



## Foreword



Welcome to the February 2026 edition of KPMG PNG Kundu. This edition focuses on the key issues shaping the operating environment in Papua New Guinea, including rising cyber risks and the need for stronger operational resilience, significant tax and regulatory changes, and evolving compliance requirements. Organisations are also dealing with the implications of a “crawling peg” decline in foreign exchange rates along with the recently announced grey listing.

In this issue, we also examine broader geopolitical shifts affecting middle-power economies and their implications for businesses in our region. Together, these insights highlight the importance of preparedness, adaptability and informed decision-making as organisations navigate an increasingly complex year ahead.

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Enjoy the read this month and reach out to Karen at [kmcentee@kpmg.com.au](mailto:kmcentee@kpmg.com.au) if you have any enquiries or would like to see KPMG cover specific topics in future editions.

### Cyber risks in PNG (from outages to operational resilience)

by Happymabel Ketias-Zingunzi, Director, Advisory

Papua New Guinea’s rapid digitization is a huge success story that has transformed service delivery through mobile connectivity, cloud services, and automation. However, cyber risks such as ransomware, business email compromise, and operational technology disruptions now pose significant cyber challenges for organizations.

#### **Why PNG is uniquely exposed**

Many organizations operate with small tech teams across remote locations, rely heavily on third parties, and face unreliable internet connectivity. That combination makes it easier for a single weak point like a compromised account, a misconfigured cloud service or an unpatched server to ripple quickly into operations, cash flow, and reputation.

#### **What “good” looks like in practice**

Cyber risks should be treated as part of overall business risk. Here are ten “core” cyber hygiene elements that can be a go to best practice list for any organisation:

- Know all your assets because you cannot protect what you don’t know exists.
- Use strong access controls and multi-factor authentication (MFA) to prevent unauthorised access.
- Keep systems securely configured and hardened to reduce attack surfaces.
- Continuously patch and scan for vulnerabilities to eliminate weak points.
- Protect your data with encryption and proper data-handling practices.
- Maintain reliable, tested backups so you can recover quickly from incidents.
- Segment your network and apply layered security to limit breach impact.
- Train staff regularly to recognise and avoid cyber threats.
- Actively monitor your environment and respond quickly to suspicious activity.
- Manage third-party and supply-chain risks to prevent external vulnerabilities.

#### **Board governance and public sector readiness**

Boards should set clear expectations with risk appetite for downtime, trigger points for escalation, and decision rights for shutdowns, communications, and recovery spending. Reporting should focus on a small set of practical indicators including how quickly incidents are detected and contained, how fast critical services are restored, the coverage of MFA and patching, and the number of high-risk suppliers without current security assurances. Government entities face even stricter requirements because essential citizen services and systems must remain operational, making it crucial to plan communication and coordination among agencies before incidents happen.

What we are hearing in PNG boardrooms is consistent “Cyber isn’t an IT

problem anymore it's an operational resilience issue". The organizations getting ahead are the ones that strengthen the basics, practice their scenarios, and make cyber part of daily decision-making.

## IRC updates

by Karen McEntee, Partner, Business & Tax Advisory

### **New Income Tax Act**

Although almost in March, there remains a lack of clarity and some confusion in respect of the new Income Tax Act 2025 which was effective since 1 January 2026. The Income Tax Regulations which are referenced in the Act and which support the legislation have not yet been issued. IRC's draft guidance note issued in January on motor vehicles has not yet been finalised. IRC have published a guidance note on the transitional rules for salary packaging, however, some of its content, such as references to the need for policies to be IRC approved, appear to contradict the latest draft (being the 11th draft) of the Income Tax Regulations.

New monthly compliance tax return forms were expected to be issued for Non-Resident Tax on technical fees and on royalties – however, instead, IRC issued an updated form for Management Fee Withholding tax showing a 15% tax instead of the previous 17% tax. Given MFWT no longer exists for 2026, this will likely add to the confusion. It is also not clear whether IRC's SIGTAS system will be amended to reflect these new taxes – although IRC have advised the new ITAS system, mentioned below, will support the new taxes.

We have been advised that IRC are working on a range of guidance notes for various technical queries submitted, however, given the legislation is already in force the sooner these are released the better.

Despite this confusion, what is clear, is that taxpayers should be making genuine efforts to comply with the new legislation – this includes calculating the new motor vehicle benefit taxes and using logbooks to support business travel.

### **ITAS system**

IRC recently held an awareness session regarding the new ITAS system, set to replace the current SIGTAS system. The new system will introduce a 24/7 online taxpayer portal, enabling remote submissions, real-time status tracking, and faster processing with fewer queues. Routine and compliant returns are automatically processed, allowing IRC staff to focus on complex cases. The system supports core taxes including Salary & Wages Tax (SWT), Company Income Tax (CIT), and Goods and Services Tax (GST), while providing real-time business intelligence, stronger audit trails, and rapid adaptability to legislative changes.

IRC advised that a phased approach will apply, starting with GST for the Large Taxpayer Office and then moving through other taxes and all taxpayers. The target is to have all transactions digitised by 2028 with an initial go live date for taxpayers of January 2027.

The initial concern is whether the system will be properly

functional for tax agents.

### **GST Monitoring System**

Complementing ITAS is the Goods and Services Tax Monitoring System (GMS), PNG's national digital solution for real-time GST monitoring. GMS is designed to close the tax gap by ensuring sales transactions are recorded accurately, GST is calculated correctly, and data is transmitted securely to the IRC in real time.

At the core of GMS is the use of accredited Electronic Fiscal Devices (EFDs) - including POS systems, Sales Data Controllers, and secure digital elements - which validate and transmit transaction data within seconds. This prevents sales suppression, phantom ware, and unreported cash transactions, while creating a level playing field for businesses.

GMS becomes mandatory from 1 June 2026, applying to all GST-registered businesses operating in PNG. It is understood a phased approach may be applied based on sector. Taxpayers must have an accredited EFD – this may require an upgrade to the existing POS system, or to purchase a new accredited POS/EFD from the approved vendor list or alternatively to use IRC's free POS.

### **Additional Profits Tax audits**

The IRC issued a public notice advising mining companies of upcoming Additional Profits Tax (APT) audits covering the 2022–2025 income years, reinforcing the Commission's intent to strengthen compliance in the resources sector.

## **2026 – the year of the middle power country?**

by Jon Berry, Geopolitics Lead South ASPAC

As 2026 gets rolling, it seems clear that no single country is both willing and able to take responsibility for global peace and prosperity – geopolitical risk experts Eurasia Group calls this the G-Zero world. This erosion of the 'rules-based order' is troubling for middle powers, which include many Pacific and Southeast Asian countries. These countries have done very well throughout the Pax Americana, and face some tough choices as that era fades.

This article examines this moment through a few lenses. First, the US pull-back from leadership of the international institutions that have set and enforced the rules since World War II. Second, the citizen-level push in many mid-sized countries towards populist politics and national self-sufficiency. Finally, we explore how middle powers can align with each other to help manage the G-Zero risks.

For companies in these countries, this adds up to new challenges but also opportunities. In Canadian PM Mark Carney's viral Davos speech, he highlighted the importance of greater alignment, trade and partnership between many of the countries of the Americas, Europe, Southeast Asia and Oceania. Doubling down on collaboration with like-minded nations still appears to be the way forward, even as the 'rules-based order' looks shakier.

## ***US withdrawal from global institutions***

The United States has long acted as the main supporter of the global institutions built after World War II. But its recent decisions show a shift in how willing it is to lead these bodies.

In January, the U.S. formally left the World Health Organization and said it would focus on regional health efforts. This follows a broader step-back from 66 other international organisations and UN linked bodies. At the same time, Washington has become far more forceful in pushing NATO members to lift their defence spending, framing security commitments in more transactional terms.

These steps signal a wider change. The U.S. is still open to working with other countries, but cooperation is now more selective.

For Asia Pacific countries, this matters. Many rely on China for economic growth and the U.S. for stability. As the U.S. pulls back from global institutions, the systems that once provided predictable rules are becoming less dependable. For businesses, this may mean more regulatory differences, weaker trade dispute processes, and greater exposure to political risk. Companies operating across our region may need to place more weight on bilateral ties, local risk intelligence, and flexible planning.

## ***Populism and self-sufficiency***

In the G-Zero environment, the rules-based economic order is eroding, and this is prompting mid-sized countries to seek great self-sufficiency in strategic goods. This shift is visible in France's call for a 'Buy European Act' to reduce reliance on US-made defence products, and in South Korea and Turkey's late 2025 agreement to deepen cooperation in AI, renewable energy and nuclear engineering.

At the same time, a less stable global order is fuelling domestic support for anti elite politics in many middle powers. 2025 elections saw sharp gains for far right parties in Germany, Czechia, Romania, Portugal and Poland. Australia is seeing similar sentiment, with Pauline Hanson's One Nation polling at 22% of the primary vote in recent surveys.

These shifts toward self sufficiency and populism pose risks and opportunities for the region. Defence build ups in Japan and South Korea raise regional security tensions, but they could also deepen defence partnerships and boost demand for defence exports. In energy, rising localisation efforts are likely to increase demand for rare earth minerals and metals such as nickel and copper. While this may bring geopolitical pressure, Australia and PNG's strong supply and processing capacity position both countries well to partner with other middle powers on clean energy.

## ***Middle powers join forces***

As traditional global leadership erodes, middle-power countries have a growing chance to work together to protect shared interests and manage uncertainty. Instead of waiting for direction from major powers, these countries can create positive outcomes by forming practical partnerships that support economic stability, security, and clear, predictable rules.

In a recent speech at the WEF in Davos, Mark Carney highlighted this. He pointed to the Coalition of the Willing and the CPTPP as examples of initiatives where like-minded mid-sized nations work together to grow their economies, improve supply chains, and manage conflict risks. APEC – which counts both Australia and PNG as members, is another key cooperation mechanism.

Similarly, the new trade and security deals between India and Europe show how middle-power countries are building stronger economic ties, and fostering defence collaboration. Australia's ongoing efforts to strengthen relationships with its neighbours, such as the Mutual Defence Treaty with PNG and the security deal with Indonesia, are another example.

For businesses, these changes offer opportunities to help organisations navigate this shifting global environment. By supporting cross-border partnerships and strengthening cooperation across sectors, businesses can help unlock the potential of these new alliances.

## ***Our social media presence***

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage [www.kpmg.com.pg](http://www.kpmg.com.pg) and Facebook <https://www.facebook.com/pngkpmg/>

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