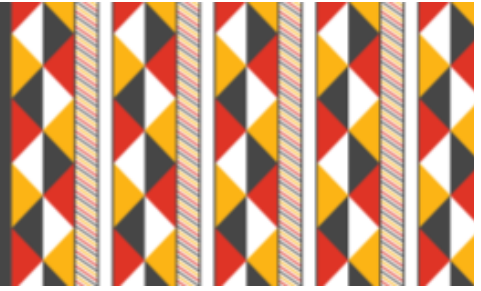




PNG Pulse

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November 2024

IRC update

This month, the IRC welcomes an international team to conduct a review following the Tax Administration Diagnostic Assessment Tool (TADAT). This team is in the country to conduct an assessment of the status of the IRC's ongoing reform and development. TADAT is organised as a collaboration of a number of multi-lateral and donor agencies, for example World Bank, IMF, EU etc. with the aim of conducting assessments and improving tax administrations worldwide. The assessment is an external objective review of the health of the IRC against a range of benchmarks. This is not the first time that TADAT have visited, so the focus will be on measuring the movement from the last assessment conducted in 2019.

The focus on Section 65A continues from the IRC. The pilot project to extend the issue of these notices to a select group of private sector businesses continues and two more recipients are expected to commence their participation in January. This will have an impact on the GST compliance process for those who are suppliers to these entities. Of course, for those suppliers who are part of the GST system - there is no additional tax collected through the use of Section 65A notices, but these suppliers will need to monitor the payment of their invoices, the corresponding claim for S65A credits, and their Statement of Account to ensure that the credits have been correctly reflected by the IRC.

AML-CTF

The Asia Pacific Group on Money Laundering recently published the results of the latest Mutual Evaluation of PNG's compliance with the global anti money laundering and counter terrorism financing requirements. This is associated with the efforts of PNG's joint task force in this area to keep the country off the grey list for AML. The evaluation took place in September 2024 and the key findings were that although the country has established policies to meet the global requirements, and it was acknowledged that FASU had a reasonable understanding of the country's risks - the country is not prioritising the pursuit of money laundering or at risk activities. The operational outcomes are generally not meeting the expected levels and the ability and capacity to prosecute needs further work. PNG is on notice that without improvement in these areas, then it may be placed on the grey list.

Carbon markets and green finance

Recently there has been an increase in activity in the carbon market and green finance space. PNG is taking significant steps toward establishing a robust carbon market framework that will position the country as a key player in the global carbon markets. The PNG Climate Change Development Authority (CCDA) has been actively working with different stakeholders locally and globally to establish a foundational framework for the country's carbon market, including the country's Carbon Market Regulations. This builds on the momentum when PNG and Singapore signed a Memorandum of Understanding (MOU) late last year to gain access to PNG's carbon markets.

We have also seen significant developments on the green finance front, with the Bank of PNG (BPNG), on behalf of the Green Finance Centre (GFC) having signed a MOU with the International Finance Corporation (IFC) and the Securities Commission of PNG (SCPNG) to establish a thematic bond market for green, social and sustainability-linked bonds in PNG. This will help to attract sustainable finance, support climate projects and help

PNG meet its goal of reducing greenhouse gas emissions by 50% by 2030 and achieving carbon neutrality by 2050. Additionally, the parties will also collaborate on updating the Green Taxonomy, focusing on five key sectors to clarify what qualifies as green and sustainable investment. This will complement BPNG and the GFC's Green Finance Policy currently being rolled out in the country where 5 financial institutions have already signed up to participate in the green initiative.

MYEFO released

Although well past the middle of the year, the Mid Year Economic and Fiscal Outlook (MYEFO) was recently published. This provides a snapshot on the progress of the government towards the 2024 annual budget. The recent release of the results of the latest IMF visit had already provided an indication that the MYEFO would show the country broadly on track to meet its financial goals for 2024 and see a steady reduction in the deficit in line with the government's 13 year deficit reduction plan. The headline numbers expect that revenue for 2024 will be expected to fall short of the original mark, mainly due to a decline in other revenue (made up primarily of dividends from State Owned Entities and other statutory transfers) despite an increase in tax collections. However, expenditure is also expected to be reduced by a similar amount as the revenue shortfall. This is planned to be achieved through interventions in the second half of the year to reduce and manage spending. The release of the MYEFO so close to the release of Budget 2025 will make for a quick review of whether the predictions of the performance of the economy and government spending in the second half of the year will be in line with plans for 2025. A further anticipated shortfall in revenue or the inability to limit expenditure will create a larger deficit which would, in turn, potentially require a review of the expected starting point for Budget 2025.

Budget 2025 imminent

Thursday 28 November is the date scheduled for Budget 2025. While a formal budget strategy paper has not been released, reports in the press, and the messaging following the release of the MYEFO in recent weeks indicates that there will be little room for big budget surprises. The government has provided some indication that the usual spending priorities of health, education, and law and order will continue as priority areas, with potentially a particular focus on spending designed to enhance the security situation for the country.

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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