



# 2024 PNG Budget Commentary

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## EXECUTIVE SUMMARY

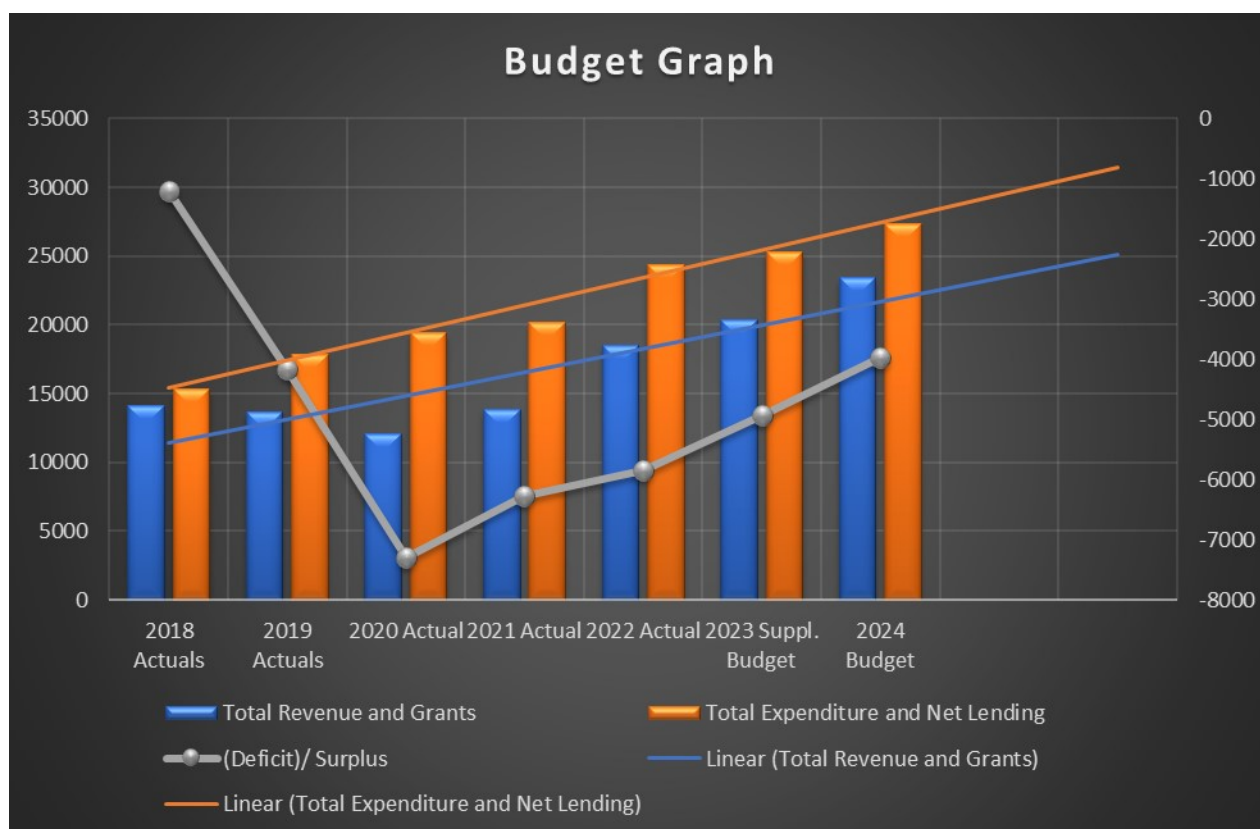
- Against a backdrop of gloomy world economy, the Minister for Treasury, Hon. Ian Ling-Stuckey handed over the **2024 Papua New Guinea Budget** on behalf of Marape Rosso Government, at the Parliament on this 28<sup>th</sup> day of November 2023.
- This is the **second annual budget** presented by the newly elected government. Theme of this year budget is “**Securing our future**”. The framework which directs this budget is the “13-year Plan”, that is guided by **Five National Goals and Directive Principles**.
- The 2024 Budget will continue to be guided by the doctrines of development espoused by **Vision 2050**, PNG Development Strategic Plan (**DSP**) (2010-2030), the Medium-Term Development Plan (**MTDP**) the National Strategy for Responsible Sustainable Development (**StaRS** 2017), and the Fiscal Responsibility Act 2006 (**FRA**) as amended.
- The new **Medium Term Development Plan IV 2023-2027** is themed as “**National Prosperity through Growing the Economy**”. The objectives of the MTDP IV are to grow the GDP by K164 billion towards the 2030 target of K200 billion by doubling the country’s internal and export revenues and creating one million new jobs by 2027. This is planned to be achieved by aligning the efforts of all government departments to 12 strategic priority areas (SPAs).
- 2024 budget will continue the repair and reconstruction path pursued since 2019 and focus on five key sectors like **health, education, law and order, infrastructure, agricultural and economic sector**.
- Global economic growth is projected at 3% and 2.9% for 2023 and 2024, respectively. PNG economy is expected to grow at 2.7% and 5.3% respectively, for above periods.
- **A record budget** presented at **K27.38 billion**, as compared to 2023 supplementary budget estimate of K25.34 billion.
- Total 2024 budgeted expenditure consists of, **K16.68 billion for operational expenditure** and **K10.69 billion for capital expenditure** as compared with K15.54 billion and K9.79 billion respectively, from 2023 supplementary budget.
- Total revenue and grants are estimated at **K23.39 billion in 2024** with increase of **K2.99 billion** from 2023 supplementary budget estimate of K20.40 billion.
- 2024 tax revenue is estimated at **K18.69 billion** more than K2.37 billion and 2024 non-tax revenues are estimated at **K2.49 billion** more than K437 million, from 2023 supplementary budget estimates of K16.32 billion and K2.05 billion, respectively.
- Budget deficit works out to **K3.98 billion** with deficit approximately amounting to 3.3% of GDP.
- The **inflation level** expected to increase from a low of 3.5% in 2023 to **5%** in 2024.
- **Minor tax measures** introduced to increase **tax free threshold to K20,000 permanently**, abolishing dependent rebates, permanent charge excise rate on second tier tobacco, reduction in progressive log export tax, etc.
- Major non-tax measure is **K200 million transfer** from National Gaming Board to support budget.

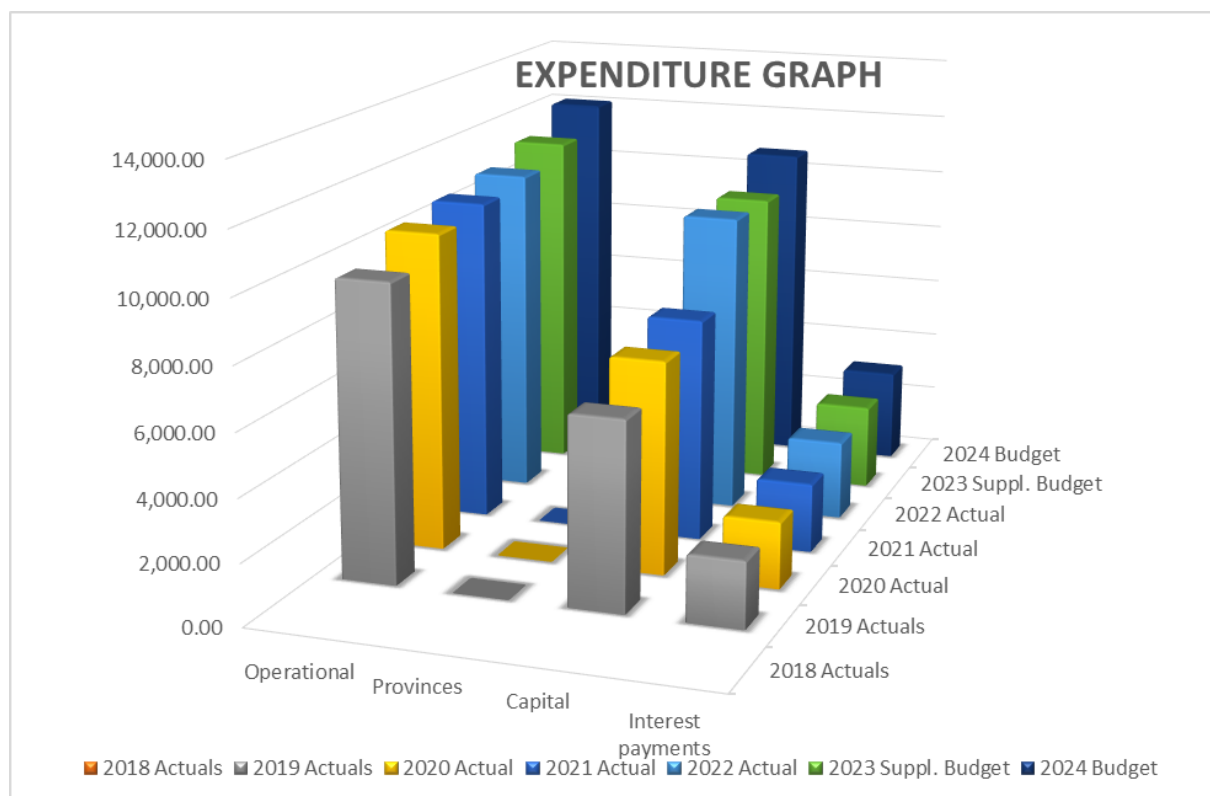
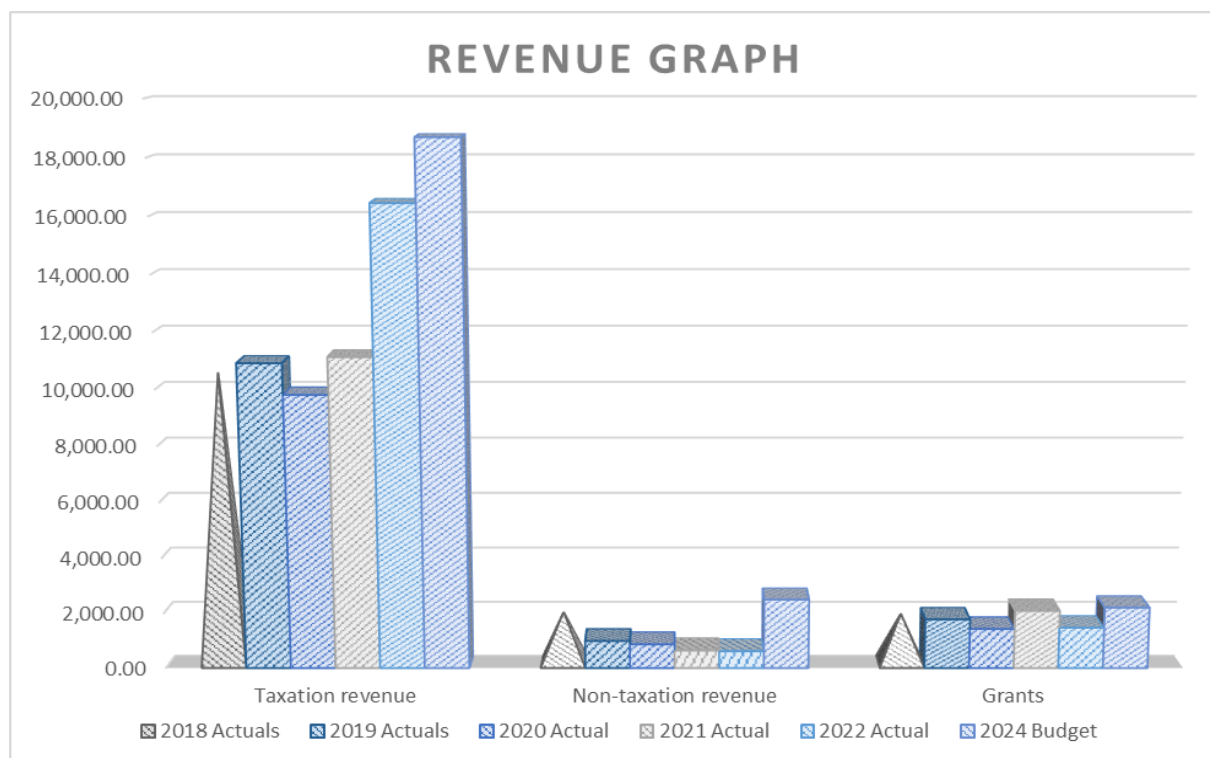




## BUDGET HIGHLIGHTS

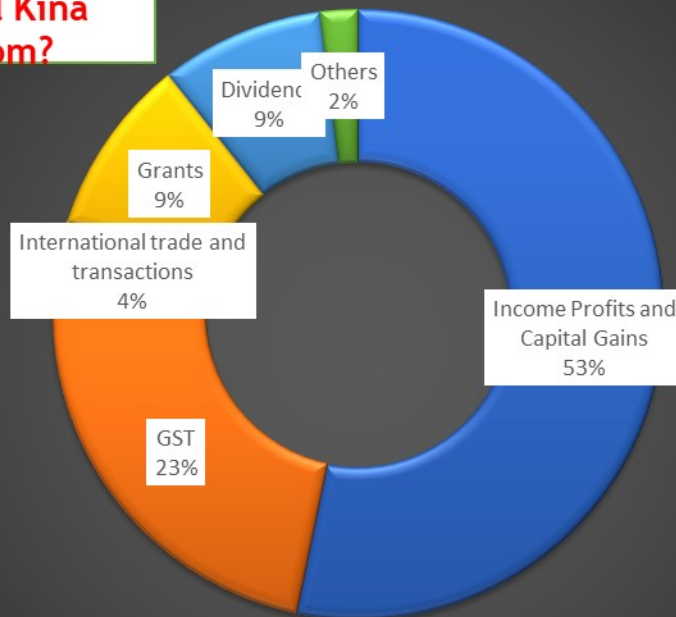
Budget	2018 Actuals	2019 Actuals	2020 Actual	2021 Actual	2022 Actual	2023 Suppl. Budget	2024 Budget
Total Revenue and Grants	14,085.2	13,680.4	12,093.3	13,860.4	18,538.20	20,403.00	23,393.80
Total Expenditure and Net Lending	15,297.5	17,852.4	19,397.8	20,130.7	24,390.00	25,337.00	27,377.50
(Deficit)/ Surplus	(1,212.3)	(4,172.0)	(7,304.5)	(6,270.3)	(5,851.80)	(4,934.00)	(3,983.70)
Taxation revenue	10,475.9	10,918.1	9,802.1	11,129.4	16,453.60	16,320.70	18,694.80
Non-taxation revenue	1,835.70	986.8	866.2	643.0	612.50	2,057.40	2,494.00
Grants	1,773.60	1,775.5	1,425.0	2,088.0	1,472.10	2,024.90	2,205.00





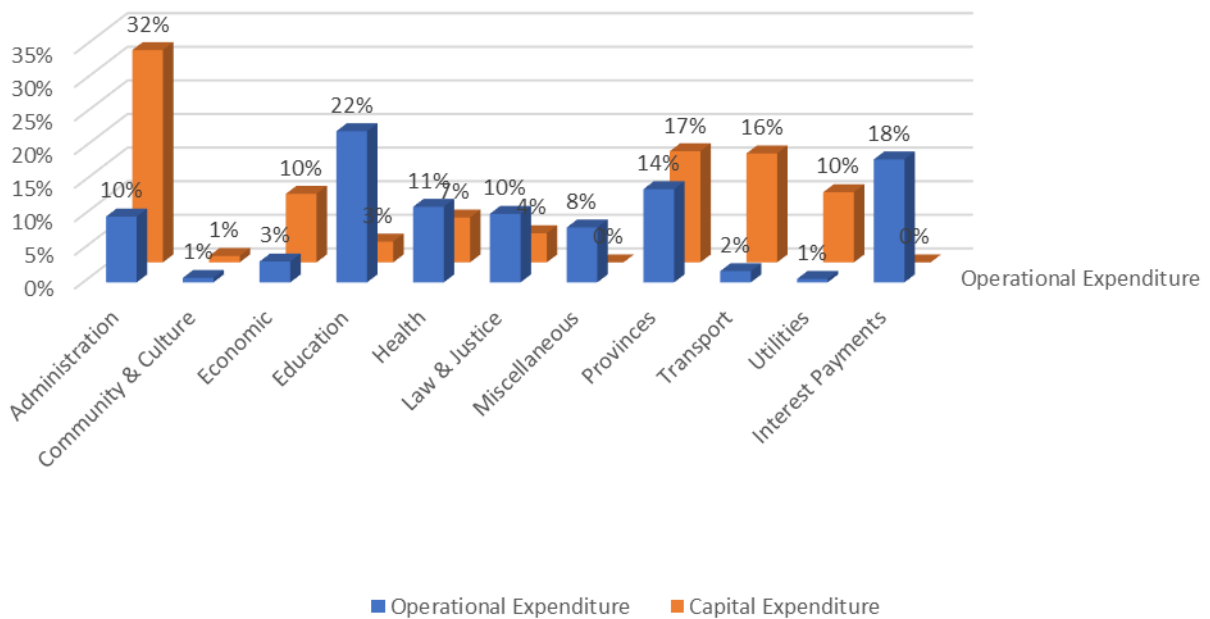


### Where will Kina come from?



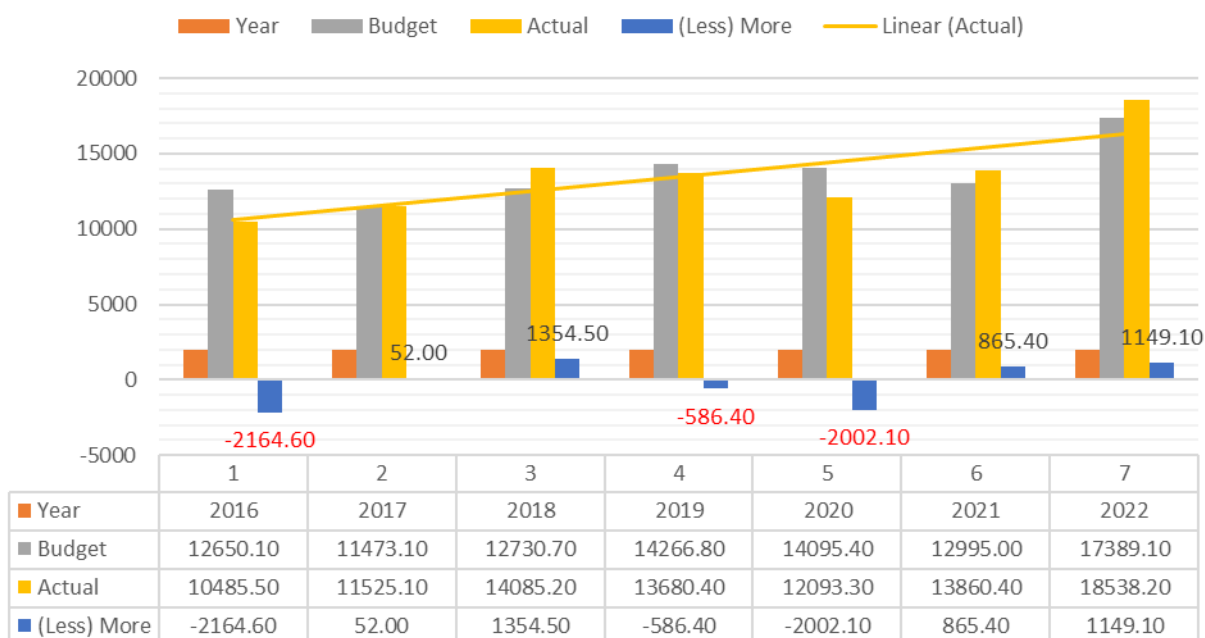
Income Profits and Capital Gains GST International trade and transactions Grants Dividends Others

### Where will Kina go to?

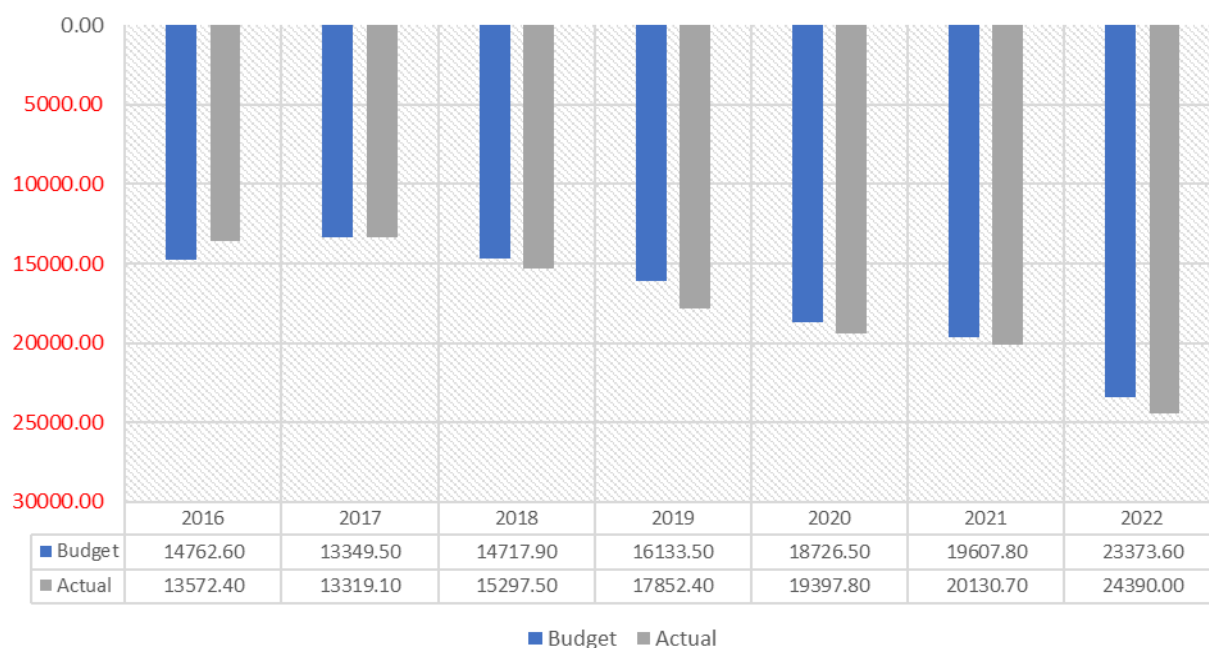




### Graph measures actual revenue against budgeted revenue



### Budget v Actual -Spending Graph Find out if your Government delivered?





## KEY ECONOMIC ASSUMPTIONS

This year's budget has been built on the following key assumption and economic parameters

Parameters	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Est	2024 Proj
<b>Economic Growth</b>						
GDP Growth (PNG)	4.5	(3.2)	0.8	5.2	2.7	5.3
Non-Mining GDP(PNG)	1.6	(0.4)	3.8	5.2	4.5	4.7
<b>Exchange Rate</b>						
Real Exchange rate Index (2007=100)	138.7	140.6	138.4	134.5	134.8	134.8
<b>Inflation</b>						
Year average (%)	3.6	4.9	4.5	5.3	3.5	5.0
Dec on Dec (%)	2.7	5.1	5.7	3.4	7.2	3.2
<b>Interest Rates</b>						
Kina Rate Facility (KFR)	5.88	3.50	3.00	3.13	3.33	3.33
Inscribed Stocks (3-year Yield)	10.5	9.0	9.0	6.0	4.7	4.7
<b>Mineral Prices</b>						
Gold US\$/oz	1,392.0	1,770.0	1,800.0	1,801.0	1,918.0	1,973.0
Copper US\$/ton	6,006.0	6,170.0	9,308.0	8,819.0	8,501.0	8,285.0
Oil Kutubu crude US\$/barrel	57.0	39.5	67.9	94.3	79.1	80.0
LNG US\$ per 000 cu. ft	10.6	8.3	10.8	18.3	14.9	14.6
Condensate US\$/barrel	57.0	39.5	67.9	94.3	79.1	80.0
Nickel US\$/tonne	10,960.0	10,639.0	17,147.0	20,532.0	19,028.0	17,745.0
Cobalt US\$/tonne	22,836.0	21,483.0	44,430.0	51,427.0	25,953.0	24,632.0
<b>Agricultural Prices</b>						
Coffee K/ton	10,228	12,552	17,289	22,860	15,967	15,277
Palm Oil K/ton	1,717	2,215	3,505	3,981	3,060	3,083
Cocoa K/ton	7,934	8,210	8,518	8,348	11,113	12,528
Copra Oil K/ton	2,314	2,643	4,983	5,753	5,862	6,106
Copra K/ton	1,803	1,930	1,849	2,497	2,544	2,650
Rubber K/ton	4,029	3,714	4,714	4,063	4,252	4,517
Tea K/ton	4,750	3,999	3,030	3,587	3,650	3,855
Logs (K/m3)	327	310	338	352	322	336





## NEW MEDIUM TERM DEVELOPMENT PLAN 2023-2027

The MTDP IV is premised on the theme of achieving “National Prosperity through Growing the Economy”. This theme builds on achievements and lessons from past MTDPs and presents new and innovative approaches to accelerate social and economic growth that translates into fulfilling our aspirations.

In consideration of the above, the Government has stated the following key objectives:

- To achieve a K200 billion PNG economy by 2030;
- To create one million additional jobs; and
- To improve the quality of life for all PNG citizens.

Specific sector targets are posed to contribute to this target through the 12 Strategic Priority Areas (SPAs). The SPAs includes strategic economic investment, connect PNG infrastructure, quality and affordable health care, quality education and skilled human capital, rule of law and restorative justice, national security, national revenue and public finance management, digital government, national statistics and public service governance, research, science and technology, climate change and natural environment protection, population, youth and women empowerment and finally strategic partnerships

The new Medium-Term Fiscal Strategy 2023-27 drawing from the “13-year Plan” adopts four core objectives in the medium term such as strong economy, connect PNG, going rural and good governance and continues to guide this budget, with its underlying **principles**, i.e., Spend wisely, Raise revenue fairly, Finance debt cheaply, Focus on sustainable investment options, Reform program for State Owner Enterprises (SOE), Grow non-revenue growth above 5%, Ease foreign exchange, etc

There are three Parts to the MTDP IV:

- PART A High-level Policy direction of the Government articulating the 12 Strategic Priority Areas (SPAs) and the supporting Deliberate Intervention Programs (DIPs) for achieving our objectives during the MTDP IV period (2023-2027).
- PART B This presents the Sectoral Intervention Programs, Investments and Targets. It defines the investments in the SPAs and elaborates on Key Result Areas (KRAs) and indicators to realise the MTDP IV objectives. It is also the guide for sectoral agencies and stakeholders to align their sector development plans to the MTDP IV.
- PART C Outlines the Provincial and District Minimum Service Standards and Economic Opportunities to guide Provincial Administrations and District Development Authorities in aligning their development plans to the SPAs and ensuring delivery of quality outputs.

**DIRECT TAXATION MEASURES**

- The temporary increase in tax threshold to K20,000, introduced in 2023 budget, is made permanent. This means anyone earning taxable salary upto K769.23 per fortnightly is exempt from tax (**effective 1 January 2024**).
- The below table provides a bird's eye view of the proposed amendment-

Taxable income (in kina)	Resident	Non resident
	>1 January 2024	>1 January 2024
0-20,000	0%	22%
20,001-33,000	30%	30%
33,001-70,000	35%	35%
70,001-250,000	40%	40%
Above K250,000	42%	42%

- Dependent rebates provided under Division 18A repealed (**effective 1 January 2024**)



## INDIRECT TAXATION MEASURES

**Amendment to Customs provisions (effective 1 January 2024)**

- Customs duty on various goods used as inputs in the PNG production industry such as containers, soap, boneless meat, certain drinks, mattresses etc were exempted and some others items such as soaps etc were reclassified and charged at lower rate.
- Tariff item 44.03 amended by reducing the progressive log export tax rate to average 50% from 70% introduced last budget to enable downstream processing and achieving full export ban of unprocessed log by 2025.

Thresholds (FOB Price, US\$/m3)	Duty Rates (US\$/m3)	Effective rate (MMR)
From and above \$0.0	P*0.2500	25%
From and above \$60.0	P*0.4893-3.56	43%
From and above \$100.0	P*0.5585-4.76	51%
From and above \$150.0	P*0.5791-12.36	50%
From and above \$200.0	P*0.5884-16.36	51%

**Amendment to Excise Tariff**

- In a bid to combat illicit tobacco products coming to market, the budget proposes a permanent increase in excise duty rate on tier-2 tobacco to 20%, **effective 1 December 2023** and increase 2.5% biannually **effective 1 June 2024**. This means that the new excise duty rate will be K251.60 per 1000 sticks from 1 December 2023, K257.89 per 1000 sticks from 1 June 2024 and so on so forth.



## A COMPREHENSIVE SUITE OF OUR SERVICES

## Accounting and Outsourcing

- maintenance of books of accounts
- payroll processing, including tax computation and remittance and filing associated returns with the IRC
- accounts payable/ receivable processing
- banking support
- preparation of Final Accounts
- audit support
- secretarial support
- migration advisory and assistance

## Direct Tax Services

- direct tax and regulatory advisory & statutory compliances
- international tax advisory & planning
- inbound investment advisory & entity set-up
- outbound investment & cross-border transaction advisory
- tax health check-ups
- tax due diligence
- expatriate tax advisory & compliance services
- Transfer pricing
- Tax audits

## Indirect Tax Services

- advisory & strategic consulting in relation to GST, Customs, Excise, Stamp Duty and other allied legislations
- compliance assistance
- representation
- review/ health check/ GST audit
- tax due diligence
- GST audit and refund audits

## Secretarial Services

- regulatory advice and support under
  - Central Banking Act
  - Investment Promotion Act
  - Companies Act
- A to Z services from incorporation to winding up for companies, trusts and other business groups, including provision of registered office, director services, resident agent services.
- business certification services

## Financial advisory services

- financial structuring and advice
- financial valuation
- financial due diligence
- financial credit arrangements
- financial training



## Contact us

For more information on the budget please,

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