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IRC in the news

Public activity levels remain high for the IRC this month with strong efforts continuing to generate public discussion on taxation administration and some key tax issues.

Stamp duty and restructuring transactions

- The IRC issued a public notice putting taxpayers on notice in relation to the conduct of merger, acquisition or restructure transactions. The IRC has highlighted their focus on ensuring that appropriate stamp duty is collected and highlighted their willingness to review transactions structures for tax avoidance indicators. The notice takes particular aim at multinational buyouts and in extraordinary commentary seeks to threaten those involved (including as advisors) with penalties. This type of announcement echoes similar recent pronouncements that aim to highlight what the IRC sees as inappropriate trends and transactions.

GMS and data insights

- The IRC continues to publicise its commitment to the development of tools and techniques to digitalise their operations. In a recent interview, the Commissioner General reiterated that gathering real time transaction data in relation to GST through the implementation of the GMS monitoring system would be a key development. However, there is no word on the timeline for the system to be deployed.

GST zero-rating of essential goods

- Despite being well into the limited period of effectiveness for the zero rating of the 13 essential goods the scope and nature of compliance requirements for those involved continues to change. 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.

Lodgement checklists released and counter roles enhanced

The IRC has released a public notice in relation to the expansion and enhancement of pre-lodgement checklists for a range of tax compliance returns. While the income tax return process 2025 returns has evolved rapidly for these using the tax agent counter – this practice appears to be planned to increase both in the range of returns being reviewed and the locations being targeted. All lodgements for income tax, Small Business Tax, Partnership returns, and all withholding taxes are proposed to be subject to a review before lodgement is accepted. The IRC plans to implement these enhanced compliance requirements from 1 September at all tax centres. The notice references a desire to “prioritise quality over quantity in assessments” and a statement that it should not cause delays. While the consistent use of checklist and guides will be of significant assistance for taxpayers to improve their compliance, taxpayers will hope for sufficient capacity at lodgement counters to implement. There may also be concerns for taxpayers whose situation or structure do not easily fit within the limitations imposed by the checklists as drafted.

Minimum wage reviewed

The Minimum Wages Board has finalised their consultation and announced that there will be a series of stepped increases to the national minimum wage commencing on 1 January 2026. The minimum wage has been unchanged for more than a decade but will now move to PGK5.00 per hour in 2026 and then PGK5.25 per hours in 2027 and to PGK5.50 in 2028.

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.

Embracing cloud solutions and emerging technologies: What PNG business needs to know

In Papua New Guinea's rapidly evolving business environment, organisations are increasingly adopting cloud-based systems to streamline operations and improve efficiency. Compared to traditional on-premises setups, cloud platforms offer greater flexibility, scalability, and the potential to reduce upfront costs. However, this shift brings new challenges, particularly around data storage and regulatory compliance. Given PNG's unique digital landscape and the growing importance of data governance, businesses must carefully consider where their data is stored and how it is protected. The draft National Data Governance and Data Protection Policy emphasises responsible data management aligned with global best practices, a vital framework for guiding cloud adoption in PNG.

Adding complexity, the new income tax act has changed some of the definitions associated with offshore payments for software related transactions which broadens the scope of royalties and brings withholding tax considerations into play. Businesses should urgently review their service agreements and ensure compliance with PNG's tax regulations. This development highlights the need for sound financial and legal planning when migrating to cloud systems.

Beyond cloud computing, emerging technologies such as artificial intelligence (AI) present significant opportunities to enhance decision-making, automate processes, and drive innovation. PNG businesses looking to modernise their systems should integrate AI thoughtfully, balancing technological advancement with data privacy and security considerations. Adopting cloud technologies and AI is no longer just an option; it's essential for staying competitive and resilient in today's digital economy. Businesses that embrace these changes, while prioritising responsible data governance and compliance, will position themselves for sustainable growth. If your organisation is implementing new systems or exploring AI applications, we encourage you to reflect on how these trends affect your data strategy and what measures you can take to protect your valuable data assets.

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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