

# 2025 BUDGET COMMENTARY


Prepared By :



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Covering PNG Budget since 2012



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## Executive Summary

- Honourable Minister for Treasury, Hon. Ian Ling-Stuckey handed over the **2025 Papua New Guinea Budget** on behalf of Marape Rosso Government, at the Parliament on this 29<sup>th</sup> day of November 2024.
- Theme of this year budget is “**Securing Papua New Guinea in 2025 and beyond**”. This is aimed to be achieved by massive investments into police, defence and judiciary, delivering household assistance package by GST relief, stamp duty relief etc, human and capital resources, infrastructure like Public Investment Program, growth and jobs, education and other priorities
- The framework which directs this budget is the “13-year Plan”, that is guided by **Five National Goals and Directive Principles**. This aims to achieve budget surplus by 2027.
- The 2025 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 objectives of the new **Medium Term Development Plan IV 2023-2027** are to grow the GDP to K200 billion by the 2030 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).
- 2025 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**.
- The budget comes against the backdrop of growing cost of living, increasing security issues, lack of access to essentials to large percentage of population, reduced foreign investment, and gloomy global economy.
- Global economic growth is projected to remain stable at 3.2% in 2024 and 2025, respectively. PNG economy is expected to grow at 4.9% and 4.7% respectively, for above periods.
- **Higher budget** presented at **K28.35 billion**, as compared to 2024 supplementary budget estimate of K26.92 billion.
- Total 2024 budgeted expenditure consists of, **K14.49 billion for operational expenditure** and **K10.34 billion for capital expenditure** as compared with K13.59 billion and K10.26 billion respectively, from 2024 supplementary budget.
- Total revenue and grants are estimated at **K25.4 billion in 2025** with increase of **K2.47 billion** from 2024 supplementary budget estimate of K22.93 billion.
- 2025 tax revenue is estimated at **K21.2 billion** more than K2.49 billion and 2025 non-tax revenues are estimated at **K2.7 billion** more than K689 million, from 2024 supplementary budget estimates of K18.71 billion and K2.01 billion, respectively.
- Budget deficit works out to **K2.949 billion** with deficit approximately amounting to 2.2% of GDP.
- The **inflation level** expected to decrease from a high of 2.3% in 2023 to **1.2%** in 2024 and rebound to **4.5%** in 2025.

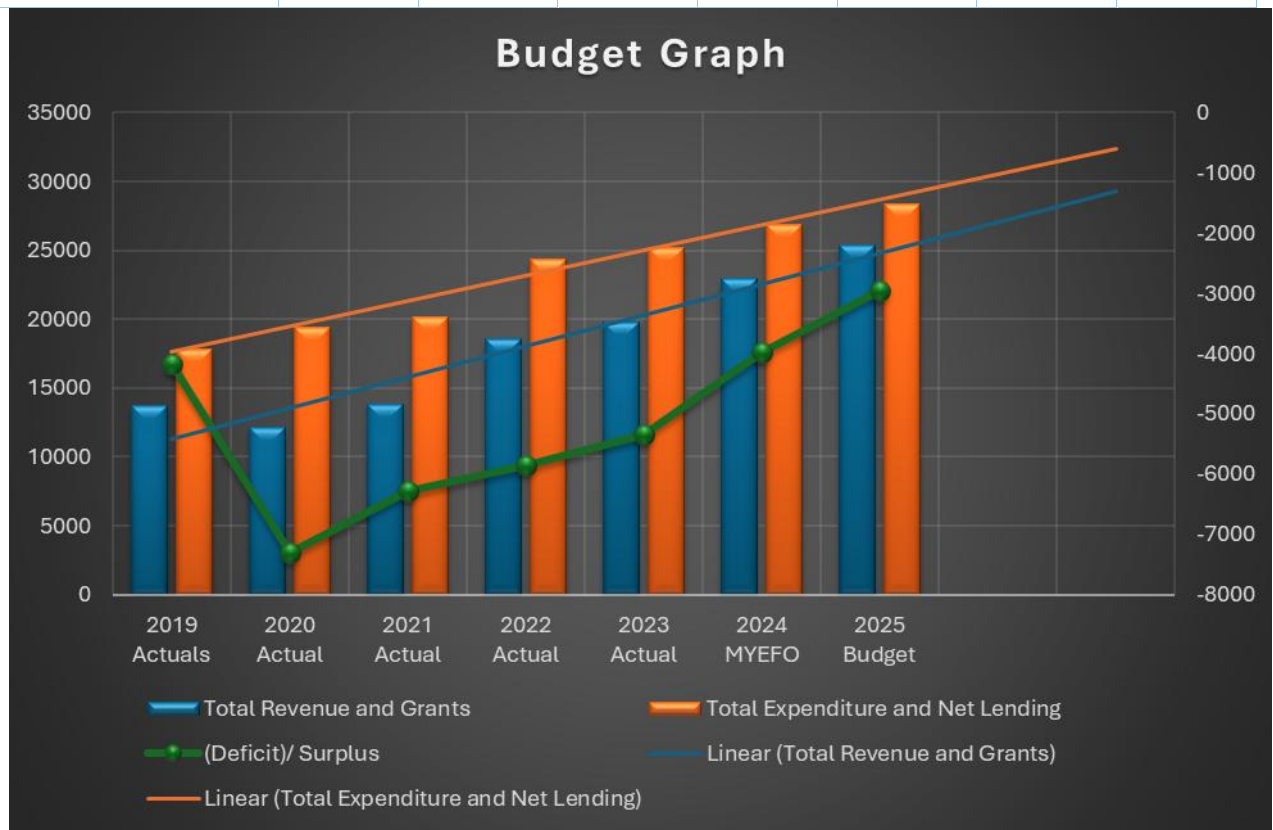


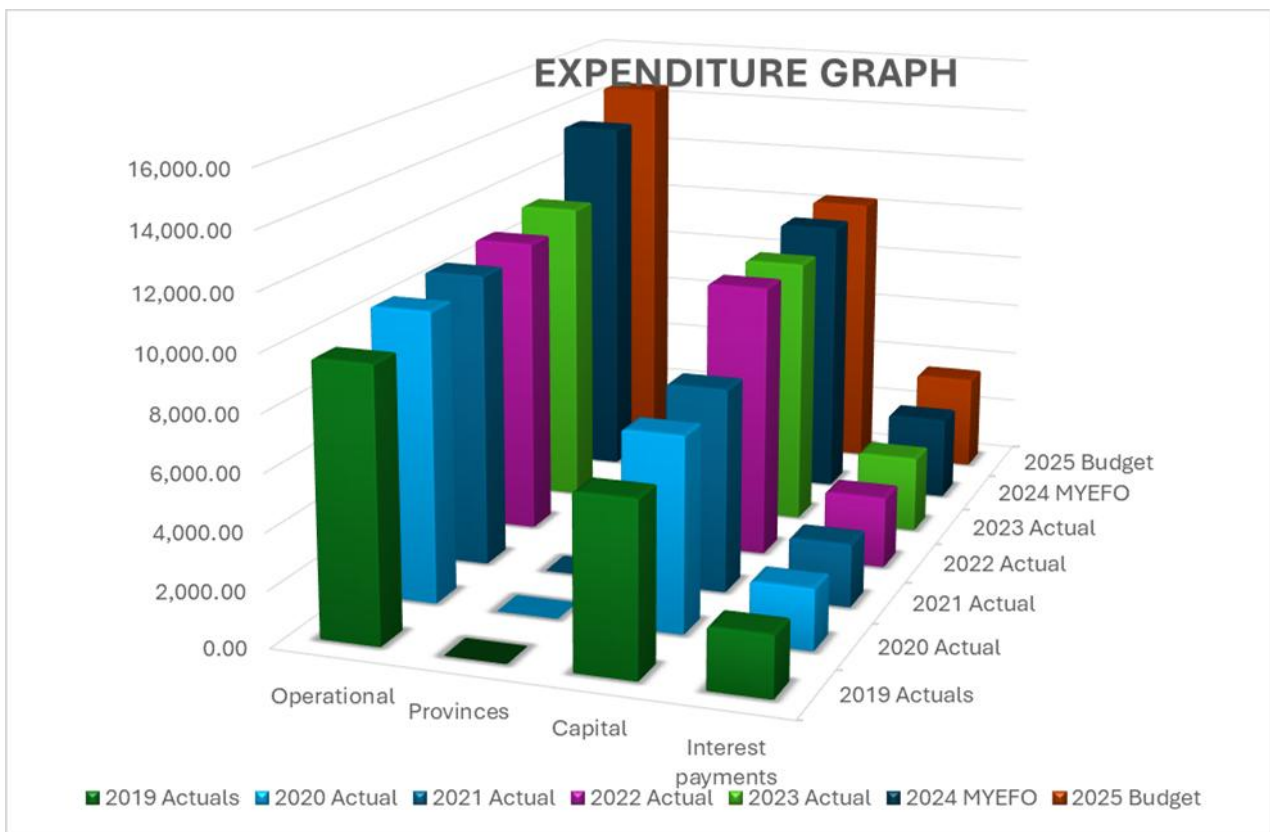
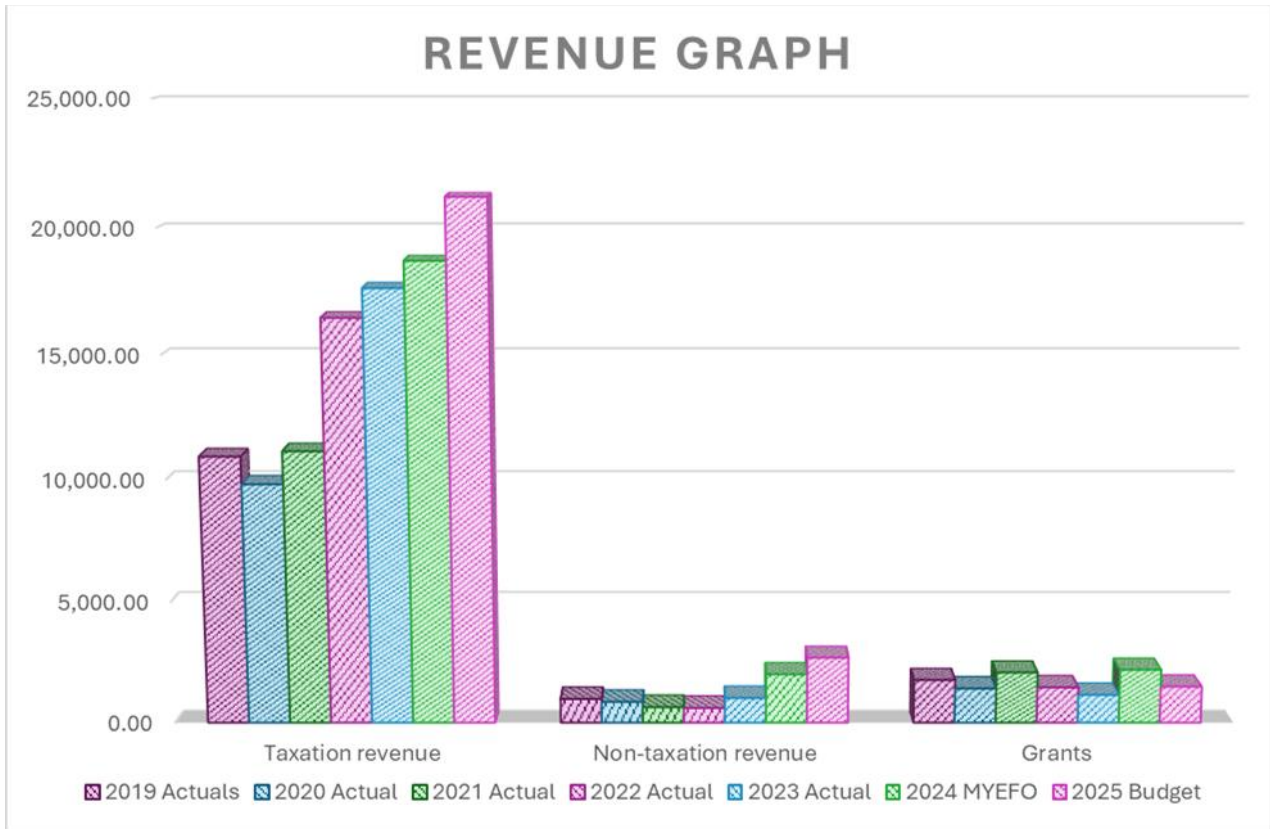
- **Various tax measures** introduced to ease the cost of living such as GST exemption on basic household commodities, increase in Stamp Duty exemption threshold for first time home buyer, exemption of super withdrawn from a long term investee, increase in threshold for obtaining Tax Clearance Certificate etc
- **Other tax measures** introduced to benefit small businesses, banks, NRL players and for gearing to a technology and fuel efficient economy, making compliance stringent around withholding taxes and Multinational companies.
- The **re-written Income Tax Act**, is now proposed to be introduced in 2025 and expected to be effective from 1 January 2026.
- Major non-tax measure is full **implementation of Non-Tax Revenue Administration Act**, 2022 in 2026 and
- **Development Areas** include incentivising banks for more financial inclusion of unbanked population, development of appropriate school fee rebate for private schools, classifying printed and non printed polymers based on their usage in manufacturing or otherwise, etc



### Budget Highlights

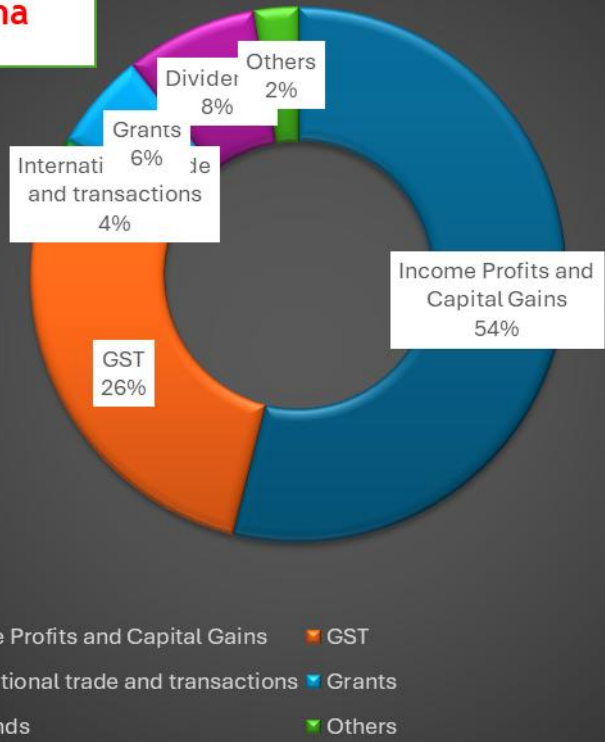
Budget	2019 Actuals	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 MYEFO	2025 Budget
Total Revenue and Grants	13,680.40	12,093.30	13,860.40	18,538.20	19,809.90	22,930.80	25,408.00
Total Expenditure and Net Lending	17,852.40	19,397.80	20,130.70	24,390.00	24,614.50	26,914.60	28,357.20
(Deficit)/ Surplus	(4,172.00)	(7,304.50)	(6,270.30)	(5,851.80)	(4,804.60)	(3,983.80)	(2,949.20)
Taxation revenue	10,918.10	9,802.10	11,129.40	16,453.60	17,626.90	18,707.60	21,201.00
Non-taxation revenue	986.80	866.20	643.00	612.50	1,024.40	2,018.20	2,707.00
Grant	1,775.50	1,425.00	2,088.00	1,472.10	1,158.60	2,205.00	1,500.00



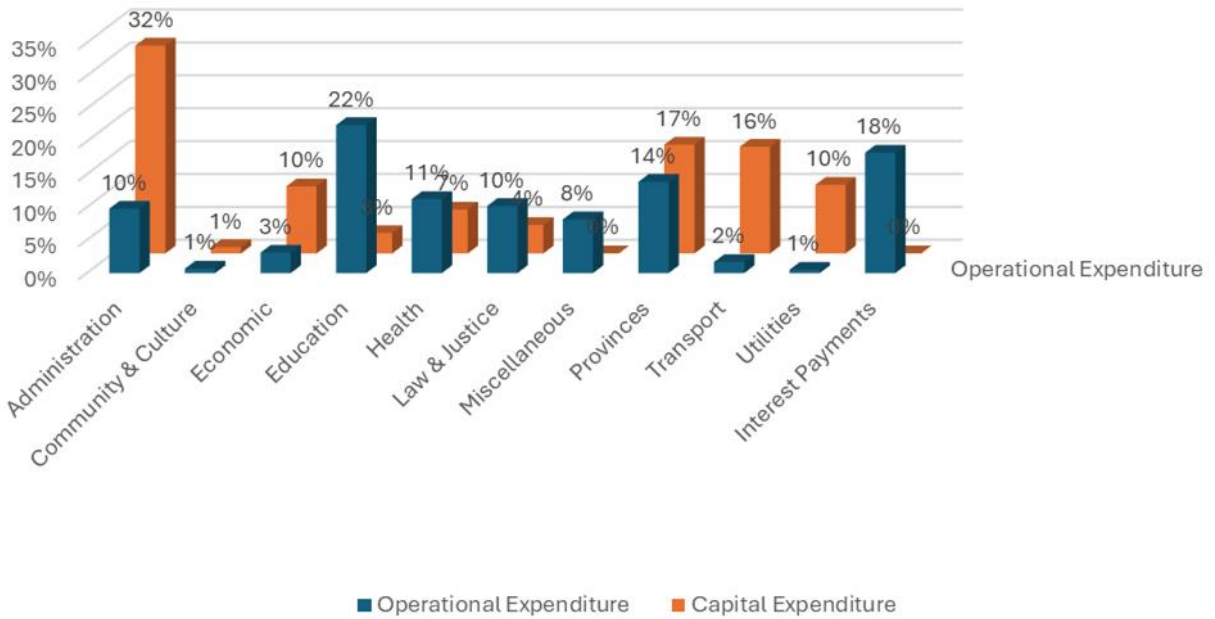




### Where will Kina come from?

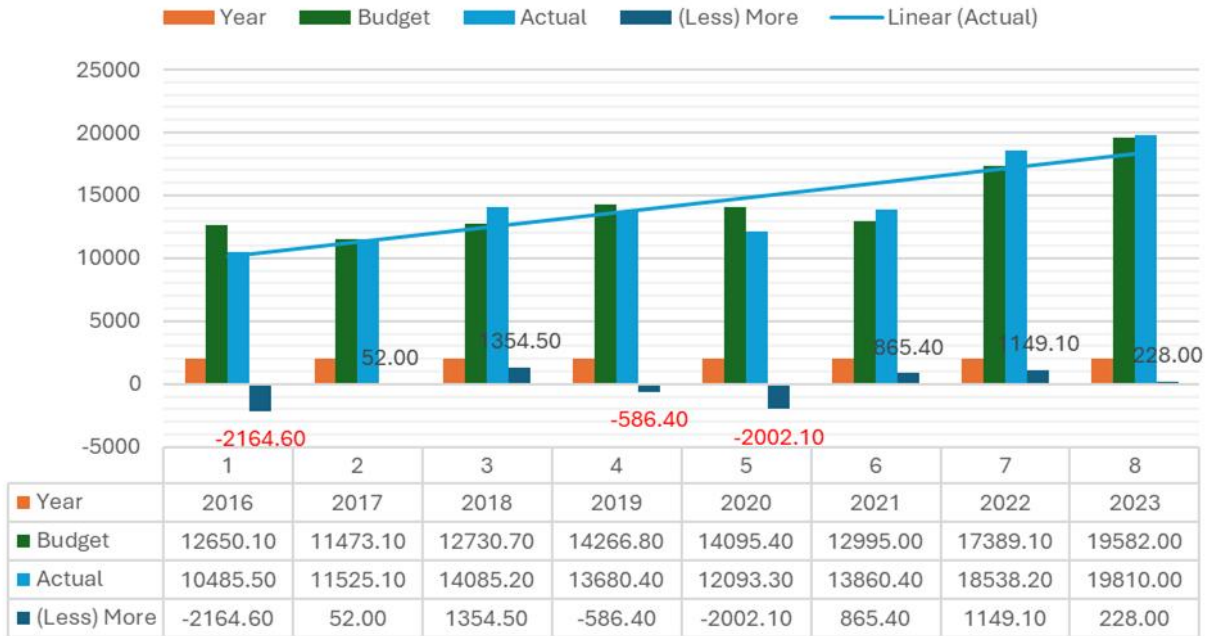


### Where will Kina go to?





### 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	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Est	2025 Proj
<b>Economic Growth</b>						
GDP Growth	(3.2)	(0.5)	5.7	3.0	4.9	4.7
Non-Resource GDP	(0.4)	4.2	5.9	4.7	4.5	5.2
<b>Exchange Rate</b>						
Real Exchange rate Index (2007=100)	128.1	123.3	134.5	134.8	134.8	134.8
<b>Inflation</b>						
Year average (%)	4.9	4.5	5.3	2.3	1.2	4.5
Dec on Dec (%)	5.1	5.7	3.4	3.9	3.0	3.1
<b>Interest Rates</b>						
Kina Rate Facility (KFR)	3.5	3.0	3.1	3.3	4.0	2.9
Inscribed Stocks (3-year Yield)	9.0	9.0	-	4.7	7.0	7.0
<b>Mineral Prices</b>						
Gold US\$/oz	1,770.0	1,800.0	1,801.0	1,943.0	2,325.0	2,540.0
Copper US\$/ton	6,170.0	9,308.0	8,819.0	8,486.0	9,441.0	10,028.0
Oil(Kutubucrude) US\$/barrel	39.5	68.0	94.3	77.6	80.0	76.4
LNG US\$ per 000 cu. ft	8.3	10.8	18.3	14.4	14.8	14.2
Condensate US\$/barrel	39.5	67.9	94.3	77.6	80.0	76.4
Nickel US\$/tonne	10,639.0	17,147.0	20,532.0	21,527.0	15,076.0	15,231.0
Cobalt US\$/tonne	21,483.0	44,430.0	51,427.0	33,871.0	20,268.0	22,448.0
<b>Agricultural Prices</b>						
Copra US\$/ton	1,930	1,849	2,497	2,547	2,732	2,885
Palm Oil US\$/ton	2,215	3,505	3,981	2,978	3,335	3,461
Cocoa US\$/ton	8,210.0	8,518.0	8,348.0	11,694.0	27,063.0	24,563.0
Coffee US\$/ton	12,552.0	17,289.0	22,860.0	17,098.0	20,179.0	22,234.0
Rubber US\$/ton	3,714.0	4,321.0	4,063.0	4,258.0	4,656.0	4,917.0
Tea US\$/ton	3,999.0	3,625.0	3,587.0	3,195.0	3,751.0	3,658.0
Logs K/m3	310.0	338.0	352.0	311.0	347.0	366.0



## 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

<p><b>STRATEGIC INVESTMENT</b></p> <ul style="list-style-type: none"> <li>) Commercial and Agriculture and Livestock Development</li> <li>) Mining and Petroleum</li> <li>) Fisheries</li> <li>) Forestry</li> <li>) Banking and Finance</li> <li>) Micro, Small Medium Enterprise</li> <li>) National Tourism and Culture Development</li> <li>) Trade and Investment</li> <li>) Manufacturing</li> <li>) Land Development</li> <li>) Downstream Processing</li> </ul>	<p><b>ECONOMIC</b></p> <p><b>CONNECT INFRASTRUCTURE</b></p> <ul style="list-style-type: none"> <li>) Land Transport</li> <li>) Air Transport</li> <li>) Water Transport</li> <li>) National Telecommunication and Information Technology</li> <li>) National Electrification Roll-Out</li> <li>) Water, Sanitation and Hygiene</li> <li>) National Housing Infrastructure</li> <li>) - Urban Township &amp; District Growth Centres</li> </ul>	<p><b>QUALITY AND AFFORDABLE HEALTH CARE</b></p> <ul style="list-style-type: none"> <li>) Primary Health Care</li> <li>) Specialised Health Care</li> <li>) Health Infrastructure</li> <li>) Specialised Training and Accreditation</li> <li>) HIV/AIDS</li> </ul>	<p><b>QUALITY EDUCATION AND SKILLED HUMAN CAPITAL</b></p> <ul style="list-style-type: none"> <li>) Early Childhood Education</li> <li>) Quality Basic Primary Education</li> <li>) Tertiary Education</li> <li>) Technical, Vocational Education and Training</li> </ul>
<p><b>RULE OF LAW AND RESTORATIVE JUSTICE</b></p>	<p><b>NATIONAL SECURITY</b></p>	<p><b>NATIONAL REVENUE AND PUBLIC FINANCE MANAGEMENT</b></p>	<p><b>DIGITAL GOVERNMENT NATIONAL STATISTICS AND PUBLIC SERVICE GOVERNANCE</b></p>



RESEARCH SCIENCE AND TECHNOLOGY	CLIMATE CHANGE AND NATURAL ENVIRONMENT PROTECTION	POPULATION, YOUTH AND WOMEN EMPOWERMENT	STRATEGIC PARTNERSHIPS
<ul style="list-style-type: none"> <li>) Food Security</li> </ul>	<ul style="list-style-type: none"> <li>) Climate Change Mitigation and Adaptation</li> <li>) Environment Protection</li> <li>) Natural Disaster Management</li> </ul>	<ul style="list-style-type: none"> <li>) Sustainable Population</li> <li>) Youth Development and Labour Mobility</li> <li>) National Sports Development</li> <li>) Women Empowerment</li> <li>) Family and Social Protection</li> </ul>	

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

### Amendments to Income tax provisions

1. Commercial bank income tax rate proposed to be reduced as below

Period/ Profits	<K300 Mn	>K300 Mn
2024	45%	45%
2025	40%	44%
2026	35%	43%
2027	35%	42%
2028	35%	41%
2029	35%	40%
2030	35%	39%
2031	35%	38%
2032	35%	37%
2033	35%	36%
2034	35%	35%

2. The income tax exemption threshold for amount advanced to a first homeowner for purchasing property used for housing against amounts due in respect of recreation leave, furlough, superannuation or gratuity entitlement is increased from K400,000 to K700,000 (effective 1 January 2025)
3. 11 years plus 1 day income tax exemption allowed to NRL players and international staff (beginning 1 January 2025 and ending 1 January 2036), with a view for PNG to get a NRL team
4. Introduction of stringent penalty of K2 million for an ultimate parent entity who fails to file a cBcR report as required (effective 1 January 2025)
5. Exemption Of Income of Representatives of Clubs, etc. (effective 1 January 2025). This aims to attract professional international footballer to the new PNG rugby league team that will be taking part in the NRL.
6. Exemption of super distribution by an employee who has made contribution not less than 15 years. (effective 1 January 2025)
7. Minor corrections such as removal of reference to 22% income tax under Non-resident tax table. (effective 1 January 2025)

### Amendments to Stamp Duty provisions

1. The stamp duty exemption threshold for a first citizen homeowner for purchasing property is increased from K500,000 to K700,000 (effective 1 January 2025)



## Indirect Taxation measures

### Amendment to Excise Tariff

- J Government to freeze the 2.5% Excise Indexation rate for a period of 12 months on Alcohol and Tier-1 Tobacco products (effective 1 December 2024 to 30 November 2025).
- J The current methodology of applying 50% on the total sales to determine the Tier-2 quota to be changed and to be applied based on the combined actual sales of main Tier-1 and Tier-2 of the previous year (effective 1 December 2024).
- J Excise tax to be introduced and levied on e-cigarettes and the tobacco sticks design for use in e-cigarettes at the rate of K20 per millilitre and K400 per kilogram respectively. This amendment aims to enhance regulation on the consumption of the e-cigarette's products in PNG (effective 1 January 2025).
- J Insert the World Customs Organization (WCO) Harmonize System (HS) amendments to headings 8701-8704 in the Excise schedule. These include hybrid electric, plug-in hybrid, all electric motor vehicles, partial and fully electrical heavy-duty vehicles and hybrid vehicles that emits less pollutants and environmentally friendly than the fuel consuming vehicles. A 10% excise duty will apply on hybrid vehicles and zero rating for the fully electrical vehicles (effective 1 January 2025).

### Amendment to GST provisions

- J Powers given to Commissioner General to operate and implement a Goods and Services Tax Monitoring System (GMS) to enable automatic collection, reporting and documenting of transaction data such as invoices, receipt etc. Purpose is to ease compliance burden and provide faster collection. A Regulation is set to be introduced prescribing the technical guidance relating to the system (effective 1 January 2025)
- J As a relief measure to address inflation, a one-year zero-rating is introduced on certain basic goods and services, including baby diaper, soap, biscuit, cooking oil, flour, chicken, noodles, rice, sanitary pad and tampon, tea, coffee, tinned fish and tinned meat. This is dependent on the GMS to be rolled out (effective 1 July 2025 and until 30 June 2026)
- J Filing frequency to be increased for taxpayer having a turnover of K1.5million or lower from monthly to quarterly. To allow this current threshold of K625,000 is increased to K1,500,000. This aims to help ease both the compliance and administrative burden on taxpayer and the Internal Revenue Commission (effective 1 January 2025).
- J The maximum penalty for non-compliance with a Section 65A Notice to be increased from K5,000 to 50,000. This aims to enhance compliance to Section 65A Notice (effective 1 January 2025).
- J Beginning 1 January 2026, the current time limit to claim the GST refund will be reduced from current 8 years to 7 years, and will reduce successfully to 6, 5 and 4 beginning 1 January 2027, 2028, and 2029. Thereafter it will stay at 4 years.



## 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

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For more information on the budget please,

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