

KPMG Kundu

August 2025

Foreword



Welcome to the August 2025 edition of KPMG PNG Kundu.

This month's issue explores how artificial intelligence (AI) can be a transformative force for Papua New Guinea bringing practical solutions to everyday challenges in business, education, agriculture, and healthcare. The message is simple but powerful: dream big, start smart.

We also examine the evolving governance landscape, where directors are called to lead with resilience and foresight. From ESG and cybersecurity to ethical AI and stakeholder engagement, the priorities are shifting and boards must keep pace.

Finally, we share important updates from the IRC, including new tax legislation, compliance alerts, and digital transformation initiatives that will reshape how businesses operate in PNG.

Pieter Steyn
Managing Partner

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

Dreaming big, starting smart: How AI can transform PNG by Francine Hoo, Director, in collaboration with AI

Recently at the Business Advantage PNG Conference, I spoke about one of the most exciting opportunities for PNG right now: artificial intelligence (AI). AI can sound like a distant, complicated technology but the truth is, it is already here, and it can help us in simple, practical ways. The challenge is to think big about what is possible, while starting small with what we can do today.

Why AI Matters for PNG

AI is a tool we can use to solve problems and make the most of what we have.

Imagine if:

- A small or large business used a free AI chatbot to answer customer questions on your website, saving the owner hours each week and providing a more responsive customer service experience.
- A farmer used a phone app that scans photos of crops to spot pests early, reducing losses.
- A health worker used a translation tool to give clear instructions in multiple languages, ensuring patients understand their treatment.
- A schoolteacher used AI to create lesson plans in minutes, freeing more time to spend with students.
- Doing this safely, protecting while enabling your data and getting the best out of automation. These are not far-off dreams.

Think Big. Start Small

Do not limit your vision. Think big and turn it into achievable actions. Begin with focused, practical steps—each one building momentum toward a larger goal and big change.

The Path Forward

KPMG can help guide businesses on the AI path through:

1. Awareness – Run workshops and community sessions to show what AI can do in everyday life.
2. Quick Wins – Focus on easy examples like chatbots, translation apps, and simple data tools.
3. Set your foundations – Build your foundations to enable scale.

The world is moving fast. AI will shape every country, every industry, every community. PNG has a choice: it can hold back or step forward. In fact, there is only one viable choice.

Modern governance: Essential priorities for today's directors

The landscape of corporate governance is evolving rapidly, demanding that directors and boards adapt to new expectations, risks, and opportunities. Effective governance now requires a holistic approach that integrates legal compliance, ethical leadership, stakeholder engagement, and strategic foresight. For directors and boards in Papua New Guinea, adopting governance principles is especially important as the country's business environment becomes increasingly connected to global standards and stakeholder expectations.

The expanding role of directors

Directors are entrusted with significant responsibilities that extend well beyond statutory compliance. They must act with care, diligence, and good faith, avoid conflicts of interest, and ensure robust oversight of both financial and non-financial risks. The business judgement rule offers some protection, but only when decisions are made rationally, in good faith, and with appropriate information. Directors are also expected to be vigilant in areas such as related party transactions, solvency, and continuous disclosure, and to seek independent advice when necessary.

Board Structure and Effectiveness

A well-structured board is the foundation of effective governance. Diversity—in skills, experience, gender, and background—helps boards avoid groupthink and make better decisions. Independence is equally important, ensuring that directors can challenge management and provide objective oversight. The chair plays a pivotal role in setting the tone, facilitating open debate, and keeping the board focused on strategic rather than operational matters. Committees such as audit, risk, remuneration, and sustainability are essential for managing complex oversight responsibilities. Each committee should have a clear charter, defined authority, and regular evaluation to ensure it remains effective and relevant.

Stakeholder Engagement and Accountability

Boards are expected to engage meaningfully with a wide range of stakeholders, including shareholders, employees, customers, regulators, and the broader community. This engagement should be supported by robust frameworks for stakeholder mapping, engagement strategies, and transparent reporting. Directors are encouraged to consider both financial and non-financial performance indicators, integrating environmental, social, and governance (ESG) factors into decision-making.

Accountability is reinforced through statutory reporting, continuous disclosure obligations, and mechanisms such as the “two-strikes” rule on remuneration reports. Boards must ensure that communication with shareholders is open, timely, and addresses both achievements and challenges.

Risk Management and Assurance

Risk oversight is a core board responsibility. An enterprise-

wide approach to risk management is essential, with boards defining risk appetite, ensuring robust internal controls, and regularly reviewing risk frameworks. Assurance is provided through internal and external audits, with audit committees playing a central role in monitoring compliance, financial integrity, and the effectiveness of risk controls.

Emerging Priorities: ESG, Cybersecurity, and AI

Several emerging priorities are reshaping the governance agenda:

- **ESG and Sustainability:** Boards must oversee climate-related disclosures, scenario analysis, and the integration of ESG risks into strategy. This includes ensuring data accuracy, upskilling teams, and preparing for assurance requirements.
- **Cybersecurity and Data Privacy:** Cyber risk is now a strategic concern, requiring board-level attention, clear accountability, and regular scenario testing. Data privacy reforms demand robust data governance and breach response plans.
- **Automation and AI:** Directors must understand the ethical, legal, and operational implications of automation and AI, including oversight of algorithmic decision-making, transparency, and the impact on workforce and customer trust.

Culture, Conduct, and Safeguarding

Culture is a critical driver of organisational performance and risk. Boards are responsible for setting values, codes of conduct, and ensuring whistleblower protections. Safeguarding vulnerable people, human rights, and modern slavery are also key considerations, requiring boards to embed these principles into governance frameworks and supply chain oversight.

Conclusion

Modern governance is about more than compliance—it is about leadership, resilience, and sustainable value creation. Directors who embrace these priorities are better positioned to navigate complexity, foster trust, and deliver long-term success in a world of rising expectations and regulatory scrutiny. See the link for more detail's [director toolkit](#)

IRC updates including its views on tax avoidance by Karen McEntee, Partner, Business & Tax Advisory

Included amongst the updates from IRC over the past month are some publications from IRC outlining their views that capital expansions in, and acquisitions of, PNG businesses are motivated by aggressive tax planning strategies to avoid income tax or stamp duty. This gives an interesting insight into IRC's standpoint and approach.

- **New Income Tax Act and Regulations:** During recent consultations on the draft Regulations, Treasury indicated that the Income Tax Bill 2025 passed in Parliament in March 2025 will be certified in its current form and brought into force effective 1 January 2026. The Regulations which will support the new Act are nearing completion. IRC intend to issue technical guidance to support the legislation however the timing on the release of this guidance is not currently clear.

It is critical that all businesses operating in PNG prepare for the upcoming changes which will impact the calculation of their corporate taxes, their employee's taxes and withholding tax on their suppliers. We are running private planning and implementation sessions – please contact us for more details.

- **IRC notice on stamp duty on mergers and acquisitions:** The IRC has issued a compliance alert warning of, in its view, a growing trend in PNG whereby businesses attempt to evade stamp duty by disguising acquisitions, buyouts or ownership transfers as arrangements or amalgamations under the Companies Act. In IRC's view, all changes in beneficial ownership—regardless of how they are structured—are subject to stamp duty. IRC will re-open multi-national buyouts, particularly in the mining, energy or resource sectors, for review and any transactions structured primarily to circumvent stamp duty will be assessed. The IRC states it will apply a substance-over-form analysis, hold advisors personally accountable, and enforce penalties, including criminal prosecution and public disclosure, for non-compliance.
- **IRC's watch on capital investments in the resource industry:** IRC issued a notice in August calling out two particular resource projects and alleging resource companies carry out aggressive tax planning by announcing project expansions timed to coincide with an end to tax holidays, thereby delaying tax payments through new capital expenditure claims. In response, the IRC says it is tightening oversight on tax incentives, including stricter valuation of infrastructure tax credit claims and expansion-related capital expenditures. Going forward all expansion-related capital expenditure claims will be subjected to rigorous benchmarking and expert valuation. IRC will deploy specialists in engineering, mining, petroleum economics, and valuation to determine whether declared expenditures reflect real market value. Any claims that fail to meet the standards of economic substance or fair arm's-length pricing will be challenged and denied.

- **IRC's digital transformation:** IRC published an update on its technology reforms, currently under implementation: the Integrated Tax Administration System (ITAS) and the Goods and Services Monitoring System (GMS). These platforms will replace outdated manual and paper-based processes with real-time, end-to-end automation. Taxpayers should soon be able to: register, file, and pay taxes online; access faster digital refund and dispute resolution services; track GST-compliant invoices in real time; receive automated compliance reminders; benefit from improved transparency and efficiency in service delivery. IRC indicated that implementation is now well underway and on track for implementation in 2026. As with any new system, in our view, timely consultation with stakeholders, including the tax agents who lodge the majority of tax returns in PNG, is critical.
- **GST zero rating:** IRC published updated guidance effective 8 August 2025. The updated guidance aims to enhance clarity and consistency by providing a clear and specific list of designated household goods. The previous list is now obsolete and superseded. IRC in collaboration with the ICCG and PNG Customs Services has been conducting an inspection campaign on retailers in the Highlands region to enforce compliance with the zero rating of 13 designated household goods. Inspection teams found that several retailers were charging GST on items officially listed as zero-rated. It is recommended that retailers check their systems to ensure the appropriate GST rates are applied.

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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