



PNG Pulse

Keeping you informed

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IRC in the news

The IRC has continued to showcase its core initiatives through the past few weeks of social media reporting. On the theme of taxpayer awareness and continued focus on regionalisation, the IRC participated in both the Mt Hagen Show and the Enga Cultural Show to boost interaction with the taxpaying public. This type of outreach continues to be a key part of their mission to encourage tax compliance throughout society. The IRC's international agenda was on show with participation in the Study Group on Asia Pacific Tax Administration and Research meeting (SGATAR), an international forum aimed to improve tax administration and foster cooperation among tax authorities in the Asia-Pacific region. The theme for this year's forum was "Shaping the Future of Tax: Advancing Technology, Building Trust, Cultivating Talents" - which certainly encapsulates the internal policy goals of the IRC.

Supplementary Budget passed and MYEFO 2026 presented

A supplementary budget is required to reallocate funding and priorities within the current year national budget. This month saw the Parliament consider and pass this measure for 2026. The Treasurer announced that on the back of anticipated additional collections, funding could be allocated to a few spending priorities. These included the extension of the fuel subsidy that has kept fuel prices frozen at March 2026 levels. The other funding announced was for a range of measures that are a response to the challenges posed by widespread drought conditions triggered by the current El Nino event.

These additional spending announcements were on the back of the release of the Mid-Year Economic and Fiscal Outlook (MYEFO). The Treasurer announced positive results for the half year to June 2026, for example highlighting strong collections of Minerals and Petroleum Tax. However, there were concerns raised on the pace and quantum of payments of dividends from SOEs and there was an acknowledgement that "policy actions of K2,975.0 billion" will be needed to meet full year targets. The need for Kumul Petroleum to contribute more in the second half of the year was particularly highlighted with the government expecting at least K1.6 billion in dividends during 2026. The overall message was despite the items needing attention through the supplemental budget allocations, we continue the pre-determined budget repair pathway.

Tax legislative changes for GST and ITCs moves through Parliament

The September sitting of Parliament passed two tax related bills into law. While a wider range of anticipated tax related regulation remains under consultation and review, the latest Parliamentary session sees the introduction of amendments to the GST Act that firstly moves the list of 13 essential goods that have been zero rated as part of last year's budget into a subsection under Section 21 dealing with zero rated goods (it was previously incongruously included under a section on exempt supplies) and secondly extends the period of exemption for the supply of petrol diesel, zoom and kerosene (except for supplies to those carrying on the operations of a resource company) through to 31 December 2026. The extension of the exemption of the supply of fuel is a continuation of the government's response to counter cost of living increases. The other bill introduces an amendment to Income Tax Act 2025 to include the changes to the Infrastructure Tax Credit system that were flagged in last year's budget (and brought within the ITA1959), into the ITA25. The amendments reflect those earlier efforts to put more structure around the monitoring of projects, with the introduction of a formal Prescribed Infrastructure Board and expanding the scope for ITC credits with the spending cap increasing from 2% to 3% of assessable income (where 0.5% must be allocated to projects in Bougainville). Nevertheless, ITCs will remain a complex area and impacted taxpayers should seek advice to understand the implications of the new changes.

Digital advancements

Papua New Guinea has spent several years building a digital policy framework, and that work is now converting into legislation. Three bills were released for public consultation on 6 August: the Data Governance and Protection Bill, the Cybersecurity and Critical Infrastructure Bill, and the Verifiable Credentials Bill. The ICT Minister has instructed DICT and NICTA to expedite them for consideration in Parliament. They are intended to support the government's digital public infrastructure, including the SevisPass digital identity, and follow PNG's accession to the Budapest Convention on Cybercrime earlier this year.

For most businesses the practical consequences will be obligations around how customer and employee data is collected, held and shared, incident reporting, and security standards for operators of critical infrastructure. Those holding significant customer data should be assessing now where it sits and who has access to it. There is also a tax dimension: data sovereignty requirements can affect where systems are hosted, which in turn affects withholding tax on payments to offshore providers and transfer pricing support for group IT recharges. While there is as yet no determination on the extent of data sovereignty being potentially regulated, this is an area that will warrant monitoring.

Papua LNG project agreement fiscal terms amended

The State and the Papua LNG participants signed a revised gas agreement on 27 August, amending the 2019 agreement. The project is now costed at around US\$14.5 billion, down close to US\$4 billion since 2024, and the parties have set 15 December as the deadline for a final investment decision, following the expiry of PRL15 on 30 November. The State has kept its share of project revenues and has agreed to conditional incentives reported at US\$1.95 billion (K8.1 billion), described by the Petroleum Minister as temporary, reciprocal and capped, and triggered only if LNG prices fall below an agreed level after 2031/32. The re-opening of the fiscal arrangements associated with the project agreement was considered critical to progress the project. Separately, TotalEnergies announced on 7 September that it will hand operatorship to ExxonMobil and sell down to 20 per cent, with Santos paying around US\$189 million to lift its interest to 21 per cent.

Between fiscal stability, and the grandfathering of existing resource projects as we move from ITA 1959 to ITA25, there will be a range of considerations in introducing the fiscal changes into the country's regulatory framework. However, the wider point for taxpayers is that fiscal outcomes on major projects are increasingly set in individual agreements rather than in the tax law, and those agreements are not fixed and do vary between projects. Different regimes can mean additional complexity for a range of taxpayers – not just project participants and this requires careful planning.

Capital market developments

The Securities Commission recently released guidance on green bonds, social bonds and sustainability bonds under the framework of the Capital Markets Act. These represent a regulatory framework for issuers. Having a system that anticipates and facilitate these specialist bonds is a step forward for creating more pathways to open capital markets in the country. The next step will be for participants to bring offerings to market.

For more information on these or other topics, reach out to your PwC contact.

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