

March 2026 – Special edition

The Internal Revenue Commission (IRC) has issued Tax Ruling (TR 2026/1) on the Valuation of Motor Vehicle Benefits to provide formal guidance on the application of Salary Withholding Tax (SWT) to motor vehicle benefits granted by employers to employees in Papua New Guinea (PNG). Since the introduction of the Income Tax Act 2025, there has been limited clarity on how these non-cash benefits should be valued for tax purposes, resulting in inconsistent practices and potential compliance risks.

This ruling aims to standardise the approach by setting out clear principles and a systematic calculation method. As it has only just been realised it is unclear whether these aims are met, however, TR 2026/1 does address key areas such as defining the scope of motor vehicles covered, specifying how to measure private versus business use, incorporating running expenses, and recognising vehicle age in the valuation.

We are currently conducting a detailed review of this ruling to fully understand its implications. In the meantime, we would like to provide a high-level overview of the key points every business leader should be aware of.

What You Need to Know:

- The ruling applies to employers who provide motor vehicles wholly or partly for employees' private use, including passenger vehicles under one tonne and motorcycles. Vehicles that do not meet the definition are excluded from the application of TR 2026/1.
- The ruling also makes a brief acknowledgement of vehicle pooling arrangements, stating that an employer's policy should address the usage of motor vehicles but also noting that further guidance on such "unusual situations" will be provided in the future.
- A structured six-step approach is introduced for calculating the taxable value of motor vehicle benefits for SWT:
 - Determining the vehicle's cost or fair market value.
 - Applying a base taxable benefit of 10% of this value (annualised over pay periods).
 - Adjusting for periods when the vehicle is unavailable for private use.
 - Reductions based on business use supported by logbooks covering a representative 84-day period.
 - Deducting running expenses paid by the employee.
 - A one-third reduction if the vehicle is older than ten years.
- Employers must maintain comprehensive records, including logbooks and documented internal vehicle use policies, for at least seven years.
- Transitional provisions allow provisional use of logbook data if incomplete at the start of 2026.
- Correct SWT withholding on motor vehicle benefits is a critical compliance responsibility highlighted by this ruling.

Next Steps:

We strongly recommend that all businesses review their motor vehicle policies and payroll processes considering this ruling. PwC will provide further detailed guidance to help you manage compliance and operational impacts.

Should you have any immediate queries or require assistance in assessing this ruling's impact on your organisation, please reach out to your PwC contact.

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