KPMG Kundu

October 2026

Foreword



Welcome to the October 2026 edition of KPMG PNG Kundu.

This month, we explore how stronger credit guidance, guarantees and coordinated partnerships can expand access to finance for Papua New Guinea's micro, small and medium enterprises.

We also provide updates on the temporary GST exemption for fuel, and the steps incorporated associations should take to prepare for re-registration under the Associations Incorporation Act 2023.

The edition also highlights recent legislative developments, Treasury's ongoing consultation on proposed tax reforms, expectations for the 2027 National Budget and the latest IRC activities in taxpayer engagement, international cooperation and enforcement.

We conclude with information on how readers can connect with KPMG PNG through our digital and social media channels. We hope you find this edition informative and useful.

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.

Expanding MSME access to finance through credit guidance in PNG

by Gregory Makap, Consultant, Advisory Services

The MSME Finance Dialogue PNG 2026 brought together government, the Bank of Papua New Guinea, financial institutions, development partners, business representatives and regional practitioners. Organised by Credit Guarantee Corporation PNG (CGC PNG), with support from UNDP and UNCDF, participants examined barriers including high collateral requirements, limited credit histories, incomplete business records, information gaps and lenders' perceptions of elevated risk. Women-led enterprises, smallholder farmers, first-time borrowers and businesses outside established markets were among the groups identified as underserved.

The role of credit guarantees

Credit guarantees share part of a lender's potential loss, making otherwise viable borrowers more acceptable to financial institutions. They can use existing liquidity, networks and lending systems, and may support priorities such as agriculture, women-led enterprises, underserved regions, green investment and the blue economy. However, success should not be measured only by the number or value of guarantees. The more important test is whether guarantees enable lending that would not otherwise occur, improve borrowing terms or reduce collateral requirements.

More than a guarantee

A central message from the dialogue was that guarantees must form part of a broader MSME finance ecosystem. They cannot by themselves overcome weak records, limited business planning, low formalisation, poor governance or gaps in borrowers' ability to manage debt. Guarantee-backed finance should therefore be combined with practical support in financial literacy, record keeping, cash-flow management, compliance and business planning.

Turning partnerships into lending

Lender readiness is equally important. Participating institutions need clear internal ownership, trained staff, workable eligibility and documentation requirements, and viable MSME loan pipelines. Frontline, credit and risk teams must understand guarantee coverage, fees, collateral treatment, reporting, claim triggers and payout arrangements. The workshop explored loan origination, underwriting, approvals, portfolio monitoring, default management and claims, with emphasis on aligning CGC PNG requirements with lenders' credit policies while maintaining sound incentives to assess and monitor borrowers.

Building credibility and measuring impact

Reliable claims processes, transparent governance, effective controls, adequate

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operational capacity and quality portfolio data are essential to lender confidence. Digital systems could streamline applications, guarantee processing, risk monitoring and reporting, provided they support a clear operating model. Better data is also needed to demonstrate impact, including additional MSMEs financed, improved borrowing conditions, jobs created or sustained, repayment performance and participation by priority sectors or underserved groups.

A coordinated way forward

The dialogue highlighted five priorities: build borrower readiness; enable participating lenders; design fit-for-purpose products; strengthen operational credibility; and measure additional impact. Progress will require coordinated action by CGC PNG, regulators, lenders, MSME bodies, government agencies and development partners. The opportunity is broader than expanding a guarantee portfolio. It is to build a trusted market in which viable businesses can access appropriate finance, lenders can manage risk confidently and institutions can demonstrate sustainable development outcomes.

Temporary GST exemption on fuel

In October, the Internal Revenue Commission (IRC) issued guidance on the temporary GST exemption applying to supplies of petrol, diesel, zoom and kerosene from 8 September to 31 December 2026. The exemption does not apply to fuel imported or supplied for the sole use in carrying on the operations of a resource company. Of note, suppliers making GST exempt supplies of fuel are not entitled to claim an GST input credit in respect of inputs directly attributable to the fuel supply. The guidance also has implications for GST compliance: businesses making a combination of taxable, exempt and zero-rated supplies need to appropriately apportion input GST, as input tax directly attributable to exempt fuel supplies is not available as a GST credit. Input tax that is indirectly attributable, such as general overheads, must be apportioned between taxable, zero rated and exempt supplies. Businesses affected by the temporary measure should therefore ensure that their accounting records appropriately distinguish between exempt, taxable and zero-rated fuel transactions during the exemption period.

Associations Incorporation Act 2023 – time to prepare for re-registration

In our June 2026 Kundu, we outlined the key changes introduced by the Associations Incorporation Act 2023 and the new regulatory framework for associations in Papua New Guinea. The Investment Promotion Authority has since emphasised the practical actions now required under the new regime. Existing incorporated associations are required to re-register by 30 June 2027, including identifying whether they are a Public Benefit Association or Members Benefit Association. Associations should also ensure they are meeting the new governance and compliance requirements, including maintaining appropriate accounting records and beneficial ownership information, meeting committee composition requirements, and preparing for annual return and, where applicable, audited financial statement obligations. Larger associations and certain associations receiving government grants or donations above applicable thresholds must prepare audited financial statements.

The IPA advises that re-registration is free and replaces the annual return for the first year. Associations should therefore use the transition period to review their governance and records and prepare for re-registration ahead of the June 2027 deadline.

Legislative changes

October saw a number of significant legislative developments in Papua New Guinea. Parliament passed the Capital Markets Commission Bill 2026, replacing the Securities Commission Act 2015 and establishing the Capital Markets Commission of Papua New Guinea as the primary regulator of the country's capital markets. Parliament unanimously passed four amendment bills supporting the Papua LNG Project: the Income Tax (Amendment) Bill 2026, Resource Contracts Fiscal Stabilization (Amendment) Bill 2026, Oil and Gas (Amendment) Bill 2026 and Stamp Duties (Amendment) Bill 2026. Together, these measures provide the fiscal and regulatory framework intended to progress Papua LNG towards a Final Investment Decision.

Treasury consultation update

PNG's tax reform programme continues to evolve as Treasury works through stakeholder feedback on the proposed legislation. Updated Income Tax Regulations have been circulated during the past week for consultation, with some positive changes emerging. The final position on a number of important issues is therefore still developing, and taxpayers should keep a close watch on further announcements as the new legislative framework is finalised.

National Budget 2027

The National Budget 2027 is currently expected to be held during the last week of November, although based on prior experience this date may be postponed. The 2027 National Budget will be a significant milestone for Papua New Guinea, with the Government's fiscal strategy targeting a return to budget surplus in 2027 following a projected deficit of K1.6 billion (1.1% of GDP) in 2026. Against the backdrop of continuing tax reform and implementation of the Government's Medium-Term Development Plan IV 2023–2027, taxpayers will be watching closely for measures affecting revenue collection, investment, business and the broader economy. The Budget will also provide an important indication of whether the Government remains on track with its fiscal repair objectives and how it intends to balance revenue growth, expenditure priorities and sustainable economic development.

IRC activity

- Taxpayer consultation: The IRC commenced its Southern Region Taxpayer Consultation Roadshow 2026 at APEC Haus in Port Moresby on 28 October, engaging large taxpayers and stakeholders on major tax reforms.
- International tax cooperation: The IRC participated in the Tax Inspectors Without Borders Stakeholders Workshop in Paris in early October, sharing PNG's experience in areas including transfer pricing, tax avoidance, tax crime investigations and international cooperation.
- Intelligence and enforcement cooperation: The IRC and the National Intelligence Organisation signed an MoU in early October to strengthen cooperation and intelligence sharing in areas including tax evasion, illicit financial flows, money laundering, corruption, smuggling and beneficial ownership structures

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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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