

APPLICATION FORM

150 PER CENT TAX DEDUCTION FOR PRIMARY PRODUCTION EXTENSION SERVICES EXPENSES

1. **Introduction:**

150 per cent tax deduction for any amount spent for Primary Production Extension Services, was one of the several tax incentives contained in the 2004 Government Budget.

2. **Objective:**

To promote investment in agriculture sector.

3. **Who is qualified to apply:**

All tax payers, (individuals, companies and Institutions) whose incurred expenses are on Primary Production Extension Services.

4. The taxpayer needs to get the project approved by the Extension Services Expenses Approval Committee (ESEAC) chaired by the Secretary for Department of Agriculture and Livestock.

5. Completed application forms should be sent to:

The Chairman
Mr. Matthew'wela B. Kanua
Extension Services Expenses Approval Committee (ESEAC)
Department of Agriculture and Livestock
P O Box 2033
Port Moresby

Attention: Dr. Oti Jigo
Executive Officer (ESEAC)
Tel.: 320 2867, 320 2868, 320 2869
Fax: 321 3002

6. **Section A:**

Project Details

- (i) Name of the Taxpayer/Company:
- (ii) IPA Registration Number:
- (iii) Outline of the proposed projects and activities to be taken in providing the extension services
- (iv) Brief description of the strategic business objective and how it supports the business objective of the company

Section B:

Financial Details

- (i) Maximum amount proposed to be spent under an approved Primary Production Extension Services Plan of the company K.....
- (ii) Teaching/Training/Demonstrations
 - (a) On new planting material – new crop hybrids/new high-yielding crops/new genetically improved livestock breeds for use in a particular area. K.....
 - (b) On improved plant/animal maintenance, pest and disease control, land care techniques harvesting/slaughtering techniques and improving yields. K.....
 - (c) On marketing techniques, including storage, packaging techniques and market information. K.....
 - (d) Others. K.....
- Total Estimated Cost K.....

Certification

- (a) That the Expenditure is included under an approved primary production Extension Services Plan and does not exceed the maximum amount specified in the plan.
- (b) That the expenditure relates to services provided to small share-croppers.
- (c) That the expenditure does not relate to land owned or leased by the taxpayer.
- (d) That the expenditure does not relate to extension services provided on a 'cost recovery' or 'fee for service' basis; and
- (e) That the expenditure does not relate to 'plant' (as defined in Section 73(2) Income Tax Act) or interest costs.
- (f) Advice on new planting material, including new crop hybrids and new high-yielding crops for use in a particular area;
- (g) Advice on improved plant maintenance, pest control, land care techniques, harvesting techniques and improving yields; and
- (h) Advice on marketing techniques, including storage and packaging techniques, and market information.

Name:

Designation:.....

Company:

Signature:

Date:

7. Information on the Calculation of the Tax Concession:

(i) **Assumption:**

Company A's Gross income in 2004 is K1,000,000.00.

It incurred a total expenditure of K250,000.00, which includes K50,000.00 it incurred in teaching farmers on how to plant new high yielding crops in a particular area and its demonstrations on improved plant maintenance.

(ii) **Calculation:**

a)	Gross Income of Company A	K1,000,000.00
	Expenditure of company A plus incurred	
	Expenditure on Extension Services	K 250,000.00
	Expenditure incurred on Extension Services	K 50,000.00
	Expenditure after Extension Services	K 200,000.00
	150% tax deduction on primary production	
	Extension Services = (K150 x 50,000.00)	K 75,000.00
b)	New total Expenditure of company	
	A = (200,000 + K 75,00)	K 275,000.00
c)	Company A's Profit = (K 1,000,000 – K 275,000)	K 725,000.00
d)	30% company tax on the profit	K 217,500.00

Summary:

- (i) Company A's tax could have been – K225,000.00.
- (ii) 150% tax concession reduced it to – K 217,500.00
- (iii) Company A's profit is thus – K 7, 500.00