KTK
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ACCOUNTANTS & ADVISORS

2025 PNG National Budget Tax Brief

Securing Papua New Guinea in 2025 and Beyond

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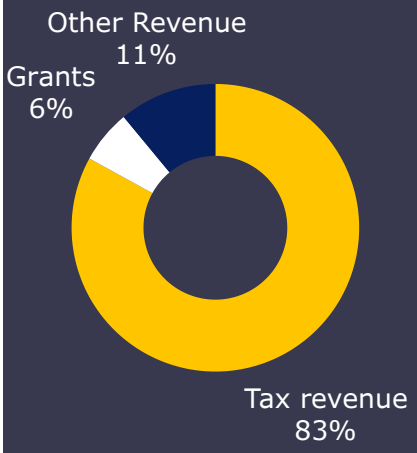
Executive Summary

A K28,357 MILLION BUDGET	The Treasurer, Hon. Ian Ling-Stuckey handed down the 2025 PNG National Budget of K28 billion on 29 November 2024. The theme of the 2025 Budget is "Securing PNG in 2025 and Beyond. It is also the budget for the 50th Anniversary of the Independence of PNG." "The 2025 budget is K980m larger than the 2024 budget of K27,377m. Revenues to total K25,408m, K2,014m more than the 2024 budget of K23,394m."
MASSIVE BUDGET INCREASES IN KEY AREAS	The centerpiece for this year's budget is the police budget of K703m plus priority access to retirement and other cross cutting funds. Investments in education of K4,435m, a 12% increase. Investments in health of K2,768m, a 9.4% increase. A Public Investment Program budget of K7,617m for building the infrastructure essential for securing our children's future.
PNG ECONOMY	Overall economy, including the resource sector & including price increases, is expected to grow from K124b in 2024 to K137b in 2025.

DOMESTIC GROWTH OUTLOOK AT 4.7% IN 2025

DOMESTIC INFLATION OUTLOOK AT 4.5% IN 2025

Budget Highlights



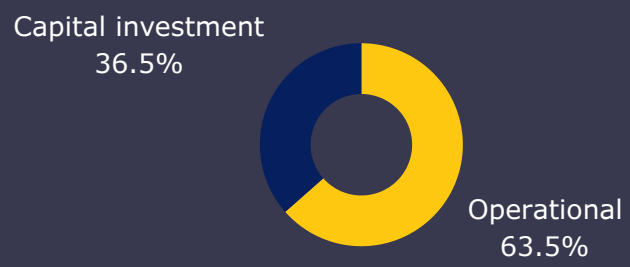
Tax revenue K21,201m

Other revenue K2,707m

Grants K1,505m

K25,408m

Total Revenue



Capital investment expenditures K10,342m

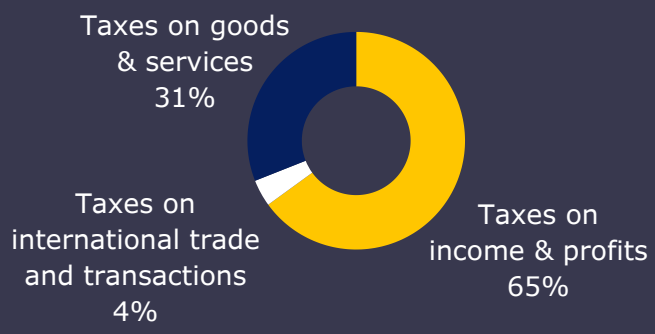
Operational expenditures K18,014m

K28,357m

Aggregate Expenditures

Operational component consists of compensation of employees, goods & services, interest payments, provincial functional grants, & GST & BMT transfers.

Capital investment component consists of GoPNG, concessional loans & door grants.



Taxes on goods & services K6,553m

Taxes on payroll & workforce K1m

Taxes on income & profits K13,707m

Taxes on international trade & transactions K939m

K21,201m

Tax Revenues

Taxes on income & profits consists of personal income tax, company tax, mining & petroleum taxes, royalties & management tax, dividend withholding tax, interest withholding tax, non-resident insurers withholding tax, & sundry IRC taxes & income.

Budget Highlights: Focus

"Securing PNG through our Police, Defence force and Judiciary."

"Securing PNG with a Focus on Growth and Jobs."

"Securing PNG through essential services."

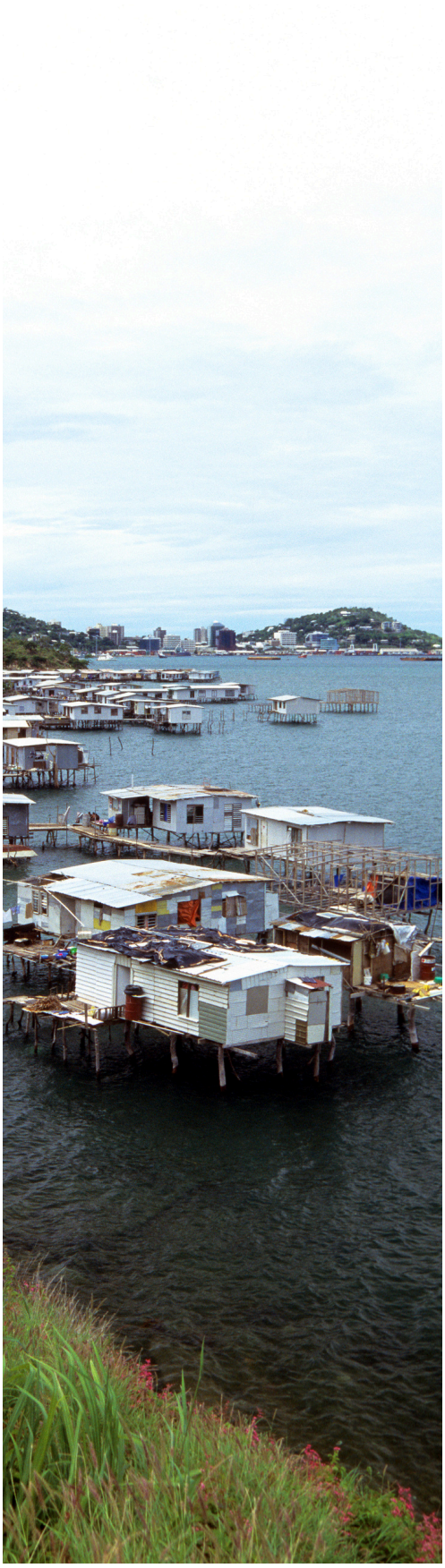
"Securing PNG through capital investments."

"Securing PNG in 2025 and Beyond."

"Securing PNG, through assisting families with cost-of living pressures, with a K2,322m household assistance package, including removing GST, at the supermarket checkout on 13 essential items."

"The 2025 Budget projects a deficit of K2,949.3m. This results from a total revenue & grant projection of K25,408.0m & a total expenditure & net lending of K28,357.2m."

In 2025, the Government aims to continue the fiscal consolidation path initiated in 2022 by reducing the deficit from the 2024 Budget levels of K3,983.6m (3.3% of GDP) to K2,949.3m (2.2% of GDP).



Tax Law Amendments

The 2025 Taxation Amendment Bills in the 2025 National Budget had the following:

- Income Tax (2025 Budget) (Amendment) Bill 2024
- Income Tax (Salary and Wages tax) (Rates) (2025 Budget) (Amendment) Bill 2024
- Income Tax Dividend (Withholding) Tax and Interest (Withholding) Tax (Rates) (2025 Budget) (Amendment) Bill 2024
- Income Tax (2025 Budget) (Amendment) Regulation 2024
- Goods and Services Tax (2025 budget) (Amendment) Bill 2024
- Stamp Duties (2025 Budget) (Amendment) Bill 2024
- Excise Tariff (2025 Budget) (Amendment) Bill 2024

2025 Major Policy Changes

- Company Tax Rates on Commercial Banks Reduced
- Superannuation Withdrawals for Long Serving Employees to be Exempt from Tax
- Citizen Employee First-Time Homebuyer Scheme Thresholds Increased to K700,000
- SWT Exemptions on National Rugby League
- GST Monitoring System & Household Assistance Package to Alleviate Cost-of-Living Pressures
- Increase in Threshold of Annual Turnover for GST return filings to K1.5m
- GST Refund Periods Reduced to Four Years
- Tax Clearance Certificate Amount Increased to K1.5m per annum
- Introduction of the Rewritten Income Tax Act 1959

Taxation Changes: *Corporate Income Tax*

Reduced Company Tax Rates on Commercial Banks

The 2023 Budget imposed a corporate income tax rate of 45% specifically for commercial banks. However, the following measures have been proposed in the 2025 Budget:

- Reduce the company tax rate on all commercial banks for profits below K300m from 45% to 40% from 1 January 2025 with a further reduction to 35% beginning on 1 January 2026.

- Reduce the company tax rate for all commercial bank profits above K300m from 45% to 44% from 1 January 2025. This rate will then decrease by 1% at the start of each successive fiscal year until the rate is 35%. There will also be measures to encourage more financial inclusion and apply new tax rates on large financial institutions that are non-commercial banks.

Rate of Income Tax	
Rate	**Year**
40% of the taxable income under K300m	In fiscal year 2025
35% of the taxable income under K300m	In fiscal year 2026 and future fiscal years

Rate of Income Tax	
Rate	**Year**
44% of the taxable income over K300m	In fiscal year 2025
43% of the taxable income over K300m	In fiscal year 2026
42% of the taxable income over K300m	In fiscal year 2027
41% of the taxable income over K300m	In fiscal year 2028
40% of the taxable income over K300m	In fiscal year 2029
39% of the taxable income over K300m	In fiscal year 2030
38% of the taxable income over K300m	In fiscal year 2031
37% of the taxable income over K300m	In fiscal year 2032
36% of the taxable income over K300m	In fiscal year 2033
35% of the taxable income over K300m	In fiscal year 2034 and future fiscal years

Taxation Changes:
Corporate Income Tax

Country-by-Country Reporting Standards

- Under the Base Erosion and Profit Shifting (BEPS) Action 13 Plan, all large Multinational Enterprises (MNEs) operating in PNG are required to prepare a country-by-country (CbC) report. This report includes aggregated data on their global income, profits, taxes paid and economic activity across the different tax jurisdictions in which they operate.

- The IRC requires these CbC reports for high-level transfer pricing assessments to evaluate BEPS risks. Moreover, the revenue thresholds for defining exempt MNEs required under the Income Tax Act set a fixed date of "1 January 2016". This fixed date is inconsistent with the BEPS Action Plan 13 standard, which requires the revenue threshold to be applied annually.

- For the 2025 Budget, the current fixed date will be removed to align with the acceptable standards. To enhance compliance by MNEs with the CbC reporting, a new penalty provision will impose a penalty of K2m for non-compliance. This compliance measure was absent from the first CbC provisions introduced in 2016. This is intended to ensure effective implementation of CbC reporting.

- For CbC reporting purposes, each ultimate parent entity of an MNE group that is a PNG resident for tax purposes or a constituent entity which is not the ultimate parent entity of an MNE group should review their consolidated financial statements to determine with respect to any fiscal year of the group, having total consolidated group revenue of less than 2.3b Kina as during the fiscal year immediately. If so, they will need to check if a CbC notification was submitted to the IRC. If none, then a CbC notification should be filed with the IRC as soon as possible.

Taxation Changes: *Personal Income Tax*

Alignment of the Individual Non-Resident Tax Rates with the Resident Tax Rates

In the 2023 Budget, a temporary amendment increased the personal income tax exempt threshold to K20,000. This change was made permanent in the 2024 Budget. As a result, the 22% tax bracket was removed by default. However, this removal was not aligned with the non-resident tax table. To address this misalignment, the legislation has been updated to ensure the non-resident tax table accurately reflects the removal of the 22% tax bracket. This will be effective 1 January 2025.

Resident tax rates from 1 January 2025		
Taxable Income (K)	Tax Thereon (K)	Rates of tax on excess (%)
20,000	Nil	30%
33,000	3,900	35%
70,000	16,850	40%
250,000	88,850	42%

Non-resident tax rates from 1 January 2025		
Taxable Income (K)	Tax Thereon (K)	Rates of tax on excess (%)
Nil	Nil	30%
33,000	9,900	35%
70,000	22,850	40%
250,000	94,850	42%

Tax Tables to be Issued Administratively by the IRC to Reinstate the Dependent Rebate

The Budget announced the IRC to administer the reinstatement of the dependent rebate in the law and the relevant fortnightly tax tables that factor the dependent rebate calculations. This measure will be effective 1 January 2025.

Taxation Changes: *Superannuation*

Superannuation Withdrawals for Long Serving Employees to be Exempt from Tax

Employees that have worked for 15 years or more will no longer be subject to 2% Salary or Wages Tax (SWT) on superannuation withdrawals upon retirement. The 2025 Budget has declared to exempt the superannuation withdrawals for long-serving retires for those worked up to a minimum of 15 years. This is anticipated to be effective from 1 January 2025.

Superannuation funds are expected to take into account the exemption on superannuation savings withdrawals where employees have completed a minimum of 15 years of continuous service or the contributions have been made for at least 7 years and the employee is not less than 50 years of age.

Taxation Changes: *Superannuation*

Correct Implementation of the Penalty Provision Under the Retirement Savings Account

A Retirement Savings Account (RSA) allows retirees to save part of their savings instead of withdrawing the entire amount at retirement. Retirees can deposit up to K250,000 into an RSA and use after-tax distributions from Authorized Superannuation Funds. The Income Tax Act 1959 (the Act) sets out rules for savings withdrawals by retirees, and there are penalties and taxes for failing to comply. Currently, taxes apply to both the capital and the accrued interest in the account. The Budget announced to apply tax on the interest earned amount only from 1 January 2025.

Taxation Changes:
Citizen Employee First-Time Homebuyer Scheme Thresholds Increased to K700,000

The Citizen Employee First Home Buyer Scheme (CEFHBS) was originally introduced to make housing affordable and to encourage citizens to purchase their first home. The amendment to the Act provides for employees to use recreational, furlough, superannuation and gratuity benefits to buy a residential home at a value of K400,000 or below without incurring taxes. Employers can also provide tax-exempt subsidies. In addition, the Stamp Duties Act provides a stamp duty exemption for homes valued up to K500,000.

For the 2025 Budget, the Government is increasing the thresholds stipulated in both the Income Tax and Stamp Duty Acts from K400,000 and K500,000 respectively to K700,000.

With the increase of the CEFHBS exemption threshold from K500,000 to K700,000, employers providing CEFHBS to their employees will need to review their existing policies to reflect the increased thresholds. Employers and employees will also need to communicate with relevant financial institutions if the increase in the threshold does apply to the concessional lending terms offered by certain citizen first home financiers.

Taxation Changes:
SWT Exemptions on National Rugby League

The PNG Government and the Australian Rugby League Commission are working on a partnership to establish a PNG National Rugby League Franchise in Port Moresby in an effort to strengthen ties between Australia and PNG. The franchise will include both men's and women's teams, and it will source talent domestically and internationally.

SWT exemptions are expected to apply to all players (domestic and international) and international staff. The exemption conditions apply to PNG tax residents only. This is expected to start from 1 January 2025 up to and including 1 January 2036, and anticipated to expire unless extended in 2036.

Taxation Changes: *Goods and Services Tax*

GST Monitoring System

A GST cash register monitoring system (GMS) was introduced in this budget to enhance GST administration and collection. This system is a technological solution that automates the monitoring of sales transactions at the point of sale (POS). This system integrates cash registers/POS that record and transmit sales data in real time to the IRC. The IRC will implement and operate an electronic monitoring system that allows for the automated documenting, collecting, and reporting of transactional data such as invoices, receipts, and other data relating to the imposition of GST under the Goods and Services Tax Act 2003 (GST Act). This is expected to come into effect in June 2025 and is an essential pre-requisite for the implementation of the GST reductions on the 13 essential household items.

Household Assistance Package to Alleviate Cost-of-Living Pressures

The Budget announced a household assistance package to mitigate the rising prices of basic goods and food. As part of this package, GST on essential household goods will be zero-rated for 12-months which will reduce retail prices. Businesses will not charge consumers GST on the selected household good, but they will continue to claim GST input credits. The 13 basic household items identified for zero rating are: rice, tinned fish, tinned meat, noodles, chicken, flour, biscuits, cooking oils, tea, coffee, sanitary pads and tampons, baby diapers and soap. This is expected to come into effect from 1 July 2025 to 30 June 2026.

Taxation Changes:
Goods and Services Tax

Increase in Threshold of Annual Turnover to K1.5m

The threshold of annual turnover to file GST returns is expected to increase from K625,000 to K1.5m. This also extends to reduce the monthly filing period to a quarterly period for businesses with less than K1.5m annual turnover. So, Taxpayers with an annual turnover of less than K1.5m are expected to submit quarterly GST returns from 1 January 2025.

GST Refund Periods Reduced to Four Years

The budget introduced the reduction of the timeframe for claiming a GST refund from 8 years to 4 years. This will align with the four-year timeframe required for any amended assessment. The reduction will be implemented gradually over a four-year period, decreasing the claim period by one year each year starting in 2026. The periods to claim a GST refund will be as follows:

- 31 December 2025, the period will be 8 years;
- 31 December 2026, the period will be 7 years;
- 31 December 2027, the period will be 6 years;
- 31 December 2028, the period will be 5 years; and
- 31 December 2029 and the years following 2029, the period will be 4 years.

This approach aims to ensure a smooth transition and provide taxpayers sufficient time to adjust to the new timeframe. Initial provisions are expected to be introduced, and Taxpayers are encouraged to notify the IRC of GST refund claims within the specified period.

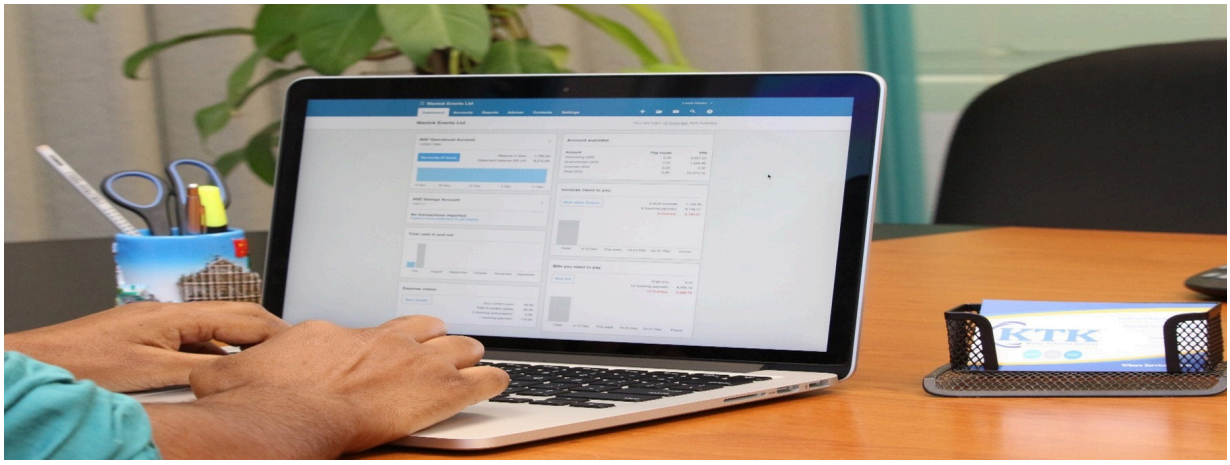
Taxation Changes:
Goods and Services Tax

GST Refund Periods Reduced to Four Years

Taxpayers are encouraged to review their GST records and respective IRC GST statement of accounts to assess if there are any GST refunds owing by the IRC and if so, make plans accordingly to organize the necessary supporting documentation to apply for GST refunds by submissions of Form CRs and to ensure the refund claims are submitted within the new time limits.

Penalty Increase on Section 65A Non-Compliance

In 2021, Section 65A was introduced under the GST Act. The amendment was done to ensure the collection of GST revenue at source. The Budget announced the increase of the penalty fee for noncompliance from K5,000 to K50,000. Due to uncertainties about the legal applicability of Section 65A on District Development Authorities, they will be exempted from Section 65A. This is expected to be effective from 1 January 2025.



Taxation Changes: *Stamp Duty*

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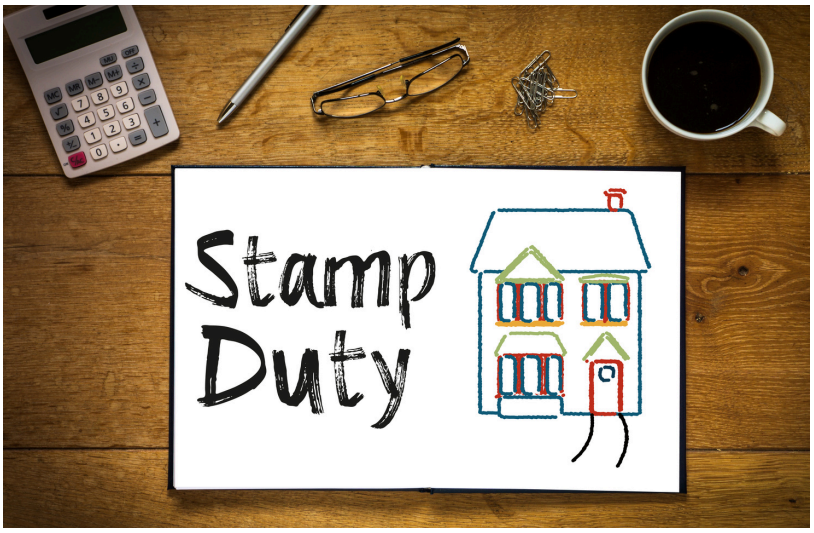


Taxation Changes:
Tax Clearance Certificate

A Tax Clearance Certificate (TCC) is a document issued by the IRC certifying that a taxpayer has no outstanding tax liabilities and has fulfilled all tax obligations to date. This certificate is often required by the Central Bank for certain financial transactions like sending large sums of money overseas, paying dividends, or repaying loans. The current annual limits or thresholds were set at K500,000 per annum for foreign currency payments many years ago.

The new limit seeks a balance between reducing red tape and the need to protect revenues. The Central Banking (Foreign Exchange and Gold) Regulation 2000 has been amended to increase the limit to K1,500,000. This is expected to be effective from 1 January 2025.

This means there will be no requirement to apply for a TCC if the amount to be transferred offshore is up to K1.5m in a year of income.

Taxation Changes:
Customs Duty & Excise Tariff

Excise Tax of Alcohol and Tobacco

Freeze Excise Rate Indexation on Alcohol and Tobacco Products

The Budget announced to temporarily freeze the 2.5% Excise Indexation rate for a period of 12 months on Alcohol and Tier-1 Tobacco products. The freeze aims start from 1 December 2024 and end on 30 November 2025.

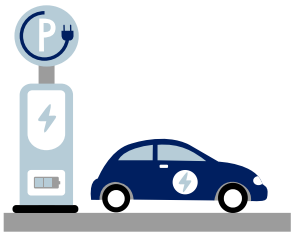
Adjustment of Tier-2 Tobacco Quota Determination

Currently, the Tier-2 quota is determined by applying 50% on the total sales of main Tier-1 in the previous year. The methodology of determining the 50% quote is expected to change and to be based on the combined actual sale of main Tier-1 and Tier-2 of the previous year. This is expected to start from 1 December 2024 and end on 30 November 2025.

New Excise Regime of Electronic Cigarette Products

Introduction of a new excise tax on e-cigarettes and the tobacco sticks designs for use in e-cigarettes at the rates of K20 per millimeter and k40 per kilogram respectively. This aims to enhance regulation on the consumption of the e-cigarette products in PNG. This is expected to come into effect on 1 January 2025.

Taxation Changes: *Customs Duty & Excise Tariff*



Excise Reforms for Vehicles

Amendments to Import Excise Tariff Relating to Vehicles

Several technical amendments have been made to the import excise tariff for vehicles to align with the Harmonized System (HS) 2022 and enhance clarity in the classification of vehicle. A 10% excise duty to apply on hybrid vehicles and zero rating for the fully electrical vehicles. This is expected to come into effect on 1 January 2025.

Other Tax Developments

Introduction of the Rewritten Income Tax Act 1959

The Government will introduce in the new year the rewritten Income Tax Act (ITA). The aim of this new act is to simplify the 1959 law that predates independence. The new act will make it easier for businesses to understand necessary features of the tax code. This initiative has been announced as part of the 2025 Budget with the passage of legislation intended for early 2025 to allow for final drafting to be completed on a landmark piece of legislation.

The current ITA is based on Australian tax legislation. Over the years, amendments have involved "transplanting" provisions from Australian income tax legislation. Consequently, the ITA has become a lengthy and complex document, presenting challenges for taxpayers and tax administrators.

The rewritten ITA is a key reform that was recommended in the 2015 Tax Review and Medium-Term Revenue Strategy 2018–2022. The primary goal of re-writing the ITA is to modernize and simplify the current ITA to enable the taxpayers to understand the tax provisions and apply the taxes accurately in fulfilling their tax obligations. The rewritten ITA aims to create a clear, concise and user-friendly tax law that suits PNG's business, investment, social and development needs. Consultation on the act have been going on for several years, and the act has been significantly improved from the feedback and views of the business community, accounting firms and others.

Other Tax Developments

Introduction of the Rewritten Income Tax Act 1959

Based on previous consultations, the New Income Tax Act is expected to introduce capital gains tax amongst other tax changes, but it is not expected to be simple given the complexity of the tax legislation. Taxpayers are encouraged to be prepared to adhere to any possible tax changes that may impact current practices. The targeted date to enforce the New Income Tax Act is expected to be from 1 January 2026.

Other Tax Developments: *Development Areas*

Incentives for Financial Inclusion

Under the current banking license framework, commercial banks in PNG are required to have clear programs to promote financial inclusion. As part of ongoing efforts, a review is planned for 2025 to assess whether higher tax rates or alternative measures should be introduced for banks that lack financial inclusion strategies targeting the unbanked population. This review will also consider the potential application of specific tax arrangements for large financial institutions such as Moni Plus.

Other Tax Developments: *Development Areas*

School Fee Rebate for Private Schools

Private schools in PNG continually play a crucial role in educating, training, and developing the nation's human resources. To support these institutions & alleviate the financial burden of school fees on parents and guardians, the Government will be considering options to improve support for these fees.

Currently, private schools benefit from an exempt SWT through a salary packaging policy. This policy allows salary earners to salary sacrifice up to 40% of their total annual remuneration directly to school fees, which is exempt from SWT.

For Fiscal Year 2025, Treasury and IRC will work on developing an appropriate rebate regime for private schools. A detailed report on the proposed regime with key recommendations is expected to be ready for approval by the NEC by June 2025.

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