Papua New Guinea Budget 2022
Lightening the Burden
Budget Alert
Executive summary

Taking the Long View

With a theme of “Lightening the Burden”, the 2022 Budget focuses on continuing budget repair and reconstruction. The 2022 Budget looks well beyond the current parliament’s term and is delivered with a 13-year fiscal plan.

This longer forecasting states a potential return to budget surplus in 2027. By 2028, it is stated that the debt to GDP ratio can be under 40%, while PNG even has the option of zero debt by 2034 depending on future Government choices.

For this, there are some key conditions that must be met:

• Strong fiscal discipline;
• Significant growth in tax revenues, predominantly in GST and excise;
• Government financing with cheaper debt from bilateral and multilateral partners;
• Non-resource sector growth of 5% per annum, including agriculture, forestry & fishing, SMEs and the informal economy;
• Recomencement of Porgera in the second quarter of 2022 and higher returns from PNG LNG;
• Undertaking comprehensive Government SOE reform program for cheaper energy, internet, and water; and
• Enabling foreign exchange.

The 2022 Budget has indicated the Government’s intent to continue supporting key development and infrastructure programs across the country, most notably through large increases in the Public Investment Programs (PIP) capital budget (up 19%) to fund the Connect PNG initiative.

Coming back to the theme of the 2022 Budget, the Government intends to lighten the burden on PNG families through major health and education programmes with significant increases in spending on both areas (up 46% and 34% increases respectively). These are popular measures in an election year.

Key Metrics

The 2021 growth is forecasted at 1.5% in real terms, which is 2% lower than the 2021 Budget estimate. This was considered as mainly due to a contracting resource sector (by 4.1%). In 2022 real growth is expected to improve to 5.4%, driven by a rebound in the resource sector which, along with election spending is expected to boost other sectors. Over the medium term the real growth rate is expected to settle at 3.4% overall, with the non-resource sector at 4.6%.

Government debt to GDP is expected to increase to 51.9% in 2022. GDP itself is forecast to hit PGK 101.7 billion in 2022, rising above the PGK 100 billion mark for the first time. Total Government expenditure rises to be PGK 22.2 billion, with revenues forecast to rise to PGK 16.2 billion, of which tax revenues represent PGK 12.5 billion.

Challenges and Risks

This Budget is delivered in the context of ongoing global uncertainty, making accurate short and long-term budget forecasting even more challenging. Recovery from the global pandemic is not without its speed bumps, with global production line issues, increasing inflation, interest rates and fuel prices, as well as ongoing restrictions in the movement of people still curtailing growth.

Domestically, fiscal discipline in an election year poses obvious challenges. A key element is Porgera reopening in the second quarter of 2022, but this was also predicted to happen the same time last year in the 2021 Budget.

There is also a strong reliance on GST revenue increasing, well above the expected rate of economic growth. It is hoped IRC measures to collect GST don’t in themselves hamper economic growth.

Finally, foreign currency and skills shortages are likely to remain a constraint in 2022 despite positive statements by the Government on these areas.
Final thoughts...

Managing the PNG economy through the global pandemic remains a difficult challenge. Europe and the US are experiencing a resurgence of the virus which has the potential to dampen the global economic recovery.

Despite the climate change pledges placed at COP26, a cold winter in the northern hemisphere has shown that the developed (and developing) world is still deeply reliant on fossil fuels – this presents a short-term opportunity for PNG to capitalise on key oil & gas projects.

While the significant budget deficit remains a concern, it is promising to see a shift towards expenditure on items with long term outcomes, with expenditure increases in infrastructure expenditure, health and education.

The Budget displays an optimistic outlook for the long-term. There are challenges in achieving this, but if a long-term approach can be applied to Government policies and businesses are afforded a stable investment environment then this can allow the growth that will see the Government targets met.

Caution and discipline is required to ensure proposed fiscal policy changes don’t impede the economic growth that will more sustainably plug the revenue gap.
Key themes

Fiscal policy

Fiscal consolidation

Repair and Reconstruct

While the 2022 Budget aims to continue the Government’s Budget repair and reconstruction, the total budget expenditure of K22,174.8 million is a 9.3% increase on the 2021 supplementary budget.

Expenditure budget

Priority given to significant expenditures

2022 National General Elections, GTFS, Medical drug supplies, help to PHA’s and hospitals, funding for revenue collection activities, paying down on arrears and PIP are prioritized expenditure areas.

Revenue

Revenue raising with new taxes

Introduction of Banking Levy and Telecommunication levies which are expected to generate revenue totaling PGK 285 million. Total revenue and grants expected to increase to PGK16,190.2million, up 15.2% from the 2021 supplementary Budget.

Expenditure budget

Priority given to significant expenditures

2022 National General Elections, GTFS, Medical drug supplies, help to PHA’s and hospitals, funding for revenue collection activities, paying down on arrears and PIP are prioritized expenditure areas.

Financing

Maintain debt at sustainable level

Treasury will continue to explore concessional sources of external financing and further issuing of domestic instruments to provide a healthy amortization and interest profile.

No Jab No Job Policy

Covid Impacts

Irrespective of the no jab no job policy vaccination rates continue to be very low which leaves PNG at risk of continuing Covid-19 waves and a lagging recovery.

Risks

Fiscal and debt related

Revenue projections not materializing, delay in securing finance, exchange rate and commodity price risks, managing the current debt levels and reliance on domestic borrowing increasing interest rates.

Strong for on non-Resource sector growth

Expecting the sector to grow by 3.5% in real terms. This to be underpinned by election spending and a recovery of the mining sector.

Monetary Policy

Fiscal deficit of K5,984.7 million for 2022, 5.9% of GDP

Economy expected to rebound and grow strongly at 5.4%
Economic snapshot

The onset of Covid was already preceded with a softening of the PNG economy. In particular, growth in the resource sector was again below the budgeted level for the 2021 year. While Global conditions have certainly played their part, an unstable policy towards resource sector investment has also been a key factor in reducing sector activity. Growth in the non-resource sector has remained stronger with estimated growth in 2021 of 3.9% though would have also benefitted from more resource sector investment.

Real growth in the non-resource sector is forecast at approximately 3.5% in 2022, reflecting an ongoing expected recovery of business conditions and commodity prices. The Mining and Quarrying sector is projected to grow by 35.8% reflected by the resumption of the Porgera mine in the second quarter and ceasing of operating disruptions to Ok Tedi and Simberi mines.

Resurging growth

In 2022 economic growth is forecast to rebound at 5.4%, driven by a recovery across most sectors and a strong growth expected to be driven by the resource sector. In this respect, it is important to note projects for which no final investment decision have been made are excluded from Treasury forecasts. The wholesale and retail is expected to grow by 5% while manufacturing is expected to grow by 3.5% in 2022. Growth in these sectors are mainly attributable to the resumption of Porgera and Simberi mine. Though the Oil and Gas sector is expected to contract by 0.9% in 2022 the strong growth in mining sector is expected to offset this. The Agriculture, Forestry and Fishery (AFF) is projected to grow by 2.9%.

Key facts and figures

Table 1: Key macroeconomic indicators (Source: Department of Treasury)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total real GDP (%)</td>
<td>13.5</td>
<td>9.5</td>
<td>4.1</td>
<td>2.2</td>
<td>-0.3</td>
<td>4.5</td>
<td>-3.5</td>
<td>1.5</td>
<td>5.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Non-Mining Real GDP (%)</td>
<td>4.1</td>
<td>-4.1</td>
<td>1.5</td>
<td>1.5</td>
<td>4.0</td>
<td>1.6</td>
<td>-1.2</td>
<td>3.9</td>
<td>3.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year Average (%)</td>
<td>5.2</td>
<td>6.0</td>
<td>6.7</td>
<td>5.4</td>
<td>4.7</td>
<td>3.6</td>
<td>4.9</td>
<td>5.0</td>
<td>5.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Interest rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kina Rate Facility (KFR)</td>
<td>6.25</td>
<td>6.25</td>
<td>6.25</td>
<td>6.25</td>
<td>6.25</td>
<td>5.5</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Inscribed Stock (3-year yield)</td>
<td>8.0</td>
<td>9.7</td>
<td>9.7</td>
<td>9.7</td>
<td>9.0</td>
<td>9.7</td>
<td>9.0</td>
<td>9.8</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Mineral Prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold (US$/oz)</td>
<td>1,266</td>
<td>1,160</td>
<td>1,248</td>
<td>1,258</td>
<td>1,270</td>
<td>1,392</td>
<td>1,770</td>
<td>1,795</td>
<td>1,788</td>
<td>1,802</td>
</tr>
<tr>
<td>Copper (US$/tonne)</td>
<td>6,864</td>
<td>5,502</td>
<td>4,865</td>
<td>6,166</td>
<td>6,517</td>
<td>6,006</td>
<td>6,170</td>
<td>9,117</td>
<td>9,059</td>
<td>9,024</td>
</tr>
</tbody>
</table>
Economic snapshot

Table 2: Overall Budget balance (Source: Department of Treasury)

<table>
<thead>
<tr>
<th></th>
<th>2020 Actual</th>
<th>2021 Budget</th>
<th>2021 Suppl. Budget</th>
<th>2022 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>12,093.3</td>
<td>12,995.1</td>
<td>13,674.5</td>
<td>16,190.2</td>
</tr>
<tr>
<td>Expenditure</td>
<td>19,397.8</td>
<td>19,607.8</td>
<td>20,287.5</td>
<td>22,174.8</td>
</tr>
<tr>
<td>Net deficit</td>
<td>-7,304.5</td>
<td>-6,612.8</td>
<td>-6,612.8</td>
<td>-5,984.7</td>
</tr>
<tr>
<td>% of GDP</td>
<td>-8.6%</td>
<td>-7.1%</td>
<td>-7.1%</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Government debt (% GDP)</td>
<td>49.2%</td>
<td>51.5%</td>
<td>50.1%</td>
<td>51.9%</td>
</tr>
</tbody>
</table>

Revenue, expenditure and net deficit figures are in PGK million

Of the PGK5.9 billion net deficit, PGK3.7 billion is expected to be financed through external borrowing. Of this, PGK0.7 billion has been identified on concessional terms, while PGK3.1 billion is identified as "extra-ordinary financing". The remainder of the net PGK2.2 billion will be financed by domestic borrowing through the issuing of Government Securities.

In 2022, total revenue and grants are forecast to increase by 18.4% (higher than estimated in the 2021 Supplementary Budget). Within this, tax revenue is expected to grow by 15.2%, while other revenue is forecast to grow at 58.4%.

Chart 1: Where does PNG’s revenue come from? (Source: Department of Treasury)

2022 revenue is projected to be PGK16.2 billion, arising from economic recovery with increased government spending, public injections through private sector economic growth, improved export commodity prices and increased tax compliance activities.
# Economic snapshot

## 2022 Highlights

### Table 3: Tax revenue by source (Source: Department of Treasury)

<table>
<thead>
<tr>
<th>Tax Revenue (PGK million)</th>
<th>2020 Outcome</th>
<th>2021 Budget</th>
<th>2021 Supp.</th>
<th>2022 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax (PIT)</td>
<td>3,517.3</td>
<td>3,455.7</td>
<td>3,360.0</td>
<td>3,608.3</td>
</tr>
<tr>
<td>Company Tax (CIT)</td>
<td>1,554.2</td>
<td>1,724.0</td>
<td>1,698.6</td>
<td>1,763.2</td>
</tr>
<tr>
<td>Mining and Petroleum Taxes (MPT)</td>
<td>183.4</td>
<td>313.6</td>
<td>520.6</td>
<td>738.4</td>
</tr>
<tr>
<td>Withholding and Other Income Taxes</td>
<td>413.6</td>
<td>452.1</td>
<td>431.7</td>
<td>469.2</td>
</tr>
<tr>
<td>GST</td>
<td>2,079.2</td>
<td>2,494.8</td>
<td>2,517.1</td>
<td>3,223.4</td>
</tr>
<tr>
<td>Stamp Duties</td>
<td>43.3</td>
<td>96.2</td>
<td>43.3</td>
<td>51.8</td>
</tr>
<tr>
<td>Excise Duty</td>
<td>817.0</td>
<td>1,175.1</td>
<td>1,009.0</td>
<td>1,192.9</td>
</tr>
<tr>
<td>Import Excise</td>
<td>257.6</td>
<td>294.5</td>
<td>270.0</td>
<td>314.7</td>
</tr>
<tr>
<td>Bookmakers’ and Gaming Machine Turnover Tax</td>
<td>166.6</td>
<td>276.3</td>
<td>276.3</td>
<td>288.7</td>
</tr>
<tr>
<td>Other Taxes on Goods and Services</td>
<td>9.0</td>
<td>14.3</td>
<td>11.4</td>
<td>23.7</td>
</tr>
<tr>
<td>Import Duty &amp; Import Taxes</td>
<td>359.5</td>
<td>417.7</td>
<td>370.0</td>
<td>419.9</td>
</tr>
<tr>
<td>Export Tax</td>
<td>400.9</td>
<td>395.6</td>
<td>360.0</td>
<td>428.5</td>
</tr>
<tr>
<td>Grand Total</td>
<td>9,801.6</td>
<td>11,109.9</td>
<td>10,868.0</td>
<td>12,522.7</td>
</tr>
</tbody>
</table>

A 7.4% increase is expected for PIT on the expectation that businesses are reinstating hiring resources as a result of expected rebound in the economy. This is also expected to be supported by the compliance activities undertaken by IRC and the anticipated restart of the Porgera and Simberi mines.

A 28% increase in GST revenue is predicted based on the improvement of collections by the IRC as well as the stringent supplier verification process that has reduced the refunds in 2021. The lock-up of GST refunds has become a significant concern for some PNG businesses.

The expectations on the rebound of economic activity seems to be the key factor playing across all revenue level increases.

The lifting of trade restrictions and stricter border control is predicted to increase the export revenue.
Property income predominantly consists of dividend revenues. In 2021, dividends from Kumul Petroleum, Ok Tedi and BPNG are expected to be PGK 860 million. For 2022, K400 million is expected from KPHL, K450 million from Ok Tedi, K200 million from BPNG, K20 million from KCHL and K200 million from NFA, totalling K1,270 million.

The government expects its current SOE dividend policy to be enforced and the funds repatriated to the Consolidated Revenue Fund (CRF).
**2022 Capital budget**

**Table 4: Development Partner Contributions**

<table>
<thead>
<tr>
<th>Development Partner (PGK million)</th>
<th>Grants</th>
<th>Loans</th>
<th>GoPNG Counterpart</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>35.1</td>
<td>237.6</td>
<td>35.5</td>
</tr>
<tr>
<td>CESKA</td>
<td></td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>1,004.8</td>
<td>88.4</td>
<td>19</td>
</tr>
<tr>
<td>China</td>
<td>122.0</td>
<td>202.0</td>
<td>35.5</td>
</tr>
<tr>
<td>EIB</td>
<td></td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>European Union</td>
<td>92.5</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>International Fund for Agriculture Development</td>
<td>1.8</td>
<td>45.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Korean EXMIN</td>
<td></td>
<td>7.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Japan</td>
<td>61.6</td>
<td>134.7</td>
<td>24.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>18.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GPE</td>
<td>5.0</td>
<td></td>
<td>5.0</td>
</tr>
<tr>
<td>UN</td>
<td>220.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USAID</td>
<td>13.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td></td>
<td>318.6</td>
<td>12.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,574.9</td>
<td>1,038.6</td>
<td>148.0</td>
</tr>
</tbody>
</table>

The Budget has stated the Marape Government will continue to rely on development corporation to pursue cheap financing for key initiatives such as Connect PNG, SME Support Programme etc. The total development partner assistance in grants is 1,574.9 million which makes up 18% of the total capital budget. The grants and loans increased by 9.3% compared to 2021. Australia continues to be the provider of largest share of grants.
Economic snapshot

Chart 3: Where does PNG's expenditure go? (Source: Department of Treasury)

<table>
<thead>
<tr>
<th>Expenditure by Sector</th>
<th>2022 (PGK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provinces</td>
<td>4,248.9</td>
</tr>
<tr>
<td>Administration</td>
<td>3,882.9</td>
</tr>
<tr>
<td>Debt Services</td>
<td>2,324.4</td>
</tr>
<tr>
<td>Health</td>
<td>2,554.6</td>
</tr>
<tr>
<td>Education</td>
<td>1,417.5</td>
</tr>
<tr>
<td>Law and Justice</td>
<td>1,385.7</td>
</tr>
<tr>
<td>Transport</td>
<td>1,438.9</td>
</tr>
<tr>
<td>Economic</td>
<td>947.6</td>
</tr>
<tr>
<td>Community and Culture</td>
<td>161.0</td>
</tr>
<tr>
<td>Utilities</td>
<td>486.7</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,605.5</td>
</tr>
<tr>
<td>GST &amp; BMT*</td>
<td>721.1</td>
</tr>
</tbody>
</table>

2022 expenditure is expected to reach PGK 22,174.8 million, split into the above sectors. Treasury’s sector allocation is stated as guided by strategy of identifying policy issues in each sector and funding policy interventions that would address those issues.

*Goods and Services and Book Makers Transfers
Introduction of a Banking Levy

- The medium-term revenue strategy and recent Government Budgets have made mention of the introduction of a bank levy. This has now been announced as a change to the Income Tax Act.
- The levy is targeted on commercial banking institutions with a very high level of market concentration.
- The reasoning for the levy is that dominant players are able to collect super-normal profit and the levy will claw back the supernormal profit to the Budget. Despite this, the levy is not based on profits.
- The levy is a flat rate market concentration levy on licensed commercial banks with a market concentration over 40%. Only one bank (the Bank of South Pacific) exceeds this level.
- The levy is a flat PGK 190M provided the bank is not in a tax loss position. We note a flat tax with a single threshold is unusual, particularly when targeting super-normal profits is the stated goal.
- The levy will be a non-deductible expense and will be implemented in 2022. This will likely impact BSP shareholders, including superfunds, with share value and dividends impacted.

Introduction of a Telecommunication Tax

- Similar to the banking levy this is introduced as a tax on the dominant players who collect super-normal profits. Its grounds for introduction are unashamedly stated as being to raise revenue to support vital Government services.
- The tax is a flat rate market concentration levy and will be imposed on industry players who have more than 40% market share (total subscription services).
- The flat rate is designed to ensure that it is not a consumer-based tax (based on usage). The goal being for the cost to be borne by shareholders and not consumers.
- The levy is set at PGK 95 million. It will be implemented in 2022.
Detailed tax measures

Excise and Customs

• To encourage the uptake of electric cars in PNG, the government is removing the import tariff on fully kitted electric vehicles.
• In the 2019 budget, the tariff duty for Ultra High Temperature (UHT) milk products was increased to 25%, under this budget this has now been reverted back to duty free.
• The second-tier tobacco products are not-indexed as the first tier and accordingly manages to sell at a lesser price than illicit tobacco products. The practice of no-index was due to expire in November 2021 but now has been extended for the next two years. This was extended due to the additional revenues its giving to Government and the limit it imposes on illicit tobacco trade in PNG.
• In 2020 government increased the excise duties on “social drinks” by between 100% and 400%. This is now further increased by PGK 100 per litre on social drinks with more than 10% alcohol.
• The bi-annual excise indexation rate for tobacco and alcohol industry has been reduced from 5% to 2.5%.
• The Government has repealed the 10 toea tariff on imported diesel and petrol over two years. The tariff will be reduced by 5 toea each year starting in 2022. This was repealed to encourage competition in the fuel industry and reduce puma energy’s dominance in the market.

Infrastructure Tax Credits (ITC)

• As previously committed, the ITC rate is being increased to 2% across all sectors. Currently, the ITC rate is 0.75% for the Extractive sector and 1.5% for Agriculture and Tourism.
• This increase is to encourage more infrastructure development in the project affected areas.
• Several supplementary measures are introduced to strengthen the integrity of the claims which are as follows:
  • Developers need to submit the expenditure report to IRC
  • The excess expenditure carry forward period is reduced to 7 years
  • Tax credits can be claimed only for completed projects
  • Only companies in a taxable position can participate
• The increase would be effective 01 January 2022.
Detailed tax measures

Upgrade of IRC Administration system

- The Standard Integrated Government Tax Administration System (SIGTAS) used by the IRC is considered to have become outdated and unsupportive in performing its core functions. For instance, it does not allow for online filing and payment, which is a key IRC objective to streamline its processes and reduce errors in manual processing.
- The Government has allocated PGK 25 Million to the next generation revenue administration system, referred to as the Integrated Tax Administration System (ITAS). ITAS will allow for real time access to a taxpayer account, online filing of returns and payments, as well as case management and workflow. It is also suggested it will be linked to other data sources such as the Investment Promotion Authority, Customs and banks.
- The goal is for ITA to be implemented in 2022.

Procurement of GMS Software

- GMS is a new initiative to monitor the collection of GST on sale of goods and services, with inspiration drawn from Fiji.
- GMS is expected to be installed in all counters of wholesale and retail shops and is expected to capture GST collections at the point of sale and remit directly to IRC in real time.
- This measure cuts out the collection agent for GST but in doing so could result in more taxpayers being in a GST refund position.
New Income Tax Act - update

New Income Tax Act

• The new Income Tax Act was expected to be introduced with the 2022 Budget. Recent consultations between stakeholders and Treasury in October 2021, based on a draft version of the Act, showed that there was some outstanding matters to be ironed out for the new Act to reach its intended goals of modernizing and simplifying the income tax legislation. These include amendment to some provisions in the draft Act, but also supporting Regulations, transitional provisions and ensuring IRC process readiness.
• In what we consider a prudent move, Treasury has deferred the legislating of the new Act while these outstanding matters are resolved. It is hoped further consultation will be had before the new Act and supporting Regulations are finalized.
• Treasury are advising the introduction of the new Act will still be 2023.
• Further details on the implications of the new Act can be found on our website at: https://www2.deloitte.com/pg/en/pages/deloitte-private/articles/png-income-tax-act-rewrite-tax-alerts.html

Tax Administration Act (TAA)

• There were also a number of amendments to the various tax Acts in preparation for the moving of the administrative provisions of these Acts to the TAA.
• The TAA amendments may have consequential impacts that will need to be carefully considered.

Review of the Corporate Tax Rural Development Incentive

• This existing incentive provides for a 10 year income tax holiday to new business in prescribed remote rural areas. This incentive will be reviewed in 2022 to ensure activity is encouraged in the right areas while protecting the corporate tax base.
• Interestingly, this incentive was removed in the draft Income Tax Act rewrite.
• There is also no mention of updating the income tax rules for special economic zones.
Other Announcements

Review of Regulatory Environment to Encourage Information Technology Sector

• The IT space is seen as an important growth area, and an enabler for growth in other sectors of the economy.
• In 2022 Treasury, with other stakeholders, will examine the current policies, regulatory environment and tax incentives to support the growth of the IT sector.

Container Examination Facility (CEF) in Lae

• The CEF in Port Moresby combines advanced x-ray technology and physical inspections by Customs officers. This has seen success in increasing compliance and collections
• The Government is allocating PGK 20 Million for the CEF to be implemented in Lae.

Medium Term Revenue Strategy (MTRS)

• The MTRS was developed with the IMF and made recommendations on Fiscal policy reform for 2022.
• The Budget papers have announced the Government will review the MTRS in 2022 to develop a new MTRS for the period of 2023 to 2027.

Introduction of the Non-Tax Revenue Administration (NTRA) Bill

• While no figure was given, the NTRA is expected to improve non-tax revenues in 2022, when it is implemented. This Act will replace the Public Money Management Regularization Act (PMMRA) 2017 that was declared constitutionally invalid in 2020
Contacts

Benjamin Lee  
Managing Partner  
benjlee@deloitte.com.pg

Andrew Harris  
Partner - Tax and Business Services  
andrewharris@deloitte.com.pg

Sanchika Sutharshan  
Partner - Tax and Business Services  
ssutharshan@deloitte.com.pg

Maygen Turliu  
Director - Tax and Business Services  
mтурliu@deloitte.com.pg

Gil Grinberg  
Partner - Advisory  
ggrinberg@deloitte.com.pg

Declan Mordaunt  
Senior Counsel - Tax and Business Services  
dmordaunt@deloitte.com.pg