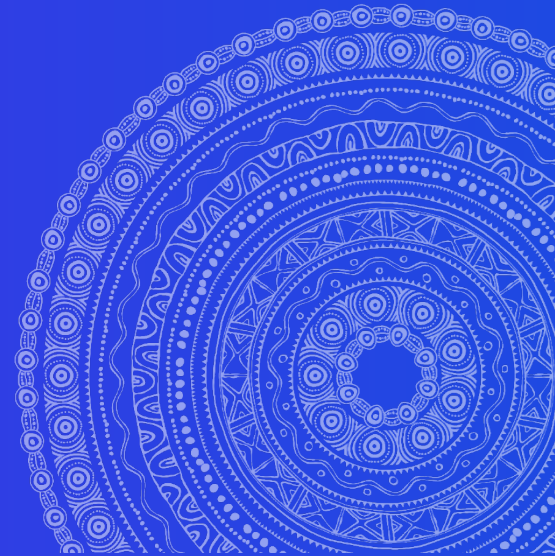


KPMG Kundu

December 2024



Foreword



2024 has been an interesting year for PNG, it started with some trepidation following the 10 January civil unrest and ended with some cautious optimism from the PNG Investment week in Sydney.

In our final Kundu newsletter of the year, we take a look at some of the key announcements from the Sydney conference.

As PNG plans to emulate Fiji's GST Monitoring System we discuss its application in Fiji and what it might mean for PNG.

Finally we provide yet another update on the Income Tax Act Rewrite - after 5 years of consultation it may at last be passed in 2025.

From the team at KPMG we wish you all the best for the New Year and we look forward to working with you in 2025.

Ces Iewago
Managing Partner

Enjoy the read this month and reach out with any enquiries at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

Highlights from the PNG Investment Week by Wayne Osterberg, Partner, Advisory Services

The recent PNG Investment Week in Sydney ended what was otherwise a difficult year for PNG on a high note. Often criticised as merely an annual Christmas shopping opportunity this year has seen some substantial and positive developments. Whilst Santa is not yet down the chimney with the investment presents to put under the tree, the signs are promising.

Our top five highlights of the week were:

1. The conclusion of the Pasca A Project agreement between Twinza and MRDC. The project had stalled for some time and has progressed towards a signed agreement this week. This is very positive and provides the sector with some optimism at a time when the Papua LNG project is still some way off with the Final Investment Decision (FID) having been delayed by cost blowouts for EPC contract works. Whether extending the bidding to a wider set of contractors will bring the pricing down remains to be seen but TotalEnergies EP PNG is confident of delivering FID in 2025.
2. Rocket and satellite company SpaceX participated in the conference, showcasing its Starlink satellite subsidiary, which could be rolled out in Bougainville. There is strong optimism that the enhanced connectivity that the Starlink network offers can drive digital initiatives in health, learning, and communications. This has the potential to overcome the connectivity obstacles in the more remote parts of PNG generally.
3. The announcement of the partial privatisation of PNG Power by PM Marape. There is much water to go under that bridge before any deal can be done – least of all the approval of cabinet – but the initiative is significant based on the recognition that the private sector can assist government in delivering essential services more effectively.
4. The Government aims to implement a new production sharing framework for the oil and gas sector in 2025, which would clearly set out a standardised production sharing agreement with cost recovery for contractors and equitable profit sharing with the state. This is targeted for completion by the 50th anniversary of PNG's independence and will be subject to consultation with stakeholders during 2025.
5. Last but not least is a development that may not resonate with investors necessarily, but will be welcomed in PNG, by some, but not all. It is the announcement that PNG will join the NRL with a national team. The decision has received a fair amount of press in Australia but undoubtedly strengthens the ties between the two nations. It could also be the first time in a while that the ordinary Papua New Guinean will see some direct benefit from an investment conference.

There were a slew of other announcements during the week, including a new commercial banking licence for the National Banking Corporation, progress on

Wafi Golpu and Freda River mining project; and progress on the P'nyang project. Overall, the mood is cautiously optimistic for 2025 going into the Christmas break in the land of the unexpected.

GST Monitoring System **by Karen McEntee, Partner, Business & Tax Advisory**

As previously flagged by the Commissioner General, IRC intend to introduce a GST Tax Monitoring System to help combat alleged tax evasion in the retail sector. The system will allow for the automated documentation, collection and reporting of transactional data such as invoices, receipts and other data at the point of sale.

The recent Budget saw an amendment being made to the GST Act to allow the Commissioner General to implement such a system and also, to issue a notice requiring a company to operate an electronic monitoring system. The Commissioner expects the system to be procured and installed during the first half of 2025. Regulations will be introduced in due course to prescribe the matters and processes required to effect the new system. While IRC may compel a “company” to operate the system, other taxpayers such as sole traders or partnerships were not mentioned giving rise to a potential gap in the effectiveness of the legislation.

The system is intended to be modelled off the Fiji VAT Monitoring System so with that in mind, we thought we would take a look at how the system is applied in Fiji. The monitoring system in Fiji was implemented in 2017. The electronic fiscal device system comprises of a Point-of-Sale system (POS) and Sales Data Controller (SDC) that are connected and produce fiscal invoices. It includes a secure element that transmits the fiscal data directly to the Fiji tax authority system. Fiji Revenue & Customs Service auditors can access the fiscal data on the system to view sales transactions and related taxes. On the positive side, VAT returns processing should be more efficiently processed as the fiscal invoices being claimed are available online.

When a sale is made, the POS sends the transaction data to the SDC. The SDC includes a secure element that formats the data into a fiscal invoice, attaches a digital signature and transmits this back to the POS. At this point, the receipt can be printed. Whilst this process is ongoing, the SDC is also sending fiscal data to the Fiji tax authority system. Taxpayers and customers can log onto the system to verify the receipt information that is being captured. The entire process is very quick and should not affect printing of receipts for customers.

In Fiji, the system can be implemented on a computer, a tablet, an android device or even using the Fiji tax authority app. All POS vendors/suppliers go through a rigorous accreditation process with the Fiji Revenue & Customs Service before they are approved to market or operate their solution.

The cost for engaging a POS vendor falls on the taxpayer. While Fiji offers a free solution to small businesses, it does not contain all of the features offered by a POS vendor.

In Fiji, the system has been rolled out to an extensive range of taxpayers – we will need to wait and see whether the PNG system will be limited to retailers or may also capture other sectors.

The introduction of a GST monitoring system in PNG may be the gamechanger IRC hope it will be. Treasury have an ambitious timeline of mid 2025 for implementation – whether or not this timeline is achievable it is clear that IRC and Treasury have strong ambitions for its introduction in the near future.

Update on new Income Act Rewrite

In the end the much anticipated legislation for the new Income Tax Act Rewrite was not presented to Parliament in November and has instead been deferred until the first parliamentary session of 2025. This is expected to take place in March 2025.

The consultations that took place in early November were based on the 15th draft of the legislation. The 17th draft of the Rewritten Income Tax Act is now with the First Legislative Council (FLC). It is the role of FLC to draft the legislation, then issue a certificate of compliance, which will permit the 17th draft of the Rewritten Income Tax Act, to be passed and approved in Parliament in 2025.

We understand there have been some changes between the 15th and 17th draft, however we have not yet been briefed on the nature of these changes. It is still expected that the legislation will come into force in early 2026 but potentially with a shorter cooling off period than the one year previously proposed.

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 and Facebook <https://www.facebook.com/pngkpmg/>

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