Department of National Planning & Monitoring
Papua New Guinea

Independent State of Papua New Guinea

2026 National Budget

2026 APPROPRIATION BILLS AND TAXATION AMENDMENT BILLS

"Security with Growth"

For the Year ending 2026

PAPUA NEW GUINEA
1975 - 2025
CELEBRATE OUR HISTORY
INSPIRE OUR FUTURE

On the occasion of the Presentation of the 2026 National Budget

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2026 National Budget

2026 TAXATION AMENDMENT BILLS

INCOME TAX (2026 BUDGET) (AMENDMENT No.1) BILL, 2025 FOR INCOME TAX ACT 1959

On the Occasion of the Presentation of the 2026 National Budget

SECOND READING SPEECH

INCOME TAX (2026 BUDGET) (AMENDMENT) BILL 2025

MR SPEAKER,

THIS BILL PROPOSES AMENDMENT TO THE *INCOME TAX ACT 1959* TO:

1. INCLUDE A NEW DEFINITION FOR "CERTIFICATION OF COMPLETION".
2. EMPOWER THE NATIONAL EXECUTIVE COUNCIL TO APPROVE THE INFRASTRUCTURE TAX CREDIT (ITC) SCHEME PROJECTS.
3. EXTEND THE DEFINITION OF HIGHLANDS HIGHWAY TO INCLUDE FROM TOGOBA JUNCTION TO PORGERA.
4. OBLIGE ELIGIBLE TAXPAYERS TO SPEND 0.5 PERCENT OF THE ASSESSABLE FROM THE 3 PERCENT ITC PRESCRIBED RATE ON AUTONOMOUS REGION OF BOUGAINVILLE ON PROJECTS SPECIFIED THROUGH A REGULATION APPROVED BY THE TREASURER.
5. ESTABLISH AN INFRASTRUCTURE TAX CREDIT BOARD WITH DEPARTMENT OF TREASURY AS THE CHAIRMAN.
6. CLARIFIES WHEN INFRASTRUCTURE TAX CREDITS CAN BE CLAIMED.
7. INSTITUTES A TRANSITIONAL ARRANGEMENT IN THE TREATMENT OF EXISTING TAX CREDITS.
8. TERMINATES THE INFRASTRUCTURE TAX CREDIT SCHEME PROGRAM BY 31ST DECEMBER 2032 UNLESS EXTENDED BY PARLIAMENT.

MR SPEAKER, I COMMEND THE BILL.

EXPLANATORY MEMORANDUM

Income Tax (2026 Budget) (Amendment) Bill 2025

This Bill proposes amendment to the following:

9. Include new definition for "Certification of Completion".
10. Empower the National Executive Council to approve the Infrastructure Tax Credit (ITC) Scheme projects.
11. Extend the definition of Highlands Highway to include from Togoba Junction to Porgera.
12. Oblige eligible taxpayers to spend 0.5 per cent of the assessable from the 3.0 per cent ITC prescribed rate on the Autonomous Region of Bougainville on projects specified through a Regulation approved by the Treasurer.
13. Establish an Infrastructure Tax Credit Board with the Department of Treasury as the Chairman.
14. Clarifies when infrastructure tax credits can be claimed.
15. Institutes a transitional arrangement in the treatment of existing tax credits.
16. Terminates the Infrastructure tax credit scheme program by 31st December 2032 unless extended by Parliament.

CERTIFICATE.

I, certify that I have drafted the ***Income Tax (2026 Budget) (Amendment No.1) Bill* 2025** (Draft of 24/11/2025) in accordance with the National Executive Council Decision No: 291/2025 dated 16th November, 2025, and the Drafting Instructions.

MARLEEN TOLIMAN AKOP
FIRST LEGISLATIVE COUNSEL.

24th November, 2025.

Draft of 24/11/2025

Papua New Guinea

Income Tax (2026 Budget) (Amendment No.1) Bill 2025.

ARRANGEMENT OF CLAUSES.

A Bill

for

AN ACT

entitled,

Income Tax (2026 Budget) (Amendment No.1) Bill **2025,**

Being an Act to amend the ***Income Tax Act* 1959**, and for related purposes,

MADE by the National Parliament.

1. TAX CREDIT ALLOWABLE (AMENDMENT OF SECTION 161A).

Section 161A of the Principal Act is amended by adding immediately after Subsection (2) the following new subsection:

"(3) The National Petroleum Authority Levy payable in respect of any petroleum or designated gas project with fiscal stability agreement is deemed to be income tax paid for the year in which levy is paid.".

2. REPEAL AND REPLACEMENT OF SECTION 219C.

Section 219C of the Principal Act is repealed and replaced with the following new sections:

"219C. CREDITS IN RESPECT OF INFRASTRUCTURE DEVELOPMENTS.

(1) In this section -

"certificate of completion" means a certificate issued by the Infrastructure Development Board -

(*a*) confirming that a prescribed infrastructure development project, or a part of the prescribed infrastructure development project, has been completed and is eligible for the income tax credit; and

(*b*) which specifies the amount of prescribed infrastructure development expenditure that is eligible to be claimed as an income tax credit under this section;

"prescribed infrastructure development" means an infrastructure project approved for funding through the tax credit scheme and for which the taxpayer has entered into an agreement with a Government agency including not limited to the following projects which are deemed for the purposes of this Act to have received the relevant approval for the purposes of this section:

(*a*) Highlands highway (the road from Lae to Koroba (Fugwa turn off) and Togoba Junction to Pogera); and

(*b*) an approved LNG Project Company which has been approved by the State to be an Approved LG Project Company or the purposes of this section; and (*c*) any existing approved infrastructure development entered into and agreed under a mining or petroleum development agreement;

"eligible taxpayer" means -

(*a*) a taxpayer engaged in mining, petroleum or gas project, who have been granted or issued a resource right license; and

(*b*) a taxpayer engaged in primary production, or tourism; and

(*c*) a taxpayer who is a P'nyang LNG Project Participant, except were specified otherwise.

(2) Subject to Subsection (8), and excluding a LNG Project Company, where an eligible taxpayer has, during a tax year, incurred prescribed infrastructure development expenditure, the amount of the expenditure incurred and certified is treated as income tax paid by the eligible taxpayer for the tax year in an amount equal to the lesser than -

(*a*) 3% of the assessable income derived by the eligible taxpayer for the tax year; or

(*b*) of the eligible taxpayer's assessed tax liability for the tax year before the allowance of any tax credit.

(2A) Where a LNG Project Company has, during a tax year, incurred prescribed infrastructure development expenditure, the amount of the expenditure incurred and certified is treated as income tax paid by the eligible taxpayer for the tax year in an amount equal to the lesser than -

(*a*) 3% of the assessable income derived by the eligible taxpayer for the tax year; or

(*b*) of the eligible taxpayer's assessed tax liability for the tax year before the allowance of any tax credit.

(3) The amount of prescribed infrastructure development expenditure treated under Subsection (2) as income tax paid by an eligible taxpayer excluding a LNG Project Company for a tax year is credited against the eligible taxpayer's income tax liability for the later of -

(*a*) the tax year in which the prescribed infrastructure development expenditure is approved and incurred; or

(*b*) the tax year in which the infrastructure development for which the prescribed infrastructure development expenditure under Subsection (1) was approved and incurred is certified as completed by the Infrastructure Development Board.

(3A) The amount of prescribed infrastructure development expenditure treated under Subsection (2) as income tax paid by a LNG Project Company for a tax year is credited against the eligible taxpayer's income tax liability for the earlier of -

(*a*) the tax year in which the prescribed infrastructure development expenditure is approved and incurred; or

(*b*) the tax year in which the infrastructure development for which the prescribed infrastructure development expenditure under Subsection (1) was approved and incurred is certified as completed by the Infrastructure Development Board.

(4) Where an eligible taxpayer has incurred prescribed infrastructure development expenditure in a tax year in excess of the amount treated as income tax under this section, the excess is carried forward to the next following tax year and treated as prescribed infrastructure development expenditure for that next tax year, and so on until the expenditure has been fully treated as income tax.

(5) Prescribed infrastructure development expenditure incurred by an eligible taxpayer excluding a LNG Project Company may be carried forward under this section for no more than seven tax years after the end of the tax year in which the expenditure is allowed as a credit under this section.

(5A) Prescribed infrastructure development expenditure incurred by a LNG Project Company may be carried forward under this section for no more than 20 tax years after the end of the tax year in which the expenditure is allowed as a credit under this section.

(6) Where an eligible taxpayer has an excess carried forward under Subsection (5) for more than one tax year, the excess of the earliest tax year is to be credited first.

(7) For every prescribed infrastructure development expenditure incurred by a LNG Project Company, the LNG Project Company must spend 0.5% of 3% Infrastructure Credit on prescribed infrastructure development projects in the Autonomous Region of Bougainville.

(8) The Minister may issue regulations to require for every prescribed infrastructure development expenditure incurred by an eligible taxpayer to spend 0.5% of that amount on prescribed infrastructure development projects in the Autonomous Region of Bougainville.

(9) After 31st December 2033, the rate specified in Subsection (2)(*a*) shall reduce to 2%.

3. NEW SECTIONS 219CA, 219CB, 219CC AND 219CD.

The Principal Act is amended by adding immediately after Section 219C, the following new sections:

"219CA. PROGRESSIVE CLAIMS ON CERTIFICATION OF COMPLETION.

(1) Where an eligible taxpayer has incurred prescribed infrastructure development expenditure on a project that has been completed, the taxpayer may apply to the Prescribed Infrastructure Development Board for a completion certificate.

(2) Notwithstanding Subsection (3), where an eligible taxpayer has incurred prescribed infrastructure development expenditure on a project that has been partially completed or met a prescribed milestone, the taxpayer may apply to the Prescribed Infrastructure Development Board for a partial completion certificate or milestone completion certificate.

(3) The proportion of expenditure eligible for credit shall correspond to the proportion of the project that has been certified as completed, as determined by the Infrastructure Development Board.

(4) The balance of the prescribed infrastructure development expenditure not yet credited under a partial completion certification may be claimed progressively upon further certifications of completion or upon final certification of full completion, subject to the limitations of this Act.

(5) For the avoidance of doubt, prescribed infrastructure development expenditure may be credited in stages over multiple tax years, in accordance with the timing and proportion of completion certified by the Prescribed Infrastructure Development Board.

219CB. ESTABLSIHMENT OF THE PRESCRIBED INFRASTRUCTURE DEVELOPMENT BOARD.

(1) The Prescribed Infrastructure Development Board is established.

(2) The Prescribed Infrastructure Development Board comprise -
- (*a*) the Departmental Head of the Department responsible for National Planning and Monitoring matters , or his nominee; and
- (*b*) the Departmental Head of the Department responsible for treasury matters, who shall be the Chairman, or his nominee; and
- (*c*) the Departmental Head responsible for Department of Prime Minister, or his nominee; and
- (*d*) the Departmental Head responsible for Works and Highways matters; and
- (e) the Commissioner General of the Internal Revenue Commission or his nominee; and
- (*e*) the heads of agencies responsible for -
  - (i) petroleum and gas matters; or
  - (ii) minerals and geohazards matters; or
  - (iii) any other departments or agencies, that are required to attend the Board meeting as and when required.

(3) The Tax Credit Infrastructure Development Board has the following functions:
- (*a*) to screen the project proposals submitted for funding under the tax credit scheme in Section 219C; and
- (*b*) to ensure the project proposals align with government policies, plans and the relevant existing project agreements; and
- (*c*) to issue completion certificate, including partial completion certificates.

(4) The Tax Credit Infrastructure Development Board shall determine its own meeting procedures that includes but not limited to convening of meetings, recording of meeting minutes, decisions, screening criteria.".

INDEPENDENT STATE OF PAPUA NEW GUINEA

OFFICE OF THE STATE SOLICITOR

CERTIFICATE OF NECESSITY

I, **DANIEL ROLPAGAREA**, State Solicitor of the Independent State of Papua New Guinea;

having considered the proposed ***INCOME TAX (CREDITS) (AMENDMENT) BILL 2025*** and having formed the opinion that the Bill is necessary for the intended purposes;

hereby grant this Certificate pursuant to Section 13B of the *Attorney General Act 1989*.

Dated this 31 day of July 2025.

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DANIEL ROLPAGAREA

State Solicitor