



November 2020 Budget special edition

Budget tabled and passed in Parliament

On Tuesday, 17 November, a parliamentary sitting was held without a full complement of members present following the movements in Parliament on Friday last week. Nevertheless, the Treasurer, Hon. Ling-Stuckey used the session to bring down the 2021 Budget which was then passed by the house at the same sitting.

The unusual timetable and lead up meant that the usual press lock up and presentation of the Budget papers was not conducted. However, from the information that is available, we take this opportunity to highlight a number of key matters.

Tax updates

From a taxation perspective, there were no substantive changes announced. As had been alluded to previously, the new Income Tax Act was not presented, nor the new Tax Administration Act. The Budget does seem to have included a number of technical fixes to the legislative amendments introduced over the past two years. These changes were expected to align the legislative drafting with the intent of previous measures, including:

- some minor amendments to the SME taxation regime
- the alignment of the changes to the loss carry forward rules from 2018
- the alignment of the provisional tax collection dates for taxpayers who come under substituted accounting periods.

There were also a number of changes to the customs and excise regimes including:

- an increase in penalties for breaches of customs laws with respect to the import of tobacco products and anti social drinks
- reduction in the import rates applicable to UHT milk
- an increase in the simplified customs clearance threshold for shipments valued at PGK 1,000 to PGK 5,000
- creating a customs category for the import of hybrid cars.

The Budget also announced that 2021 will see the further investigation into the implementation of a Bank Levy as well as consultation on the introduction of a Universal Access Levy for the telecommunications industry. Details on the consultation process or planned start date were not included in the Budget papers that are available to date.

Another measure which found its way into the Budget was the change to the collection mechanism for the Prescribed Royalties Withholding Tax with the requirement that resource developers must deduct and remit the

tax directly to the IRC rather than the obligation sitting with the relevant regulator. This change is anticipated to be effective from 1 January 2021. This measure was among those championed by the IRC.

A deficit budget

Acknowledging the starting point of the Supplementary Budget, the 2021 Budget is described by the Treasurer as a manifestation of the beginning of the road to recovery for the PNG economy. The Budget anticipates:

- revenue to be 14% up on 2020
- expenditure to be 9% up on 2020
- the deficit, as a proportion of GDP, to reduce from 8.1% in 2020 to 7.3% in 2021.

The deficit is planned to be funded principally by increased international funding, including amounts that will allow the retirement of more expensive pre-existing facilities. However, the Budget papers do note that not all of this funding is currently secured.

The Budget sees debt to GDP continue to be in excess of 50% over the medium term, although the Budget papers highlight the size of the negative impact of government arrears on the debt levels.

PwC's Budget Breakfast webcast

Finally, a note that our annual Budget Breakfast, co-hosted with the Badili Club, will continue to be postponed at this stage.

If you would like to know more about any of these developments or have any other questions, please get in touch with your usual PwC contact.

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