



2023 BUDGET BRIEF

Papua New Guinea

— IMPLEMENTING THE VISION

Budget Brief is a summary of the important announcements in the Budget and the effects these may have on your personal and business affairs.

The 2023 budget is built around the theme “*Implementing the Vision*”. This budget is historic and is the first budget for the 11th term of the Parliament under the Marape-Rosso Government.

Although the Budget is framed against a context of “gloomy and uncertain” global outlook, the PNG economy has a much positive domestic outlook where economy is expected to exceed K113.0 billion in 2023. The 2023 budget is the largest in PNG’s history with expenditures expected at K24,566.9 million. It is expected to collect K19,582.0 million in revenues, resulting to an estimated deficit of K4,984.9 million, a fall by K1,000.0 million in 2023.

Economic Update. 2023 PNG economy is expected to grow by 4.0 per cent, attributable to non-resource and resources increase of 4.6 per cent and 2.0 per cent, respectively.

In 2023, growth in the Mining and Quarrying sector is projected to grow strongly by 23.4 per cent, with expected resumption of the Porgera mine in the 2nd quarter. Production from OK Tedi is expected to increase as well, resulting from better access to high grade ores. However, Oil and Gas sector is projected to contract by -7.2 per cent due to the substantial downgrade in condensate and LNG production.

Outlook. The Government’s plan is to drive a broad-based inclusive growth with strong emphasis on SMEs, infrastructure connectivity and structural reforms to ease business constraints. The Government’s ‘Connect PNG’ policy is expected to facilitate greater development on Agriculture, Forestry and Fishing sectors.

2023 Budget Strategy

- Framed within the Government’s 13-year fiscal plan, which sets out the key elements of the ongoing plan for fiscal consolidation, repair, and sustainability from 2023 to 2027.
- Will continue to be guided by the Five (5) National Goals and Directive Principles, the National Strategy of Responsible Sustainable Development (StaRS), and PNG’s commitment to the 17 United Nations Sustainable Development Goals (SDGs) captured in Vision 2050 and the Development Strategic Plan 2023 along the prescriptions of Medium Term Development Plans (MTDPs) II and III.
- To provide platform for fiscal consolidation whilst continuing to support economic growth and community services through capital formation, particularly in non-resource sector, expanding tax base and improving delivery of essential services.

Risks

Macroeconomics risks include persistent global inflationary pressures, outbreak of Covid-19 or similar infectious diseases, foreign exchange imbalance, global growth/commodity prices, tighter financial conditions, further delay in Porgera mine resumption, pipeline projects reach Final Investment Decisions (FID) earlier than expected, natural disasters, and prolonged election related violence.

Fiscal risks unbudgeted expenditures and shortfall in dividend collections.

Financing risks include heavy reliance on domestic borrowing resulting in higher interest costs and exchange rate risks on external loans.



— KEY ECONOMIC PARAMETERS

Economic Parameters

Economic Growth

	2023 Projected	2022 MYEFO	2022 Budget
Total Real GDP (%)	4.0	4.7	5.4
Non-mining Real GDP (%)	4.6	4.4	3.5

Inflation

Year Average (%)	5.7	6.2	5.6
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Interest rate

Kina Rate Facility (KFR)	3.25	3.25	3.0
Inscribed Stock (3-year yield)	6.0	6.0	9.8

Agriculture Prices

Copra Oil (US\$/tonne)	1,588.0	1,647.8	1,565.7
Cocoa (US\$/tonne)	2,284.7	2,335.3	2,556.4
Coffee (US\$/tonne)	5,445.4	5,978.1	4,601.4
Palm Oil (US\$/tonne)	896.3	1,106.4	905.1

Mineral Prices

Gold (US\$/ounce)	1,811.8	1,783.4	1,788.1
Copper (US\$/tonne)	7,910.1	9,474.7	9,058.7
Oil (Kutubu Crude: US\$/barrel)	82.5	103.0	63.9
LNG (US\$ per thousand cubic feet)	12.8	16.6	9.8
Condensate (US\$/barrel)	82.5	103.0	63.9
Nickel (US\$/tonne)	17,602.2	17,646.7	14,080.0
Cobalt (US\$/tonne)	43,355.4	50,744.8	40,159.4

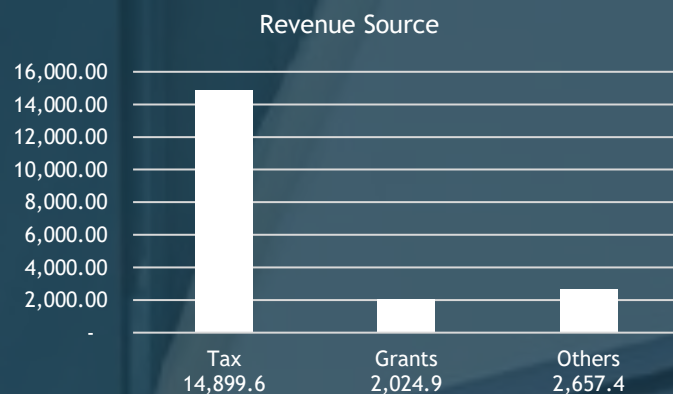
Source: Department of Treasury

— FISCAL INDICATOR

	2023 Budget	2022 Suppl. Budget	2022 Budget	2021 Actual
<i>In million Kina</i>				
Revenue	19,582.0	17,389.1	16,190.2	13,860.4
Expenditure	24,566.9	23,373.6	22,174.8	20,130.8
Budget Balance	-4,984.9	-5,984.5	-5,984.6	-6,270.3
Net Borrowing as a percentage of GDP	-4.4%	-5.6%	-5.9%	-6.8%
Debt to GDP ratio	52.3%	50.24%	53.3%	52.18%

Revenue

2023 total revenue and grants is projected at K19,582.0 million (17.3 per cent of GDP). This is K2,192.9 million or 12.6 per cent higher than the 2022 supplementary budget estimate of K17,389.1 million.



PNG's tax revenue is expected to increase by 7.7 per cent amounting to K14,899.6 million (13.2 per cent of GDP) in 2023 on the back of the anticipation of global commodity price moderation and dissipation of pent-up global demand. The non-tax revenue is expected to increase strongly by 53.4 per cent to K2,657.4 million (2.3 per cent of GDP).

Revenue by Source <i>In million Kina</i>	2023 Budget	2022 Suppl. Budget	2021 Outcome	Variance
Total Revenue and Grants	19,582.0	17,389.1	13,860.4	2,192.9
Total Revenue (as % of GDP)	17.3%	16.1%	13.6%	
Taxes	14,899.6	13,831.5	11,129.4	1,068.1
Taxes on income, profits & cap. gains	8,935.0	8,841.1	6,356.1	939.0
Taxes on payroll & workforce	0.0	0.0	0.8	0.0
Taxes on goods & services	5,015.3	4,130.5	3,993.3	884.8
Taxes on international trade & transaction	949.3	859.9	779.2	89.4
Grants	2,024.9	1,824.9	2,088.0	200.0
From Foreign Governments	1,714.6	1,498.4	1,630.6	216.2
From International Organisations	310.3	326.5	457.4	-16.2
Other Revenue	2,657.4	1,732.7	643.0	924.7
Property income	2,024.1	1,478.5	551.8	545.6
Sales of goods and services	156.7	14.0	11.4	142.7
Fines, penalties and forfeits	1.9	1.1	1.2	0.8
Fees & services	474.7	239.2	78.6	235.5

Source: Department of Treasury





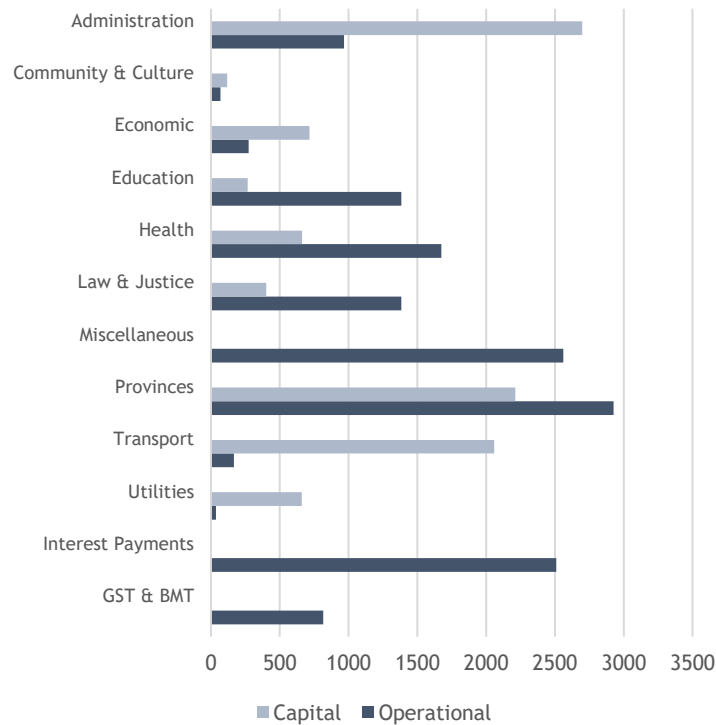
Expenditure

Expenditure to grow over the medium term by an average annual rate of 4.6%.

In million Kina

Compensation of employees	6,942.0
Goods & services	3,860.0
Provincial function grants	642.0
GST & book makers	816.0
Debt (interest repayment)	2,511.0
Total Operational	14,771.0
GoPNG	6,615.0
Donor support grants	2,024.9
Concessional loans	1,156.0
Total Capital	9,795.9
Total Expenditure	24,566.9

Expenditure by Sector



Financing Requirements

The total financing requirement for the 2023 Budget will result in total Government debt reaching K59,142.6 million by the end of the year, equivalent to 52.3 per cent of GDP.

In million Kina

Total Financing Gap	4,984.9
External Borrowings	3,519.2
Domestic Borrowings	1,465.7

Total Government Debt	59,142.6
Debt as percentage of GDP	52.3%
Net External Debt	30,179.4
Monetary Gold & SDRs	1,244.1
Debt securities	1,750.0
Concessional	12,163.7
Commercial	196.4
Extraordinary	14,825.1
Net Domestic Debt	28,963.3
Treasury Bills	14,082.4
Treasury Bond	13,528.4
Loans	1,352.5

Source: Department of Treasury



– TAX & NON-TAX REVENUE MEASURES

The 2023 Budget introduces the following set of measures to influence collection:

Tax amendments

The following tax amendments are effective 1 January 2023 unless an alternate date is specified.



Increase in Personal Income Tax Free Threshold

In April 2022, personal income tax free threshold was increased from K12,500 to K17,500 as part of the relief that commenced from 1 June 2022 to 31 December 2022.

From 1 January to 31 December 2023, the personal income tax free threshold will be increased further from K12,500 to K20,000.

This will exempt income tax payable for individual earnings up to K20,000 per annum.



Increase in Corporate Income Tax on Licensed Banks

A market concentration levy of K190 million introduced in 2022 applicable to licensed holders in the commercial banking sector with market concentrations of over 40% is repealed. However, a sunset clause has been introduced to end the Additional Company Tax for the Banking sector. From 1 January 2023, the rate of Corporate Income Tax payable by all licensed commercial banks will increase from 30.0 per cent to 45.0 per cent.



Customs Tariff

Log export duty regime is set to increase by another 20 per cent in taxes on all the progressive tax rates. This is in line with the intention to continue discourage export of unprocessed logs and encourage downstream processing.



Excise Tariff

The following are the changes on excise taxes:

- Extending the relief of excise duty exemption on fuel products for further six (6) months from 1 January to 30 June 2023; and
- Imposition of one-off increase of 493.0 per cent excise rate for mixed drinks with high alcohol content.



Other revenue policy measures

- *Implementation of the revised Dividend Policy to increase revenue from State Owned Enterprises (SOEs)*
A revised dividend policy will reflect the Government's priority on revenue consolidation. The amendments include 85.0 per cent of planned dividends from Ok Tedi Mining Limited to be remitted into the Consolidated Revenue Fund (CRF), with the balance of 15.0 per cent diverted to Kumul Minerals Holdings Ltd. This also includes amendments to Kumul Petroleum Holding's 2023 Annual Operating Plan to increase its dividends to Government from K300.0 million to K1,300.0 million.
- *Updating the PNG Customs Harmonised System (HS) from HS 2017 to HS 2022*
Adoption of World Customs Organisation (WCO) HS 2022 is made through an amendment to the Customs Tariff Act 1990. This will give clearance to PNG Customs Services to update and implement the 351 changes recommended to be on par with the WCO standards.
- *Introducing the Non-Tax Revenue Administration Act (NTRA)*
The Government introduced the Public Money Management Regularisation (PMMR) Act 2017 in the 2018 Budget. The PMMR Act was declared unconstitutional and as a result, non-tax revenue was not remitted to CRF but withheld by the State Agencies and Statutory Bodies, hence, reducing Government revenue collections. The new NTRA will mobilise non-tax revenue and rectify technical errors of the PMMR Act.



A map of Papua New Guinea and surrounding regions, including parts of Indonesia, the Philippines, and Australia. The map shows major cities, islands, and geographical features. A dark blue rectangular box is overlaid on the right side of the map, containing contact information and a disclaimer. Two red vertical bars are positioned on the left and right sides of the map, partially overlapping the blue box.

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