

Kundu & Lali

June 2026

A quarterly South Pacific focused newsletter



Foreword

Welcome to the June 2026 edition of Kundu & Lali, our South Pacific-focused newsletter bringing together key insights from Papua New Guinea, Fiji and the wider Pacific region.

This edition comes at a time of shifting economic conditions, where global uncertainty, rising cost pressures and evolving regulatory landscapes continue to shape how organisations operate and plan for the future. Across the region, governments and businesses are navigating a more disciplined fiscal environment while seeking to maintain growth, strengthen resilience and unlock long-term value.

A central theme throughout this issue is the transition from stability to sustainability. We explore how governments are balancing short-term support with longer-term fiscal consolidation, and how businesses are increasingly focused on productivity, investment and operational efficiency to remain competitive. The discussion also highlights the growing importance of sustainability and responsible business practices, not just as compliance requirements, but as practical drivers of value creation.

You will find insights into Fiji's 2026/27 National Budget, which reflects a measured and disciplined approach to public spending, alongside analysis of Papua New Guinea's improved economic outlook following recent global ratings updates. We also provide updates on regulatory reforms, including the new Associations Incorporation Act, and share perspectives on regional investment opportunities and tax developments.

Together, these insights are intended to help organisations better understand the evolving environment and make informed decisions as they navigate both opportunities and challenges across the Pacific.

We hope you find this edition informative, practical and relevant to your organisation's priorities.

Zanie Theron

South Pacific Practice Partner-in-Charge

Key highlights from Fiji's 2026/27 National Budget

The Honourable Minister for Finance, Commerce and Business Development, Esrom Immanuel, presented Fiji's 2026/27 National Budget on 26 June 2026 with the theme "A Responsible Budget for Sustainable Future."

The Budget reflects a more constrained fiscal environment, with a clear shift towards expenditure discipline, improved spending efficiency, and gradual fiscal consolidation, while continuing to support households and businesses. There are no changes to income tax and Value Added Tax rates.

Economic overview

Economic conditions have weakened amid global uncertainty and rising cost pressures.

- Growth revised to 1.5 percent in 2026, with recovery to 2.5 percent in 2027
- Inflation expected to remain elevated in the short term before moderating
- Budget deficit of \$1.045 billion (–7.0 percent of GDP) for 2026/27
- Debt projected to increase to 84.8 percent of GDP

Overall, the outlook remains dependent on private sector investment and improved productivity to support recovery.

Fiscal strategy

The Government's medium-term strategy focuses on restoring sustainability while maintaining support for key sectors.

- Stronger expenditure discipline and prioritisation of high-impact spending
- Shift towards capital investment to support long-term growth
- Increased focus on value for money and efficient delivery of public programmes
- Revenue strategy centred on compliance, administration improvements, and broadening the tax base rather than rate increases
- Debt strategy focused on lower-cost financing and improved maturity profile

Key tax and policy measures

The Budget introduces targeted measures to support businesses, encourage investment, and strengthen compliance. The measures are effective from 1 August unless otherwise indicated.

- Employer FNPF reduced from 10 percent to 8 percent for 12 months from 1 August 2026
- Introduction of 5 percent Tourism Services Tax, from 1 September 2026, on hotels and tour operators with annual turnover above \$2 million to directly support Fiji Airways as Fiji's national airline.

- Specific tax incentives to support investment and targeted sector development with minimum investment thresholds, including:
 - Tax holidays and import duty concessions for companies with at least 30 percent i-Taukei shareholding establishing eco-tourism, culture and arts business centres; for new cement mills and mahogany sawmills as well as for new animal centres, together with enhanced deductions for donations to animal support facilities
 - Tax incentives for licensed peer-to-peer lending and equity crowdfunding platforms, including concessions for qualifying investors
 - Accelerated depreciation for fuel and gas storage facilities and electric vehicle charging stations
 - Investment allowances for businesses establishing training centres, institutes or technical centres to upskill their workforce
- Enhanced deductions for selected employer contributions, workforce development measures, and priority sector expenditure
- Other tax administration measures include:
 - implementation of a new Beneficial Ownership framework to ensure that ultimate natural persons who own or control legal entities (such as companies, trusts and partnership) are properly identified and held accountable
 - new provides to allow annual automatic exchange of financial data accounts between tax jurisdictions for the purposes of Automatic Exchange of Information (AEOI)
 - amendment to tax accounts and records provisions to ensure records are maintained in a manner that enables the CEO to readily ascertain tax liability

Expenditure priorities and allocations

Government continues to prioritise essential services, infrastructure, and social support.

- \$820.8 million for infrastructure and public works
- \$708.3 million for education
- \$476.9 million for health
- \$183.9 million for social protection programmes

Additional measures include targeted subsidies, fuel duty concessions, and support for vulnerable households to mitigate cost-of-living pressures.

Outlook

The 2026/27 Budget signals a more disciplined fiscal approach, balancing short-term support with longer-term sustainability.

- Greater reliance on private sector-led growth
- Continued focus on fiscal consolidation over the medium term
- Ongoing exposure to external risks, particularly fuel prices and global growth conditions.

The Budget's impact will depend on how effectively the measures are implemented and how well external risks are managed.

PNG outlook upgraded to positive – what it means for PNG

by Rupert Maven, Consultant, Advisory

In June 2026, S&P Global Ratings revised Papua New Guinea's long-term outlook to positive from stable, while affirming the country's long-term sovereign rating at B- and short-term rating at B. In simple terms, PNG has not yet received a full rating upgrade. Instead, S&P is signalling that the country's position could improve further if current trends continue.

S&P's decision appears to reflect two broad factors. First, the agency sees better medium-term growth prospects, especially as major resource projects move closer to final investment decisions. If those projects proceed, they could support export earnings, investment and government revenue over time.

Second, there are signs that PNG's reform programme is having an effect. S&P pointed to efforts to reduce the fiscal deficit and address long-running foreign exchange challenges. The IMF's June 2026 review supports that assessment, noting continued fiscal repair, a narrowing of the kina's overvaluation, easing foreign exchange shortages, and stronger governance and autonomy at the Bank of Papua New Guinea.

At the same time, the rating itself was affirmed rather than raised, which shows that important weaknesses remain. PNG is still heavily exposed to swings in the resource sector, still faces institutional constraints, and remains vulnerable to external shocks. In short, the direction has improved, but the starting point is still challenging.

In the short term, the biggest impact is likely to be on confidence rather than immediate conditions. A positive outlook sends a constructive message to lenders, investors and project sponsors that PNG's economic management is improving and that the country may be moving toward a stronger position.

That said, businesses should not expect an immediate step-change. The IMF projects that PNG's growth will moderate to 3.8% in 2026 after 5.6% in 2025, while inflation is expected to rise modestly due to higher shipping and import costs. This means the operating environment will likely remain difficult in the near term, with cost pressures, supply chain risks and wider global uncertainty still affecting business activity.

In the long term, the outlook revision matters most if PNG can convert it into a full ratings upgrade later. That will depend on whether the country can maintain fiscal discipline, continue easing foreign exchange pressure, strengthen institutions and bring major projects into operation in a way that supports broader economic growth. If that happens, PNG could gradually improve its standing with global investors and lenders, which would be positive for both government and the private sector.

For context, public sovereign ratings trackers show that other countries currently sharing an S&P B- rating with PNG include Angola, Belize, Cameroon, Chad, the Democratic Republic of the Congo, Ecuador, Pakistan and Uganda. These countries are very different from PNG, but the comparison shows where PNG currently sits in the eyes of global credit markets: still in a

higher-risk category, even as its outlook improves.

S&P's outlook revision is a positive and practical signal. It suggests that PNG's reform efforts are being recognised internationally and that the country's medium-term prospects are improving. However, the message should remain balanced. PNG has earned a better outlook, not yet a better rating. For policymakers, the task now is to keep reform moving and turn this stronger signal into outcomes that businesses and households can see and feel in everyday economic life.

Associations Incorporation Act 2023

by Brett McDermott, Partner, Business & Tax Advisory

The Investment Promotion Authority (IPA) has introduced the new Associations Incorporation Act 2023, which replaces the previous Associations Incorporation Act 1966. The new Act will take effect from 1 July 2026. As a result, all associations in Papua New Guinea both newly formed and existing incorporated associations will be required to register or re-register under the new Act.

What this means for existing associations

Associations registered under the Associations Incorporation Act 1966 will be required to re-register in accordance with the new requirements outlined below.

What's changing (new requirements):

Two subtypes of association

Every association must now identify as a Public Benefit Association (serving the wider community, such as health, education organisations, sports club or religious bodies) or a Members Benefit Association (serving its own members, such as chambers of commerce or trade groups).

Duties and resident requirements for committee members

Each association must have at least three committee members, and at least one must be ordinarily resident in PNG. Committee members now have clearer duties, similar to company directors.

Financial accountability requirements

All associations must keep basic accounting records. Larger associations, those receiving government grants, and those receiving donations above set thresholds must prepare audited financial statements.

Annual returns

Associations must file an annual return with the Registrar each year, similar to companies. Failure to file results in removal from the register.

Beneficial ownership

Associations must record beneficial ownership information in their member register. A beneficial owner is the person who ultimately owns or controls a membership, even if the

membership is held in someone else's name. This meets international anti-money laundering standards.

Broader grounds for objection

Any person may object to a proposed incorporation. The grounds are wider than before and include a proposed committee member having a criminal conviction, or no committee member being ordinarily resident in PNG.

A new category for overseas associations

Overseas nonprofits operating in PNG were previously registered as overseas companies. They must now re-register under the new Act as overseas associations.

The changes outlined above will take effect from **1 July 2026**.

Business Advantage PNG Investment conference

The Business Advantage Papua New Guinea Investment Conference is set to take place in Brisbane on 10–11 August. KPMG is the Major Sponsor of the conference. Hosted by Business Advantage International for more than a decade, the event promotes investment opportunities in PNG to the international business community.

The program will feature both local business leaders and international experts. Dr Brendan Rynne, Chief Economist at KPMG Australia, will provide an economic update during the opening morning session.

Zanie Theron, Partner in Charge South Pacific Practice, KPMG will be a panelist for a special session on Day 2 on a Fiji/Pacific Island Investment Update. The Fiji economy is thriving on the back of a booming tourism industry. Meanwhile, commercial ties between PNG and Fiji have never been stronger. This session will provide a concise update on business conditions, major projects and key investment opportunities in Fiji, the Solomon Islands and the wider Pacific Island region.

Tax updates

Treasury is currently consulting with stakeholders on a suite of legislative changes including the Income Tax Regulations and updates to the Tax Administration Act.

IRC have added New Porgera Ltd to the list of S65A withholders. IRC has also issued warnings to S65A withholders who have not been complying with the requirement to deduct and remit GST to IRC.

IRC is preparing to prosecute non-tax compliant shops as part of its push to enforce compliance nationwide. As part of its rural education and enforcement programme it discovered that many businesses were not even tax registered.

In recent months IRC have been issuing notices to taxpayers whose CIT returns had not lodged with IRC. The notices indicated that IRC intended to raise deemed assessments for CIT based on GST returns lodged. We recommend taxpayers ensure that where they have lodged returns, these are on record with IRC, or if returns were not lodged, lodgement should be arranged as soon as possible.

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