on Form: BOP-L2(B) is provided before certifying the Form.

15.8 Requirement for Reporting by Person Resident in Papua New Guinea

Person resident in Papua New Guinea who is a party to a transaction referred to in this FE Notice 15 must report to the Bank of Papua New Guinea as and when that transaction occurs and at any other time as required by the Bank of Papua New Guinea.

15.9 Holders of foreign currency accounts

The holder of a foreign currency account must report cash inflows and outflows on that account on Form BOP-OS in accordance with FE 11.

16. FE 16 – Inward Investment and Outward Investments

16.1 General

This FE Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

16.2 Prior approval to inward investment

A person who is a non-resident of PNG who acquires an asset in PNG must:

- (a) obtain the prior approval of the Bank of Papua New Guinea to any agreement under which the asset is acquired or dealt with for value.
- (b) provide information about the nature and amount of funds to be invested or brought into the country for, or in connection with, that person's acquisition of the asset, to the Bank of Papua New Guinea through an Authorised Dealer; and
- (c) complete and submit to the Authorised Dealer a Form: BOP-V1, for foreign equity and other investments in Papua New Guinea.

16.3 Prior approval to outward investment

A person who is a resident of Papua New Guinea who acquires an asset outside Papua New Guinea must:

- (a) obtain the prior approval of the Bank of Papua New Guinea to any agreement under which the asset is acquired or dealt with for value.
- (b) provide information about the nature and amount of funds to be invested or remitted out of the country for, or in connection with, that person's acquisition of an overseas asset, to the Bank of Papua New Guinea through an Authorised Dealer;
- (c) complete and submit to the Authorised Dealer a Form: BOP-V3, for overseas equity and other investments outside Papua New Guinea; and
- (d) complete and submit to the Bank of Papua New Guinea a Form: BOP-V3(A) for assets of any form held outside Papua New Guinea.

The Authorised Dealer must promptly forward to the Bank of Papua New Guinea the signed, dated and stamped Form: BOP-V1 and Form: BOP-V3.

This Notice and the Central Banking Regulation do not relieve the non-resident person of the need to comply with or obtain approvals under other laws relating to foreign investment or the acquisition of property or company securities in Papua New Guinea.

16.4 Outward Remittance of Kina or Foreign Currency Following the Sale of an Investment or the Liquidation of a Business Entity in Papua New Guinea

A person who remits funds out of Papua New Guinea being the proceeds of the sale of an asset must ensure that that:

- (a) supporting documentation evidencing the transaction is sighted by an Authorised Dealer;
- (b) an original taxation clearance certificate where appropriate is submitted to and retained by the Authorised Dealer (see FE Notice 19 - Taxation Surveillance); and
- (c) a signed, dated and stamped Form: BOP-V2 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.

16.5 Completion and Submission of Form: BOP-V1 and Form: BOP-V2

A Form: BOP-V1 and Form: BOP-V2 must be completed and submitted to the Bank of Papua New Guinea as and when a transaction occurs and any other time specified by the Bank

16.6 Outward Remittance of Kina or Foreign Currency for Investment in an Overseas Asset or Inward Remittance following the Sale (or Liquidation) of an Investment in an Overseas Asset

- (a) A person who remits funds out of Papua New Guinea being for investment in an overseas asset must ensure that that:
 - (i) supporting documentation evidencing the transaction is sighted by an Authorised Dealer, and forwarded to the Bank of Papua New Guinea;
 - (ii) an original taxation clearance certificate where appropriate is submitted to and retained by the Authorised Dealer (see FE Notice 19 - Taxation Surveillance); and

- (iii) a signed, dated and stamped Form: BOP-V3 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.
- (b) A person who receives funds from outside of Papua New Guinea being funds from sale (or liquidation) of investment in an overseas asset must ensure that:
 - (i) supporting documentation evidencing the transaction is sighted by an Authorised Dealer; and
 - (ii) a signed, dated and stamped Form: BOP-V4 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.

16.7 Completion and Submission of Form: BOP-V3 and Form: BOP-V4

A Form: BOP-V3 and a Form: BOP-V4 must be completed and submitted to the Bank of Papua New Guinea as and when a transaction occurs and any other time specified by the Bank of Papua New Guinea.

16.8 Requirement for Reporting by Persons Resident in Papua New Guinea

Persons resident in Papua New Guinea who are a party to a transaction to which this FE Notice 16 applies must report to the Bank of Papua New Guinea as and when that transaction occurs and at any other time as required by the Bank of Papua New Guinea.

16.9 Holders of foreign currency accounts

- (a) The holder of a foreign currency account must report cash inflows and outflows on that account on Form BOP-OS in accordance with FE 11.
- (b) The holder of a foreign currency account must also complete and submit Forms: BOP-V1; BOP-V2; BOP-V3 and BOP-V4.

17. FE 17 – Gold

17.1 Introduction

This Notice summarises the main requirements, which are applicable to dealings in gold in Papua New Guinea.

This Notice is not subject to the exemptions set out in FE Notice 22.

17.2 Domestic transactions in gold

The sale of gold by any person to another person resident in Papua New Guinea is permitted without restriction.

17.3 Export of gold from Papua New Guinea

Certain Authorised Dealers, and other persons resident in Papua New Guinea have been given authority to export and sell gold overseas. General authority is given for individuals to export or import small amounts of pure gold where the total value of any article does not exceed a value of K5,000.

An application for authorisation as a gold exporter must be submitted to the Bank of Papua New Guinea for consideration. This requirement applies to both mechanised and non-mechanised mining and extraction of gold and concentrate in Papua New Guinea, including exportation of casted and fabricated pure gold overseas.

18. FE 18 – Sundry Payments

19. NOT

USED

19. FE 19 – Taxation surveillance

19.1 Introduction

This FE Notice sets out the legal basis for taxation surveillance and lists those transactions which require tax clearance.

19.2 Legal basis for taxation surveillance

- (a) Section 81 of the Central Banking Act 2000 and Division 2 of Part IX of the Income Tax Act 1959 form the legal basis for taxation surveillance in Papua New Guinea.
- (b) By Notice in the National Gazette dated [01st June 2005] the transactions requiring taxation clearance and list of countries into specific categories are set out.

19.3 General

- (a) The effect of Section 81(1)(a) of the Central Banking Act 2000 is that the Bank of Papua New Guinea (or an Authorised Dealer) may not give Exchange Control authority for a transaction specified in the Gazette Notice referred to in Paragraph 19.2 (b) above without first considering the tax clearance obligations in accordance with Section 354C of the Income Tax Act 1959.
- (b) The effect of Section 81(1)(b) of the Central Banking Act 2000 and the Exemption Notice is that the Bank of Papua New Guinea (or an Authorised Dealer) may refuse to grant Exchange Control approval (for the regulations not exempted) or grant exemptions (for those regulations exempted) unless a tax clearance is produced.

19.4 List of transactions to which taxation surveillance is applicable

The following transactions have been notified in the National Gazette as requiring tax clearance:

- (a) the transfer of funds which have the nature of capital in the hands of the person resident in Papua New Guinea from whom they are being transferred and which is not otherwise covered in this Section 19.4;
- (b) the transfer of funds as a result of the borrowing or lending of money or the assignment of a debt;
- (c) the transfer of funds as a result of the sale, purchase (including the option to purchase), acquisition or disposition of securities, land or other property, including the transfer of shares off a Papua New Guinea register;

- (d) the transfer of funds being a royalty (as defined in Section 4 of the Income Tax Act), licence fee, management fee, charter fee or similar payment;
- (e) the transfer of funds into a trust fund created or established in a place outside Papua New Guinea;
- (f) the transfer of funds arising from the declaration of any dividend to a person (or group of persons) who is in, or is a resident of, a place outside Papua New Guinea;
- (g) the transfer of funds under a court order to a person who is in, or is a resident of, a place outside Papua New Guinea;
- (h) the transfer of funds in respect of interest on borrowings to a person who is in, or is a resident of, a place outside Papua New Guinea; and
- (i) the transfer of funds which are not trade related involving the physical movement of goods.

19.5 Countries to which taxation surveillance is applicable

- (a) A tax clearance certificate is required prior to the transfer of funds to the following countries, in respect of transactions, which are listed in Section 19.4 above.

Bahamas, Bermuda, Solomon Islands, British Channel Islands, British Virgin Islands, Cook Islands, Gibraltar, Grenada, Hong Kong, The Isle of Man, Liberia, Liechtenstein, Luxembourg, Nauru, Netherlands Antilles, Norfolk Island, Panama, Switzerland, Tonga, Vanuatu.

- (b) A tax clearance certificate is required prior to the transfer of funds in excess of a prescribed amount or the foreign currency equivalent thereof, in any one calendar year, to all other countries not mentioned in paragraph (a) above in respect of transactions, which are listed in Section 19.4 above.

19.6 Non-resident accounts

Any payment emanating from Papua New Guinea to the credit of a non-resident account maintained with an Authorised Dealer has the same effect as a remittance from Papua New Guinea. Accordingly, such a payment may require tax clearance.

19.7 How and where to obtain tax clearance certificates

Where a notification to transfer funds requires tax clearance, the applicant must produce a tax clearance certificate in accordance with Section 354C of the Income Tax Act 1959. The applicant should apply to the Internal Revenue Commission, P.O. Box 777, Port Moresby, Papua New Guinea for clearance giving full details of the nature of the transactions together with any relevant supportive documentation, which may be required by the Internal Revenue Commission.

NOTE: A tax clearance certificate may be issued for a specific transaction or a blanket tax clearance in respect of a type or series of transactions.

19.8 Procedures applicable when obtaining taxation clearance

Where a person is exempted under the Exemption Notice an Authorised Dealer may without the approval of the Bank of Papua New Guinea transfer funds in respect of the transactions listed in Section 19.4 of this Notice. Where applicable, Authorised Dealers must first receive an original tax clearance certificate and any other required documentary evidence before a transfer of funds is made. The tax clearance certificate should be cancelled as appropriate by the Authorised Dealer.

20. FE 20 – Outward Remittance of Kina or Foreign Currency by Persons Resident in Papua New Guinea

20.1 Introduction

This FE Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

20.2 General

Authority under the Central Banking Regulation is no longer required for residents of Papua New Guinea to transfer funds overseas for certain purposes. Approval is required to enter into certain agreements and to open an off-shore bank account. Refer to the relevant FE Notice.

20.3 Conditions and procedures applicable to authorised dealers for notifications to remit Kina or foreign currency abroad

All payments or remissions must be reported to an Authorised Dealer on a Form: BOP-R1. The Authorized Dealer must forward the Form to the Bank of Papua New Guinea on a daily basis.

20.4 Tax surveillance

It may be necessary for notifications to purchase securities, land or other property outside Papua New Guinea to be accompanied by a taxation clearance certificate. This requirement will be dependent upon the country to which the payments are to be made and the amounts involved (See FE Notice 19 - Taxation Surveillance).

20.5 Holders of foreign currency accounts

The holder of a foreign currency account must report cash inflows and outflows on that account on Form BOP-OS in accordance with FE 11.

21. FE 21 - Reporting and Administrative Requirements

21.1 Introduction

This FE Notice must be read in conjunction with the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

Subject to the exemptions set out in FE Notice 22 all Papua New Guinea resident or non-resident persons must:

- (a) comply with any and all reporting and administrative requirements of the Bank of Papua New Guinea, including completion of any Compliance Audit (as defined in the Exemption Notice and in FE Notice 22) in respect of any person or party that is requested by the Bank of Papua New Guinea;
- (b) maintain records and documents relating to transactions that would, but for the Exemption, have required approval for the duration of the transaction or 7 years whichever is shorter.
- (c) provide to the Bank of Papua New Guinea any information and documentation with respect to any matter, act, transaction or thing in a form and within any time period specified by the Bank of Papua New Guinea, including as specified in an FE Notice.

22. FE 22 – Exemption from Certain Provisions of the Central Banking Regulation

22.1 Introduction

Pursuant to the Exemption Notice all persons, other than the persons listed in paragraph 22.2, are exempted from obtaining an authority under or complying with the following regulations of the Central Banking Regulation -as set out in Schedule 3 to the Exemption Notice:

- (a) Section 7: Transfer or removal of currency out of Papua New Guinea
- (b) Section 9: Control of certain payments and transactions
- (c) Section 10: Borrowings from outside residents
- (d) Section 11: Blocked accounts
- (e) Section 12: Specified currency
- (f) Section 13: Issue or dispatch of securities
- (g) Section 14: Foreign securities
- (h) Section 15: Returns of foreign securities
- (i) Section 18: General restrictions on export
- (j) Section 19: Additional documentation and information
- (k) Section 21: Fulfilment of arrangements
- (l) Section 22: Currency or property retained or obtained in contravention of Part II

With the exception of the above regulations, all other provisions of the Central Banking Regulation remain in full force and effect.

22.2 Persons not exempt from obtaining authority under the Regulation

The following persons are not exempt from obtaining approval under the Central Banking Regulation:

- (a) A person who after the Effective Date without the authority of the Central Bank enters into an agreement in writing between a Resident and a Non-Resident
 - (i) to lend, borrow or raise money

- (ii) to create or evidence financial indebtedness by the use of financial instruments of any kind;
 - (iii) to guarantee the indebtedness of a third party or indemnify a third party against financial loss;
 - (iv) to effect an arrangement having the same or similar commercial effect to any of the above; and
 - (v) to vary any such agreement.
- (b) A person, being a Resident, who after the Effective Date without the authority of the Central Bank enters into an agreement in writing to acquire, dispose of or otherwise deal with, directly or indirectly, an asset (including listed or unlisted securities) outside Papua New Guinea.
 - (c) A person, being a Non-Resident, who after the Effective Date without the authority of the Central Bank enters into an agreement in writing to acquire, dispose of or otherwise deal with, directly or indirectly, an asset (including listed or unlisted securities) in Papua New Guinea.
 - (d) A person, being a Resident, who after the Effective Date without the authority of the Central Bank opens and operates a bank account outside Papua New Guinea.

22.3 Compliance

A failure to comply with any of the following Conditions by any person will result in:

- (a) the exemptions granted under the Exemption Notice not applying with respect to that person in relation to the relevant transaction; and
- (b) a breach of the Central Banking Regulation,

and will result in imposition of penalties in accordance with the Central Banking Regulation.

22.4 Conditions

The exemptions are granted subject to the following Conditions, which are set out in detail in Schedule 4 to the Exemption Notice:

- (a) At any time and for any purpose, the Bank of Papua New Guinea may by written notice:
 - (i) request any information and documentation further to that requested or provided to the Bank of Papua New Guinea; and

- (ii) conduct an audit to ensure compliance with the conditions.
- (b) All information and documentation requested by the Bank of Papua New Guinea must be in the prescribed form and within the time requested by the Bank of Papua New Guinea. Such information may include but is not limited to:
 - (i) the names of parties to a transaction;
 - (ii) full details of all valuable consideration paid or payable in respect of a transaction;
 - (iii) a description of the property involved in a transaction;
 - (iv) the location of the property involved in a transaction, including full details of any bank accounts or other instruments into which proceeds (including valuable consideration) have been invested or converted;
 - (v) the purpose of the transaction;
 - (vi) information relating to any variation, reconstruction or amendment to a transaction.
- (c) A person must, in relation to any act or thing to which, but for this Exemption Notice, the Regulation would apply, maintain all documents which evidence or support that act or thing for the duration of the relevant transaction or 7 years whichever is shorter.
- (d) A person must comply with the obligations set out in the Foreign Exchange Manual issued by the Central Bank.
- (e) If a person would, but for the Exemption Notice, be required to produce a tax clearance certificate in order to obtain approval from the Bank of Papua New Guinea to enter into any transaction then despite the Exemption Notice that person must produce a tax clearance certificate to an Authorised Dealer in respect of that transaction prior to entering into or undertaking that transaction.
- (f) Only Authorised Dealers may conduct currency exchange transactions.
- (g) A person must not without the approval of the Bank of Papua New Guinea transfer or remove out of PNG physical cash in excess of K20,000.00 or its foreign currency equivalent.