

Built around you

Private Newsletter

Issue 13 - September 2025

Welcome to our thirteenth edition of the Private newsletter! The purpose of these newsletters is to keep you informed of current developments impacting private and family businesses operating in PNG. **Are you keeping up to date with the changes impacting businesses in Papua New Guinea?**

General update

There is a lot happening now that continues to potentially change the business landscape in Papua New Guinea. While this list is not exhaustive it is a list of the changes we are talking about with our clients:

Papua New Guinea Independence

The anniversary of Papua New Guinea's 50 years of Independence on 16 September 2025 has now come and gone. It is a milestone in Papua New Guinea's history and with it an opportunity for all of us to reflect on our achievements, our goals and commitments, but probably most importantly our roles and contributions in helping to develop and grow Papua New Guinea.

For many of us, our businesses have been established in Papua New Guinea for more than 50 years, but not many have potentially been the steward of their business for that entire period. Therefore, this is a great opportunity to review and refresh business values (as the why) and business strategy (as the how) for all businesses in PNG. Also, for family-owned businesses it is important that the business values and strategy are aligned to the family's values and strategy.

Foreign exchange

It is great to finally hear some consistently good news on the foreign exchange front. While it is long overdue, and very welcome, the factors driving the current situation may not be present for a significant period (there is potentially a ceiling on the increase in the commodity prices for PNG exports and there is potentially only a temporary decrease in imports into PNG).

If you have not been taking advantage of the current favourable conditions in the foreign exchange market, I suggest you contact your banker today. From discussions with many banks in PNG there is a risk there may be a change in the future due to the continuing depreciating of the PGK as well as the need to many PNG businesses to restock for the Christmas and Back to School period.



Minimum wage

Currently the minimum wage in PNG is K3.50 per hour. There has been a consultation and review process being undertaken by the Minimum Wages Board. As a result of this consultation and review process there is now a gazette notice setting out the increase in the minimum wage effective 1 January 2026 to K5.00 per hour.

There is also an increase to K5.25 per hour effective 1 January 2027 and then rising to K5.50 per hour effective 1 January 2028. While this increase has been expected for a while it is not quite aligned with the public position made by the PNG Trade Union Congress that wanted to see the minimum wage increased to K5.50 per hour in January 2026, K7.50 per hour in January 2027, K10.00 per hour in January 2028 and K12.50 per hour in January 2029.

PwC Events

We held events both Port Moresby (7 August) and Lae (19 August) which covered the New Income Tax Act and IRC projects and activities.

During the sessions, we shared our insights on the headlines everyone is talking about, including:

- Changes to taxable benefits
- The removal of FCWT
- Updates to tax depreciation rules

We also explored whether the fundamentals have shifted in areas such as:

- Absence of a second limb equivalent to Section 68
- Alignment of accruals with tax treatment
- Deductibility and WHT applicability
- Quarantining income by type
- Trusts and the concept of tax transparency
- Loss transfers

In addition, we highlighted key considerations for navigating the new tax environment:

- Increased IRC oversight and control
- Impacts on corporate structures (grouping, branch vs subsidiary)
- Scope of technical fees and royalties, and comparison with management fees
- Thin capitalisation rules
- Changes to lease treatment
- Shift in dividend treatment from rebate to exempt
- Payments to associates
- Updates on provisional taxes and lodgement deadlines (e.g., partnerships – 3 months)

We also shared our insights on areas of uncertainty and discussed what is known and still unclear:

- Treatment of private use/on equal terms
- Implementation of the Tax Administration Act
- Awaited regulations and guidance
- Requirements for CBCr and local files
- Handling of foreign exchange transactions

Finally, we provided updates on IRC projects and programs, including:

- GMS and ITAS developments
- Changes to Section 65A GST
- Recent IRC audit activities, such as cost of sales audits and GST-CIT reconciliations
- IRC's current capacity constraints the growing trend of enforcement via press releases.



GST Zero-rating on Essential Goods

As the implementation of the zero-rating of essential goods rolls into its fourth month, there continues to be challenges with how the regime is being applied in practice. Despite the press campaign, industry players and consumers continue to struggle with some inconsistency in the interpretation and resulting application of goods by taxpayers in various sectors, and ongoing challenges taxpayers are facing in receiving feedback and guidance from the IRC. Within the past weeks, the IRC has revoked and re-issued the existing minimal compliance instructions. The replacement is more detailed and imposes significant additional compliance requirements and further reporting on those covered by the arrangements. Compliance is also on the agenda with a series of inspections of retail outlets being reported with penalties imposed on every occasion of non-compliance. For those who are in the value chain for any of the 13 essential goods, it will be critical to understand and monitor the enhanced compliance requirements.

Tax compliance update for GST section 65A withholders and contractors

From 1 June to 31 December 2025, authorised GST section 65A withholders are being instructed to ignore the requirements of the business income payment tax (BIPT) provisions. This means that even though no valid certificate of compliance (CoC) is available, payers of prescribed payments are instructed to not withhold BIPT from contract invoices. Rather, only the GST element of the invoice is required to be withheld and remitted in accordance with the Section 65A GST notice. This temporary measure aims to simplify tax compliance processes and reduce financial pressure on contractors. Details of relevant IRC contacts have been provided for further information or clarification. The Act does provide a basis for the IRC to vary the obligations of those subject to the BIPT system, although this is through a notice issued to the paying authority. It may be appropriate for Section 65A withholders to seek formal notice to ensure they have followed the requirements of the Act.

Crackdown on Inflated Business Expenses

The IRC has issued letters to several Taxpayers to request for information on cost of goods sold to explain discrepancies in certain periods. This is in line with the benchmarking project targeting deliberate overstatement of expenses last 27 May 2025. Businesses with inflated expense claims will face audits and potential penalties.

Taxpayer guides released for current filing season

31 July 2025 marked the filing deadline for the 2024 income tax returns of taxpayers in a tax payable position. The past months have been a period of significant uncertainty for taxpayers regarding the expectations of the IRC “Assessing Function”, which was

announced as being re-introduced in May. As part of their commitment to ease the burden for taxpayers, the IRC has (somewhat belatedly) released information on documentation requirements for submitting income tax returns. A simplified Taxpayer Guide was released on 17 July 2025 providing formal guidance and checklists to taxpayers on expectations for supporting documentation. Now the IRC have updated their lists of Taxpayer Guides effective 1 September 2025 to include not just income tax returns but also withholding taxes.

While the formal guidance is welcomed, it unfortunately did not allow a lot of time react, both to provide feedback to the IRC on their expectations, and to collate the required documentation. Taxpayers filing income tax returns and withholding tax remittances need to ensure that the guidance is thoroughly reviewed, and documentation collated to reduce the risk of tax returns being rejected when lodged at the IRC Assessing Function counter.

Digital Transformation Initiative from the IRC

The IRC announced it will commence implementation of a GST Monitoring System (GMS) aimed at improving GST compliance and real-time monitoring of GST-registered Taxpayers. This is an important change for any business dealing with GST.

The IRC has also official signed the contract of the Integrated Tax Administration Systems (ITAS) which is set to modernise that tax administration of the IRC. ITAS is designed to replace the SIGTAS. The new platform will aid to streamline the tax processes, enable features like e-registration, e-filing, self-service portals, and stronger data security. The IRC expects that it will effectively and efficiently manage Taxpayer’s data, integrate it with other regulatory platforms, and most especially increase revenue collection to support economic growth.

Expect further guidance from IRC on technical and compliance requirements as both systems progress.

Consultation on Companies Act amendments — Beneficial Ownership (BO) / AML compliance

The IPA issued a consultation memorandum seeking stakeholder input on proposed Companies Act amendments and AML/CTF measures (including enhanced Beneficial Ownership rules). The memorandum emphasises compliance with international standards (FATF/APG) and requested comments by the deadline specified in the memorandum. All affected companies should review the proposed changes and consider submissions or seek advice on BO reporting obligations.

https://www.ipa.gov.pg/Documentation/PG/Consultation_Memorandum_AML_Compliance_Companies%20Act_Amendments_7_May_2025.pdf

Nationwide Beneficial Ownership awareness campaign & ORS training

The IPA has been running a nationwide awareness program on proposed BO changes and training on its Online Registry System (ORS), visiting centres such as Lae, Goroka and Mt. Hagen. This rollout is intended to help companies understand BO disclosure obligations and how to use the ORS for filings.



Special Economic Zones continue as a focus

The Minister for International Trade and Investment has been actively promoting the newest wave of Special Economic Zones (SEZ) opportunities through the recent launch of the SEZ Foundation Policy (2025-2032). In one of the first actions under the policy the existing SEZ Act from 2019 which established the authority to administer SEZs is to be revamped. The number and range of SEZs announced and gazetted continues to increase with developments in the real estate space, tourism and manufacturing sectors being those currently in existence.

Final Budget Outcome

The Final Budget Outcome for 2024 (FBO) was recently released by Treasury. The report acknowledges that revenue collection for the year fell short of the budget expectations by 11%. While tax revenues were only marginally down on budget expectations (PGK248M shortfall) but more significantly, the non-tax revenue was down on budget aims by 52% (equivalent to PGK1.295M). The most significant contributor to the shortfall in non-tax revenues was lower dividend payments from SOEs. For tax revenue GST, excise, and company tax were all below budgets, whereas SWT and mining and petroleum taxes were over budget.

However, the FBO reports that the expenditure side of the budget was also trimmed by an amount similar to the shortfall in revenue and hence the overall budget deficit remained in line with expectations and the 13-year budget repair plan to being the budget into surplus remains broadly on track. The next significant release from Treasury on the nation's finances should be the Mid-Year Fiscal and Economic Outlook for 2025.

MYEFO 2025 released

Treasury have released the Mid-Year Economic and Fiscal Outlook (MYEFO) for 2025. The picture being painted is a challenging one from a fiscal perspective. The year-to-date tax collections are down on the level expected in the budget (and it recognises there was a shortfall in the final outcome from the prior year). This is in part due to the very ambitious growth targets for tax collection set in the last three budgets rather than a net reduction in tax take. There is also unplanned growth in expenditure for the first part of 2025 leading to the need for downward adjustment in the spending envelope for the remainder of 2025. To give some context in numbers, this meant that for the first half of the year, tax collections were slightly less than 40% of the annual estimate (and short by around PGK2 billion). Other revenue (including dividends from SOEs) came in at 13% of full year estimate for the first half of the year.



Owner's Agenda

We understand that private and family-owned businesses have a unique blend of personal and commercial priorities. That's why we've developed the PwC Owner's Agenda — a strategic framework that helps business owners align their business, ownership, and personal goals.

What is the Owner's Agenda?

It's a practical approach designed to help business owners navigate questions like:

- How do I grow my business sustainably?
- How do I prepare the next generation for leadership?
- How do I extract value from the business while managing risk?
- How do I balance family interests with company priorities?

Whether you're considering expansion, succession, or wealth preservation, the Owner's Agenda helps you take a holistic view of your priorities and tailor your decisions accordingly.

Why it matters:

- Promotes long-term value creation, not just short-term results.
- Helps align stakeholders, including family members.
- Supports transition planning.

<https://www.pwc.com/gx/en/services/family-business.html>



We would like to hear from you

At PwC, we get that your decisions aren't always about business. We are here to support you in achieving growth today, whilst helping you shape your legacy for the future. Our Private teams in Port Moresby are wholly focused on providing advisory, accounting and tax services to private and family businesses.

Please do not hesitate to contact us if you have questions, queries, or comments on our events or any changes that have an impact on your business.



Don't miss your deadlines 2025

Provisional tax notices

Companies:

3rd provisional tax notice - 27 Oct 2025

Individuals, Estates and Trusts:

- Individuals - 30 Sep 2025
- Estates - 30 Sep 2025
- Trusts - 30 Sep 2025

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