



TAX AMENDMENT AND GREY LISTING COMPLIANCE WORKSHOP
Lahara and Mirigini Rooms, Level 6, PwC Haus, Port Moresby
10th March, 2026 | 9AM-3PM

Mistress of Ceremony: Mrs. Carmella Gabina, Executive Director, Business Council of PNG

WELCOME AND OPENING REMARKS

Ms. Courtney Boustridge, Treasurer, Business Council of PNG

Ms. Courtney Boustridge welcomed government officials, financial institutions, and council members to discuss Papua New Guinea's recent tax amendments and compliance requirements. She emphasized that the country is undergoing significant reform, which presents both challenges—like ensuring compliance and operational resilience—and opportunities to improve governance and investor confidence. The workshop served as a dialogue platform to provide clarity to businesses and gather feedback that would inform future policy discussions with the Chief Secretary. Ms. Boustridge concluded by thanking the speakers and partners involved and called for collaboration to strengthen PNG's financial regulatory system.

SESSION 1: TAX AMENDMENTS

Moderator: Maygen Turliu, Tax and Business Services, Deloitte

SPEAKER 1: STEVEN SINEN, DIRECTOR LEGAL, INTERNAL REVENUE COMMISSION (IRC)

AGENDA ITEMS:

1. Government Perspective on Tax Reforms

Over the last three years, the tax system underwent transformation with three primary aims of raising revenue fairly, reducing compliance costs for taxpayers, and improving taxpayer services. With acknowledgement that taxpayer services continue to be an issue, the government is implementing significant reforms to address these challenges. This can be notable through the refreshed tax law represented by the Income Tax Act 2025, which is reduced to under 200. This reduction from 359 to under 200 is intended to simplify the system and make it more justified and accessible for ordinary taxpayers and tax professionals alike.

2. Supporting Legislation & Framework

There were two pieces of legislation that lie beneath the tax reform agenda – Tax Administration Act 2017 and Income Tax Act 2025. The Tax Administration Act 2017 has now been brought into operation, since implemented in November-December 2025 after being delayed implementation due

to lack of initial consultation with industry. This Act unifies powers for registration, record keeping, and information gathering by the Commissioner General; including strong enforcement powers. The Income Tax Act 2025 commenced on January 2026, however, it has been rolled back to June 2026, to allow time for sufficient adjustment time for both the tax office and taxpayers to adapt to the new rules and regulations.

3. Implementation Process

The IRC is shifting towards digital front-end services to innovate tax administration. The myIRC portal is designed to enable all administration, filing, and clearance functions, with real-time tax clearance certificate issuance and reduced processing times to lower compliance costs. The portal is expected to roll out by June-July 2026. Behind this front-end service is the Integrated Tax Administration System (ITAS), which is a core system designed to replace legacy systems and unify registration, filing, assessment, collection, and disputes management. In addition, a HST Monitoring System is being planned to provide real-time revenue tracking at points of sale, which will help reduce non-compliance by allowing the IRC to know revenue information in real time before taxpayers file their returns.

4. Enforcement & Compliance Expectations

Sinen mentions that a three-month grace period has been provided to allow taxpayers to rely on the Income Tax Act 1959 for matters prior to 2026 while regulations are finalised. Once the Tax Administration Act is fully implemented, strict penalties will be enforced for late lodgement and late payment. Tax compliance certificates are now tightly linked to full lodgement and late payment – meaning no certificate can be issued if there are any outstanding amounts or required documents. Digital systems will detect non-compliance more quickly than ever before.

Recommendations

- Prioritize timely lodgement and payments. Ensure that all tax returns and payments are submitted by their due dates to avoid penalties and compounding charges under the new Tax Administration Act.
- Maintain complete and organized records by keeping comprehensive documentation to support all tax positions and facilitate easy audit trails, especially with IRC movement towards digital compliance verification.
- Business should invest in automated systems and staff training to adopt to the new digital tax administration environment and reduce friction with the IRC.
- Engage early with the IRC so that when uncertainty arises regarding tax interpretations or compliance obligations, there is proactive interaction with IRC rather than relying on external advice, preventing costly penalties and issues later.
- Familiarize with the myIRC portal ahead to ensure smooth transition to the new digital system in June-July 2026.
- Review GST compliance practices (given the imminent GST Monitoring System) to ensure GST collection and remittance practices are fully compliant, as real-time tracking will make discrepancies immediately visible.

- Take advantage of the three-month grace period to review current tax positions under the Income Tax Act 1959 and align them with the new Income Tax Act 2025 requirements before full enforcement begins.

SPEAKER 2: SANCHIKA SUTHARSHAN, PARTNER, TAX & BUSINESS SERVICES, DELOITTE

AGENDA ITEMS:

1. Overview of Key Tax Amendments and Their Significance

A comprehensive 118-page tax legislation became effective January 1, 2026, replacing the previous 1959 Tax Act with a simplified and less complex framework. The new act consolidates amendments, assessments, and provisions previously scattered across the Tax Administration Act and regulations. However, this simplification means protection and interpretation may vary between tax agents, the IRC (Internal Revenue Commission), and taxpayers, requiring businesses to maintain robust internal processes and seek early advice on any ambiguities.

The significance of these amendments for the PNG tax framework is multifaceted. The modernized legislation provides clearer provisions and reduced complexity compared to the 1959 Act, but it also shifts greater responsibility onto taxpayers to ensure their systems are updated and processes are compliant. The emphasis on taxpayer responsibility for system updates and compliance, combined with a shift toward more equitable taxation of employee benefits, represents a fundamental change in how businesses must approach tax planning and administration.

2. Implications of Businesses Across Sectors

A. Salary-Based Taxes and Employment Benefits

i. Salary Packaging Policies and Motor Vehicle Benefits

Under the new legislation, all salary packaging policies now require IRC approval, whereas previously they were only guided by policy. A grace period for submission extends to March 31, 2026, and policies must document eligibility criteria and consequences for misuse. The allowable sacrifices remain unchanged, including airfares, school fees, housing, and provincial travel. However, motor vehicle benefits have been significantly restructured. They are now taxed at 10% of original purchase cost, an increase from the 12.5% fuel value under the 1959 Act. Importantly, the cost remains fixed regardless of vehicle age or depreciation, meaning a vehicle purchased six years ago for 100,000 Kina will still incur tax at 10% of that original amount.

The taxation of motor vehicle benefits applies even if the vehicle is available for private use but not regularly used, and it requires detailed logbooks documenting business versus private usage, including kilometres, destinations, and business justification. Home-to-work commuting is classified as private use and is not deductible. Different corporations have adopted different approaches to managing this cost: some gross up salaries for employees to offset the new tax burden, while others pass the costs directly to employees. Regardless of the approach, the underlying factor remains that motor vehicle tax is a taxable benefit that must be paid to the IRC.

ii. Medical Insurance, Discounted Loans, and Goods/Services

Medical insurance benefits undergo a significant change under the new legislation. They become exempt if provided on an equal basis to all employees, but the definition of “equal basis” awaits IRC guidance. The ambiguity centers on whether management and executive tiers can receive different coverage levels while still meeting the exemption criteria. Until clarification arrives, medical insurance continues as a taxable benefit if not equally provided, and businesses should develop position papers documenting their interpretation of this requirement.

Discounted loan interest benefits are taxed based on the difference between market interest rates, which typically range from 15-30%, and employer-provided rates. The IRC guidance on minimal thresholds—such as whether loans under 10,000 Kina or under four months’ duration should be exempt—is still pending. This requires payroll system modifications to calculate and implement the taxable benefit correctly. Discounted goods and services, particularly relevant to the airline industry, tax 75% of the value depending on the discount percentage provided. Debt waivers on employee loans post-resignation are also treated as taxable benefits, requiring employers to gross up the waived amount at the employee’s marginal tax rate. The implementation deadline for all these benefit changes is March 31, 2026.

iii. Exempt Income and Meals

Exempt income benefits include occasional or irregular gifts valued up to 250 Kina, such as Christmas vouchers. These gifts must genuinely be infrequent and cannot be disguised as regular monthly benefits. Meals provided equally to all non-casual employees are now exempt, a significant change from the previous 39% taxable treatment under the 1959 Act. This provides a meaningful benefit for employers offering employee meals as part of their compensation strategy.

B. Withholding Tax Reforms

i. Management Fees and Technical Fees Transition

The new legislation eliminates management fees withholding tax and replaces it with a 15% technical fees regime. This applies when work is provided outside PNG and the service provider has no permanent establishment (PE) in the country. The transition requires written documentation confirming PE status or non-PE classification, placing responsibility on businesses to obtain clear written confirmation from their contractors. This shift simplifies the withholding tax regime but requires more rigorous documentation practices.

ii. Foreign Contractor Withholding Tax Transition and Permanent Establishment

The foreign contractor withholding tax (FCWT) is eliminated under the new legislation, but the transition is managed through a PE determination framework. If a contractor has a PE, they lodge returns in PNG; if they have no PE, they are subject to the 15% technical fees withholding. A critical transition provision allows contractors with pre-December 31, 2025, contracts to extend FCWT obligations to December 31, 2026, provided they submit a written request to the IRC. This gives vendors additional time to adjust their compliance processes but requires businesses to obtain and maintain clear written confirmation of contractor PE status. Permanent

establishment is defined as an entity operating in PNG like a PNG entity, and it involves transfer pricing guidelines, substantial substantiation rules, and all associated contractual obligations.

iii. Royalty Withholding Tax Expansion

The scope of royalty withholding tax has expanded significantly to include software licenses and equipment leases, which were previously excluded. This applies to non-treaty countries such as India, Philippines, and the United States. Australian vendors are protected under the tax treaty, as software is not included in the treaty definition of royalties, but vendors from non-treaty countries are not afforded this protection. This expansion has substantial cost implications: Microsoft licenses and similar software are now subject to withholding tax, requiring businesses to audit their vendor lists and potentially renegotiate contracts to manage the increased tax burden.

iv. Interest Withholding Tax Exemption and Business Payment Withholding

The new legislation introduces an exemption on the first 200 Kina of interest earned by individuals, and resident company-to-resident company interest payments are entirely exempt. However, the IRC guidance on multiple account treatment and application methodology is still awaited. Business payment withholding tax continues for specified industries including transport, construction, repair, and security services. The new requirement mandates that vendors provide a “nil withholding tax authority” in place of the traditional certificate of compliance, though the format and appearance of this new authority have not yet been clarified. Businesses must request updated documentation from vendors or apply 10% withholding tax if the authority is not provided.

C. Corporate Income Tax Reforms

i. Depreciation, Asset Classification, and Low-Value Assets

The new legislation simplifies depreciation by reducing asset classes from 213 to just 5 categories. This simplification is accompanied by the introduction of a pooling mechanism option, which provides higher early-life depreciation compared to the straight-line method. Importantly, depreciation rates are changing even for existing assets, meaning that businesses using the straight-line method must still recalculate their depreciation going forward. This requires system updates and careful planning for 2026 tax returns. The legislation also permits amortization of intangible assets, such as brand development capital expenses, which was not allowed under the previous act.

Assets below 1,000 Kina can now be fully expensed immediately, eliminating the need for depreciation schedules and fixed asset registers for minor items. This change significantly simplifies bookkeeping and reduces the administrative burden associated with tracking low-value assets, allowing businesses to focus their depreciation efforts on material assets.

ii. Foreign Exchange Loss Claims and IFRS 16 Alignment

Foreign exchange loss claims must be substantiated with full documentation including invoices, exchange rates, and calculations, with no minimum threshold defined. This requires proactive documentation processes throughout the year rather than retroactive compilation at year-end. While documentation must be retained, it does not need to be lodged with the IRC. The tax

treatment of leases has been aligned with IFRS 16 accounting standards, which removes the requirement for depreciation add-backs on tax returns for post-December 31, 2025, leases. However, prior leases entered before January 1, 2026, remain under the old rules and require separate record retention. This simplifies tax return preparation going forward but creates a transition period requiring dual record-keeping.

iii. Withholding Tax Payments, Charitable Donations, and Group Loss Transfer

A critical compliance requirement is that deductions cannot be claimed for payments where withholding tax is unpaid, creating timing delays if withholding taxes are not paid by their due date. For example, overseas technical fee payments cannot be deducted until the withholding tax is remitted, potentially delaying deductions to the following year. Charitable donations are limited to 10% of assessable income, with special provisions available for large government donations. Businesses must monitor their donations against this income cap.

The legislation enables group loss transfer provisions for subsidiaries with minimum 95% ownership, allowing the transfer of current-year losses between entities within a group. This eliminates the need for continuous loss carry-forwards within groups and improves group tax efficiency. However, amalgamation provisions have been removed and are no longer available as a tax planning tool.

3. Compliance Requirements and Timelines

A. Implementation Timeline and Deadlines

The new Act became effective on January 1, 2026, and all employment taxes, withholding taxes, and benefit taxation commenced on this date. The most critical deadline for businesses is March 31, 2026, which marks the grace period expiry for salary packaging policy approval and the implementation of benefit taxation for motor vehicles, medical insurance, discounted loans, and goods/services. For foreign contractors with pre-December 31, 2025 contracts seeking to extend FCWT obligations, the deadline to request an extension from the IRC is December 31, 2026. Additionally, businesses have an opportunity to provide feedback on unsatisfactory provisions through the 2027 pre-budget tax policy consultation, with submissions due by May 15, 2026.

B. Corporate Income Tax Compliance and First Returns

The first tax return under the new Act will be for the 2026 tax year, which will be lodged in 2027, providing businesses with additional time to adjust their systems and processes. Additional time for lodgement is available for tax agent-prepared returns, though individuals and partnerships retain the March 31 deadline. Depreciation method decisions must be finalized before 2026 returns are prepared, and system updates are recommended to begin immediately given the complexity of asset class changes. The shift to IFRS 16 alignment requires accounting and compliance units to implement new leasing accounting changes while maintaining separate records for leases entered before December 31, 2025.

C. Key Compliance Actions by Function

All employers must review and submit salary packaging policies to the IRC before March 31, 2026. Payroll and tax teams must adjust systems for motor vehicle, medical insurance, discounted loan, and goods/services taxation by March 31, 2026, and implement withholding tax changes including technical fees, royalty expansion, and interest exemptions. Business unit managers are

responsible for developing and maintaining detailed motor vehicle logbooks to justify business usage. Procurement and legal departments must obtain written PE status confirmation from all contractors and audit software license and equipment lease contracts for royalty withholding tax exposure.

Finance and accounting departments must decide on depreciation methods (pooling versus straight-line) and implement system changes, maintain separate records for pre- and post-December 31, 2025, leases under IFRS 16, document foreign exchange losses throughout the year, and ensure timely payment of withholding taxes to preserve deductions. Tax compliance departments should monitor IRC guidance on medical insurance “equal basis” definition and discounted loan interest minimal thresholds and request updated withholding tax authorities from vendors. Corporate tax planners with qualifying subsidiaries should plan for loss transfer within entities by the 2026 tax year. Finally, tax policy advisors and corporate stakeholders should prepare submissions for the 2027 pre-budget tax policy consultation before May 15, 2026, to address any unsatisfactory provisions in the new Act.

4. Key Risks and Mitigation Strategies

A. Grace Period Expiry and Implementation Risks

The March 31, 2026, deadline for salary packaging approval and benefit taxation implementation is rapidly approaching, and delays risk non-compliance penalties. Businesses that have not yet updated their payroll systems or submitted policies for IRC approval should prioritize these actions immediately. The consequences of non-compliance include potential disallowance of deductions, penalties, and interest charges, making timely action essential.

B. Guidance Gaps and Interpretation Uncertainty

Multiple provisions await IRC clarification, including the definition of “equal basis” for medical insurance exemptions, minimal thresholds for discounted loan interest taxation, and the application methodology for the 200 Kina interest exemption. Businesses operating in areas with guidance gaps should develop position papers documenting their interpretation of the legislation and maintain records supporting their compliance approach. This documentation will be valuable if the IRC subsequently challenges the business’s position, as it demonstrates good faith effort to comply with the legislation as written.

C. System Complexity and Implementation Challenges

Depreciation changes, IFRS 16 alignment, and new benefit calculations require significant payroll and accounting system modifications. Businesses should engage their IT and finance teams early to assess system capabilities and plan for necessary upgrades. The complexity of the five-asset-class depreciation system and the pooling mechanism option requires careful planning and potentially external expert assistance to ensure correct implementation.

D. Cost Implications of Royalty Withholding Tax Expansion

The expansion of royalty withholding tax to software licenses represents a material cost increase for businesses using international software. Businesses should conduct a comprehensive audit of their vendor list to identify contracts affected by this change and assess the financial impact. In some cases, contract renegotiation may be necessary to manage the increased tax burden, particularly for long-term software licensing arrangements.

E. Documentation Requirements and Audit Risk

FX loss claims and PE status determinations require contemporaneous documentation, and retroactive compilation creates significant audit risk. Businesses should implement systems to capture and maintain documentation throughout the year rather than attempting to reconstruct it at year-end. This includes maintaining detailed records of exchange rates, invoices, and business justifications for all transactions that may give rise to FX losses, as well as securing written confirmation of PE status from all contractors at the time the contractual relationship is established.

RECCOMENDATIONS:

1. Immediate Actions (By March 31st, 2026)

i. Salary Packaging Policy Submission

- Review existing salary packaging arrangements and prepare formal policy documents for IRC approval
- Clearly outline eligibility criteria, permitted sacrifice types (airfares, school fees, housing, provincial travel), and consequences for misuse
- Submit policies to IRC urgently before the March 31, 2026 deadline
- Ensure failure to obtain approval will prevent future salary packaging implementation

ii. Payroll System Updates for Benefit Taxation

- Conduct comprehensive audit of all current employee benefits requiring tax treatment changes
- Implement system calculations for motor vehicle benefits (10% of purchase cost)
- Add medical insurance taxation for unequal provision scenarios
- Include discounted loan interest calculations (market rate differential)
- Incorporate discounted goods/services taxation (particularly for airline industry)
- Account for debt waivers on employee loans
- Complete system testing well before March 31, 2026

iii. Motor Vehicle Logbook Implementation

- Establish detailed logbook systems capturing kilometres, destinations, and business justification
- Provide clear guidelines to employees on logbook completion requirements
- Establish review process to ensure accuracy and completeness
- Retain documentation for audit support

iv. Contractor PE Status Documentation

- Contact all contractors, consultants, and service providers for written PE status confirmation
- Create centralized register of all contractors with their PE status
- Maintain copies of written confirmations on file
- Use documentation to determine correct withholding tax treatment (15% technical fees vs. FCWT transition)

v. Vendor Contract Audits for Royalty Withholding Tax

- Audit all vendor contracts for software licenses and equipment leases from non-treaty countries
- Assess financial impact of new 10% royalty withholding tax
- Evaluate feasibility of contract renegotiation
- Retain analysis documentation for audit purposes

2. System and Process Development (Before June 2026)

i. Depreciation Method Selection and Implementation

- Make formal decision on depreciation method (pooling mechanism vs. straight-line)
- Evaluate implications for cash flow and tax planning in consultation with tax advisors
- Update fixed asset registers, depreciation schedules, and accounting software
- Document rationale for chosen method for compliance support

ii. Asset Classification Review and System Updates

- Review existing asset registers and reclassify assets under new 5-class system (from previous 213 classes)
- Determine whether system upgrades are required for new classification structure
- Allocate sufficient time for system testing and error correction
- Consider external assistance for complex asset bases

iii. IFRS 16 Lease Accounting Transition

- Establish systems to track leases based on commencement date
- Maintain separate register for pre-January 1, 2026 leases following old depreciation add-back rules
- Apply IFRS 16 rules to leases entered on or after January 1, 2026
- Document transition process and maintain detailed records for audit support

iv. Foreign Exchange Loss Documentation Process

- Establish systematic process for documenting FX losses throughout the year
- Capture original invoice amount, exchange rates, settlement amounts, and loss calculations
- Implement quarterly review process rather than year-end compilation
- Maintain supporting documentation contemporaneously
- Reduce audit risk through proactive documentation approach

v. Withholding Tax Payment Tracking System

- Establish robust system to track withholding tax obligations and payment deadlines
- Implement calendar alerts for all withholding tax due dates
- Establish verification process to confirm IRC receipt of payments
- Coordinate with banking partners for timely payment processing

3. Policy and Governance Development

i. Medical Insurance Equal Basis Position Paper

- Develop formal position paper documenting interpretation of “equal basis” requirement
- Clearly articulate whether organization provides equal basis or tiered coverage
- Include rationale for chosen approach and reference to available IRC guidance
- Retain documentation for audit support and compliance defense

ii. Discounted Loan Interest Policy

- Develop formal policy documenting loan terms, interest rates, and taxable benefit calculation methodology
- Address threshold-based approach pending IRC guidance
- Communicate policy to employees
- Incorporate terms into loan agreements for transparency

iii. Charitable Donation Monitoring Framework

- Establish framework to monitor donations against 10% of assessable income cap
- Implement quarterly tracking process
- Coordinate with corporate social responsibility teams for strategic planning
- Structure large government donations in accordance with special provisions

iv. Contractor Engagement and Compliance Protocol

- Develop standardized protocol for contractor engagement requiring PE status confirmation
- Incorporate protocol into vendor onboarding processes
- Maintain centralized contractor register with PE status documentation
- Address process for updating PE status during engagement

4. Stakeholder Communication

i. Employee Communication on Benefit Changes

- Develop clear communication materials explaining taxation of new employment benefits
- Provide specific examples of benefit taxation and impact on net pay
- Explain rationale for gross-up or pass-through approaches
- Hold information sessions or webinars to address employee questions
- Manage employee relations risks through transparent communication

ii. Management and Leadership Briefing

- Conduct training on key changes in new tax legislation
- Cover compliance deadlines, benefit taxation rules, withholding tax changes, and corporate income tax reforms
- Explain financial impact and importance of meeting deadlines
- Ensure leadership understands resource allocation requirements

iii. Tax Agent and Advisor Engagement

- Engage external tax advisors early in implementation process
- Discuss implications and develop implementation plans
- Seek guidance on areas with pending IRC clarification
- Schedule regular meetings to discuss emerging guidance
- Develop defensible compliance positions

iv. Vendor and Contractor Communication

- Communicate changes in withholding tax treatment to contractors and service providers
- Explain elimination of FCWT and PE determination framework
- Request updated documentation (PE status, nil withholding tax authority)
- Provide information on FCWT transition extension deadline (December 31, 2026)

5. Monitoring and Compliance Oversight

i. IRC Guidance Monitoring Schedule

- Establish quarterly review schedule for new IRC guidance
- Monitor for clarification on medical insurance “equal basis” definition
- Track guidance on discounted loan interest minimal thresholds
- Watch for nil withholding tax authority format specifications
- Assign responsibility to specific team member for tracking announcements

ii. Compliance Checklist and Timeline

- Develop comprehensive checklist documenting all required actions and deadlines
- Review quarterly to track progress and identify at-risk items
- Include salary packaging submission, system updates, contractor documentation, vendor audits, and depreciation decisions
- Assign ownership of each item for accountability

iii. Internal Audit and Compliance Review

- Conduct internal audit of tax compliance processes before end of 2026 tax year
- Assess system implementation, documentation capture, and timely withholding tax payments
- Identify gaps or deficiencies
- Address identified issues promptly

iv. Tax Return Preparation Planning

- Begin planning for 2026 tax return preparation early
- Allocate resources for new depreciation requirements and IFRS 16 alignment
- Consider engaging external tax advisors for return preparation assistance
- Account for complexity of first return under new legislation

6. Strategic Tax Planning Opportunities

i. Group Loss Transfer Planning

- Evaluate opportunities to utilize group loss transfer provisions (95% ownership requirement)
- Offset losses in one entity against profits in another
- Consult with tax advisors for optimization
- Incorporate into broader annual tax strategy

ii. Asset Acquisition and Depreciation Planning

- Consider timing of asset acquisitions relative to new depreciation rules
- Evaluate pooling mechanism benefits for significant asset bases
- Consider immediate expensing strategy for assets below 1,000 Kina
- Consult tax advisors to optimize acquisition timing and structure

iii. Software License and Equipment Lease Renegotiation

- Identify long-term software licenses and equipment leases from non-treaty countries
- Initiate renegotiation to account for new royalty withholding tax
- Explore vendor willingness to adjust pricing or restructure arrangements
- Conduct early renegotiation for maximum flexibility

iv. 2027 Pre-Budget Tax Policy Consultation Submission

- Identify problematic or unclear provisions in new legislation
- Prepare submissions for 2027 pre-budget consultation (deadline May 15, 2026)
- Consider coordinating with industry associations for joint submissions
- Address issues of common concern with peer organizations
- Documentation and Record-Keeping

7. Documentation and Record-Keeping

i. Centralized Compliance Documentation Repository

- Establish centralized repository for all tax compliance documentation
- Organize salary packaging policies, contractor PE confirmations, vendor audits, and IRC guidance
- Ensure accessibility to relevant team members
- Facilitate audit responses and compliance position support

ii. Audit Trail and Supporting Documentation

- Ensure all tax calculations and adjustments are supported by appropriate documentation
- Maintain audit trails for all transactions
- Pay particular attention to FX loss claims, benefit calculations, and depreciation adjustments

- Retain documentation for full period specified by Tax Administration Act (typically seven years)
- Organize documentation for efficient retrieval

iii. Policy and Procedure Documentation

- Document all tax-related policies and procedures in writing
- Include salary packaging policy, contractor engagement protocol, benefit taxation methodology, and depreciation method selection
- Review and update annually for legislative changes and organizational circumstances
- Provide evidence of good faith compliance efforts for audit support

Q&A SESSION

Questions by Moderator

- 1. Does IRC currently have the resources (human and technical) to administer the new law, and have you engaged technical advisors in other jurisdictions?**

Answers:

Steven Sinen (IRC): IRC has been training staff since 2024 on new changes. Under the new law, the Commissioner General will issue binding rulings (not just non-binding commentaries). Technical assistance is being provided by the Australian Tax Office, IMF, and Asian Development Bank.

- 2. Will IRC be lenient on penalties if taxpayers rely on professional guidance in the absence of technical guidelines?**

Answers:

Steven Sinen (IRC): If a taxpayer relied on professional guidance and conducted their tax affairs in good faith to comply with the law, the Commissioner General has discretion to remit or reduce penalties. The Commissioner can withhold all penalties if the taxpayer is genuine and has done their best to comply.

- 3. What advice would you give taxpayers to get ready for the new act?**

Answers:

Sanchika Sutharshan (Deloitte): Conduct a health check or gap analysis comparing old and new law provisions. Identify where changes occur and how they affect your business. For areas without clear guidance (like medical insurance), develop position papers agreed upon with your tax agent.

Steven Sinen (IRC): Engage with IRC as much as possible. Contact the taxpayer services division to manage uncertainties in the new law.

4. What things from the previous law does the new law address adequately, or has it created more problems?

Answers:

Sanchika Sutharshan (Deloitte): The new law addresses gaps by introducing capital gains tax (for resource sector), black hole expenses deduction, and low-tax haven entity rules—improvements aligning with best practices. However, there’s significant room for interpretation, which could lead to disagreements with IRC or Treasury.

5. Is IRC planning to increase tax inspections and awareness sessions to monitor compliance under the new law?

Answers:

Steven Sinen (IRC): Yes, there are plans to increase inspection exercises among taxpayers and conduct more tax awareness sessions to bridge the gap between understanding requirements and compliance.

6. Has there been consideration to extend the grace period (e.g., another three months) to allow IRC time to issue guidelines?

Answers:

Steven Sinen (IRC): The April 1, 2026, deadline still stands. The date was already moved from January 1, 2026, to give taxpayers and agents time to prepare. Extensions may be considered case-by-case, but that’s a policy decision for Treasury.

Sanchika Sutharshan (Deloitte): Associations have suggested an extension to IRC, and it has been noted, but no formal decision has been made yet.

7. What about the implementation complications of the terrorism wages tax, especially regarding backdating and staff morale?

Answers:

Sanchika Sutharshan (Deloitte): (Acknowledged the concern) If you must implement something and then potentially rescind it a month later, it makes staff motivation and compliance very difficult. Associations are encouraged to write to Treasury about this issue.

8. What guidance is available on determining market rates for discounted loan interest applications?

Answers:

Sanchika Sutharshan (Deloitte): There's confusion about what constitutes a "market rate"—whether it's the cash exchange rate, bank rates, or something else. Different sources (VPNG rates, commercial banks) create inconsistency. The point in time for applying the rate also fluctuates and needs clarification.

9. What happened to the 100% equipment depreciation for manufacturers, and can it be reinstated?

Answers:

Maygen Turliu (Moderator): This depreciation was a good incentive for economic growth and manufacturing investment. Its removal without consultation or modelling is concerning.

Sanchika Sutharshan (Deloitte): Recommend submitting a formal proposal before May 15, as this has been discussed before and another submission might be considered in future budget reviews.

10. How will IRC monitor work-from-home arrangements, and will the new tax treatment on employee benefits impact businesses?

Answers:

Sanchika Sutharshan (Deloitte): Work-from-home is considered private and non-deductible under IRC guidelines. The new treatment of employee benefits (like vehicle private use) as taxable income will shift costs to employees, but businesses may need to increase wages to compensate—adding pressure alongside the 43% minimum wage increase.

11. What percentage of resources should small businesses expect to allocate for tax compliance?

Answers:

Sanchika Sutharshan (Deloitte): Major companies should have an internal tax person; otherwise, they'll rely on expensive tax agents. Small businesses face astronomical costs. Having a compliance team is better than constant external consulting, but costs remain high. IRC is working to improve digital services to ease this burden.

12. Are you planning a help desk or readily available support for taxpayers with questions?

Answers:

Steven Sinen (IRC): Generic email groups already exist for taxpayer queries. Taxpayers can also write to the Commissioner General and receive a response. IRC recognizes the compliance cost burden on small businesses and is working to make digital portals accessible to all, not just large businesses.

13. When will the Income Tax regulations, Tax Administration Act regulations, and Transfer Pricing regulations come into effect?

Answers:

Steven Sinen (IRC): IRC has completed its part and sent regulations to Treasury. They need ministerial approval, then State Solicitor legal clearance, before going to the National Executive Council. The tentative deadline is March 2026 for National Executive Council consideration to meet the April 1 implementation date.

14. What's the difference between an Act of Parliament and regulations?

Answers:

Steven Sinen (IRC): An Act is passed by Parliament; regulations provide the operational details—amounts, dates, filing deadlines, lodgement requirements. The Income Tax Act cannot be implemented without regulations, which is why the implementation was delayed to April 1.

15. Has there been consultation on transfer pricing regulations, and is there a paper available for review?

Answers:

Mavgen Turliu (Moderator): Only the Tax Administration Act regulation has been seen; transfer pricing regulations haven't been publicly released.

Steven Sinen (IRC): Transfer pricing regulations are expected to align with OECD standards, but a draft is not yet available publicly.

16. How often are there significant changes between what IRC submits to Treasury and what gets passed?

Answers:

Steven Sinen (IRC): Treasury has final say on regulations and legislation. There are sometimes minor differences and changes between consultation drafts and passed legislation, but not drastic departures.

17. Has there been discussion of administrative relief to help businesses with increased compliance costs from recent regulatory changes?

Answers:

Steven Sinen (IRC): This is a policy discussion requiring Treasury involvement. No such policy is currently in place. Business and industry councils should advocate with Treasury if they want administrative relief considered.

18. What is the intent of the Tax Crime Division, and how will it operate?

Answers:

Steven Sinen (IRC): The Tax Crime Division investigates audit cases with elements of dishonesty and fraud. Currently, tax fraud is not an indictable offense. IRC wants to criminalize tax offenses so fraudulent income under-declaration can result in prosecution and jail time. This requires legislative changes still pending.

19. For taxpayers who begin complying from January 1, 2026, what is the impact regarding retrospective tax liability?

Answers:

Maygen Turliu (Moderator): Taxpayers who comply from January 1, 2026 may be in a better position than those starting April 1, as they avoid potential backdating issues. However, clarification from IRC Commissioner General is needed on whether taxes must be backdated if implementation is April 1 when the law technically became effective January 1.

20. Why is employee benefit taxation (like vehicle private use) being treated as salaries and wages tax rather than fringe benefits tax?

Answers:

Sanchika Sutharshan (Deloitte): PNG's legislative approach differs from countries using fringe benefits tax systems. Under PNG law, any benefit in connection with employment is treated as taxable income. Employees receive the benefit personally, so they bear the tax cost—not employers (unless employers choose to help by increasing wages).

Steven Sinen (IRC): Any benefit gained in connection with your service is deemed taxable under the new law. This generates government revenue previously untaxed.

21. How often do tax laws change, and when should reform proposals be submitted?

Answers:

Maygen Turliu (Moderator): Tax laws change annually. Businesses and associations are encouraged to engage in tax reform submissions. The next due date is around May 15. Changes can be made if the public persuades Treasury through formal proposals.

SESSION 2: GREY LISING AND COMPLIANCE REQUIREMENTS

Moderator: Moses David, Senior Economist, Kina Bank

SPEAKER 1: WILSON T. ONEA, DIRECTOR, FINANCIAL ANALYSIS AND SUPERVISION UNIT, BANK OF PAPUA NEW GUINEA

AGENDA ITEMS:

1.1 What is FATF?

FATF is the global watchdog for anti-money laundering (AML) and counter-terrorism financing (CTF). It is a standard-setting body to which virtually every country in the world belongs to - with the notable exceptions of Iran, North Korea, and Russia, which do not comply with FATF standards and as a result face serious international trade sanctions. These sanctions are enforced through the UN sanctions list, and all PNG banks are required to screen transactions against this list.

1.2 The Asia Pacific Group (APG) and PNG's Membership

Because FATF cannot directly administer assessments for all 170+ member countries worldwide, it established regional bodies to represent its interests in each region. PNG belongs to the Asia Pacific Group on Money Laundering (APG), which:

- Is domiciled in Sydney, Australia (with its secretariat there).
- Has 42 members across Asia, the Pacific and notably the United States and Canada.
- Reports to FATF's global plenary, which meets regularly to review country progress.
- Holds an annual regional meeting — this year in Brunei, with Japan hosting the previous year.

Countries within the APG that perform poorly against FATF standards are escalated from reporting to their regional group to reporting directly to FATF's plenary which is a more intensive and higher-stakes process. PNG is currently in this escalated reporting regime.

2. The Mutual Evaluation — How PNG Came to Be Grey-Listed

Mr Onea, gave a detailed account of the process that led to PNG's grey listing.

2.1 What is a Mutual Evaluation?

A mutual evaluation is essentially an external audit of a country's entire financial crime control system. FATF sends a team of assessors — experienced practitioners from member countries with at

least five to ten years of expertise — to assess whether a country's agencies are performing their mandated functions effectively. This includes law enforcement, regulatory bodies, courts, and financial intelligence units. The assessment covers a five-year window of demonstrated effectiveness.

2.2 PNG's 2024 Assessment — Key Deficiencies Identified

PNG's mutual evaluation took place in 2024. The assessors identified serious deficiencies in three core areas:

- Effectiveness of supervision — regulators were not demonstrating sufficient oversight of reporting entities.
- Effectiveness of investigation and prosecution for money laundering — law enforcement was not taking adequate action against financial crime.
- Demonstrable enforcement activity — there was insufficient evidence that PNG's legal frameworks were being actively used.

2.3 The Observation Period and Why PNG Failed It

Following the adoption of the evaluation report at end of 2024, PNG was given a one-year observation period which is a benefit-of-the-doubt window to demonstrate serious commitment to reform before being formally grey-listed. Mr Onea, was frank about the outcome:

Mr. Onea's Candid Assessment

The one-year observation period was always going to be very difficult to pass, because in PNG's context, nothing gets done in one year. FATF knew this too - it was a test designed to confirm commitment, not guarantee success. Passing would have required demonstrating high-profile investigations and prosecutions within that window. None of which materialised.

As a result, PNG did not demonstrate enough progress during the observation period, leading to formal grey listing.

2.4 The Bangkok Meeting and Mexico Plenary — January/February 2025

The process leading to formal grey listing involved two critical international meetings:

- Bangkok (January 2025): PNG's government agency heads were summoned to appear before the APG — Mr Onea described this as 'like going to court to explain yourself before a judge.' All 23 heads of agencies attended to present progress on each action item.
- Mexico Plenary (February 2025): FATF's global plenary reviewed PNG's case. PNG presented its side of the story but was unable to produce sufficient evidence of actual enforcement activity. The plenary decided to formally grey-list PNG and required the Prime Minister to provide a written letter of undertaking committing to reform.

Mr Onea, noted that PNG negotiated the specific timelines for each action item during the Bangkok meeting - these are the due dates now reflected in the formal action plan.

3. PNG's FATF Action Plan

The FATF action plan is structured around specific 'Immediate Outcomes' (IOs), the international benchmarks against which PNG's effectiveness is measured. Mr Onea, walked through the key immediate outcomes and what PNG must demonstrate under each.

3.1 Immediate Outcome 1 — National Risk Assessment (NRA)

The National Risk Assessment is a foundational action item due in September. PNG began a consultation process last year but decided to pause publication because the document will be public and must be properly informed. A second round of stakeholder consultations is currently underway.

To satisfy IO 1, PNG must demonstrate that:

- The NRA is completed and published.
- Awareness of the findings has been communicated across all relevant sectors.
- The understanding gained from the NRA has been translated into the national strategic plan.
- Law enforcement agencies have aligned their priorities with the identified risks — due May 2027.

3.2 Immediate Outcome 2 — International Cooperation

This is one of the most challenging benchmarks. FATF's assessors identified clear evidence that illicit funds are flowing from PNG into overseas jurisdictions which are being parked in foreign properties, bank accounts, and other assets. The key question FATF asks is: why is PNG not using its existing legal framework to pursue these funds?

The Mutual Legal Assistance (MLA) framework which is governed by the Department of Justice is the enabling tool. It allows PNG to:

- Request that foreign jurisdictions freeze or seize assets linked to PNG investigations.
- Pursue extradition of suspects living abroad.
- Obtain financial evidence from foreign jurisdictions.

PNG has used this framework in limited instances. Mr Onea cited, as a matter of public record, the case of a named individual whose funds are connected to Westpac and who is currently overseas. PNG has been unable to pursue that individual because the MLA request to Australia has not been acted upon.

To satisfy IO 2, PNG must demonstrate at least five successful MLA actions - investigations, asset seizures, or prosecutions that span jurisdictions. This requires that domestic investigations are commenced first, since the MLA framework can only be triggered once an investigation is underway.

3.3 Immediate Outcomes 3 & 4 — Supervision of Financial Sector and DNFBPs

PNG has historically performed better in supervising its financial sector, particularly commercial banks rather than in supervising Designated Non-Financial Businesses and Professions (DNFBPs), which include:

- Lawyers and law firms.
- Accountants and accounting firms.
- Real estate agents and developers.

FASU conducted an awareness session with financial institutions on the morning of this presentation. The goal is to extend this engagement to the DNFBP sector which historically are under-supervised, so that those entities understand their AML/CTF reporting obligations and begin submitting Suspicious Matter Reports (SMRs). FASU also noted that while the financial sector submits SMRs frequently, reporting from the DNFBP sector is minimal. Increasing their awareness should lead to more intelligence flowing to FASU from these sectors by 2027.

3.4 Immediate Outcome 7 — Law Enforcement, Prosecutions and Asset Forfeiture

IO 7 is the centrepiece of PNG's obligations and the most politically and operationally challenging. FATF requires PNG to demonstrate:

- Active money laundering investigations.
- Successful prosecutions of money laundering offences.
- Asset confiscation and forfeiture — not just investigations, but actual outcomes.

Mr Onea was explicit: cases involving small amounts such as K50,000, K100,000 or even K200,000 will not satisfy FATF given PNG's known risk profile, where corruption exists at the millions level. FATF will ask: why are you pursuing minor cases when the known risk involves high-value, high-profile individuals and entities that are compromising PNG's systems of government?

3.5 Immediate Outcomes 9, 10 & 11 — Sanctions Implementation

These three outcomes relate to PNG's implementation of UN and FATF sanctions. A small sanctions secretariat sits within the Prime Minister's Department and is responsible for:

- Issuing sanctions listings in real time.
- Publishing those sanctions publicly.
- Ensuring that financial institutions and businesses are aware of and comply with current sanctions lists.

Mr Onea assessed these as achievable action items and that they do not require major resources, just commitment and administrative follow-through. IOs 9, 10 and 11 are therefore considered 'low-hanging fruit' that can be completed relatively quickly alongside the more demanding enforcement-focused outcomes.

4. Task Force Arrow — PNG's New Financial Intelligence Enforcement Unit

One of the most significant developments discussed in this presentation was Task Force Arrow a joint enforcement initiative established in the latter part of 2024.

4.1 Composition and Mandate

Task Force Arrow is a cross-agency body co-led by FASU and the Royal Papua New Guinea Constabulary (RPNGC), specifically headed by the Police Commissioner. It also involves the State Solicitor's office (the State Prosecutor). Its mandate is:

- FASU disseminates financial intelligence — sourced primarily from Suspicious Matter Reports (SMRs) submitted by commercial banks and other reporting entities, which FASU analysts process on a near-daily basis.
- When intelligence reaches a threshold suggesting grounds for investigation or prosecution, FASU refers it to Task Force Arrow.
- The task force then takes action — investigation, arrest, asset freezing, or prosecution.

4.2 Early Results

Despite only being established in late 2024, Task Force Arrow has already recorded some notable results:

- K200 million in funds frozen which was announced approximately three weeks prior to this presentation.
- Two aircraft intercepted at the airport carrying millions of kina.

Mr Onea was candid that while these early results are positive and provide a 'good story to tell,' they are not yet sufficient. FATF needs to see sustained, high-profile enforcement activity over the full period leading to January 2028.

4.3 The Challenge of High-Profile Prosecutions

Mr Onea acknowledged, a fundamental difficulty in pursuing high-profile cases: those who are most implicated in financial crime are often the least likely to trust the process and have the most resources to resist it. Political interference and a lack of institutional independence for law enforcement make high-value prosecutions extremely difficult to mount and sustain. This structural issue must be addressed for Task Force Arrow to fulfil its mandate.

5. Correspondent Banking Relationships — The Commercial Stakes

Mr Onea connected FASU's supervisory role directly to the commercial interests of PNG's banks. This context is important for businesses to understand why regulatory credibility matters in practical terms.

PNG's commercial banks, particularly BSP can maintain correspondent banking relationships with foreign banks. These relationships are what allows PNG to conduct international transactions: wire transfers, trade finance, foreign exchange, and cross-border payments. Correspondent banks essentially vouch for their PNG counterparts within the global financial system.

However, these correspondent banks assess the credibility of their PNG partners partly based on whether the PNG regulator (FASU) is visibly and effectively doing its job. If FASU is not demonstrably regulating the financial sector, the correspondent banks become uncomfortable with the relationship and may begin charging higher fees, imposing additional requirements, or in the worst case, withdrawing the relationship entirely.

6. Comparison with PNG's Previous Grey Listing (2014)

6.1 The Old Methodology — Technical Compliance Only

When PNG was previously grey-listed (2014), FATF's methodology focused primarily on technical compliance — whether countries had the correct laws in place. Countries could exit the grey list by passing legislation and ticking legal boxes. PNG exited in approximately 18 months under this approach, partly through the establishment of FASU itself as a condition of exit.

6.2 The New Methodology — Demonstrated Effectiveness

FATF recognized that many countries were gaining the technical compliance approach which was passing laws but doing nothing with them. In response, FATF added a new, harder criterion: demonstrating the effectiveness of those laws in practice. Countries must now show that the laws are being enforced, that investigations are being conducted, that prosecutions are occurring, and that outcomes are being achieved.

PNG's current situation reflects exactly this pattern: laws were passed after the previous grey listing but were largely not enforced. When the 2024 assessment examined effectiveness over the past five years, the gap between legal frameworks and actual enforcement was clearly exposed. This is why the current grey listing is far more difficult to exit than the previous one.

SPEAKER 2: EMMANUEL AURU, PRINCIPAL & CO FOUNDER, KIVA FINACIAL CRIME ADVISORY LIMITED

AGENDA ITEMS:

1. What is the FATF Grey Listing?

- Financial Action Task Force (FATF), the global standard setting body for financial crime control. Financial institutions worldwide rely on FATF assessments to understand the risk profiles of different jurisdictions.

- When a country is grey-listed, it means weaknesses have been identified in its financial crime framework, but the country has committed to addressing those gaps through an agreed action plan.
- Grey listing does not prohibit financial transactions. It signals to banks and international partners that additional vigilance is required.
- It reflects the international financial system's response to perceived risk, not an outright sanction.

2. Why was PNG Grey Listed?

FATF has identified several areas where PNG's AML/CTF framework needs strengthening:

- Effectiveness of money laundering investigations and prosecutions
- Confiscation of criminal proceeds
- Beneficial ownership transparency
- Supervision of some regulated sectors
- Implementation of targeted financial sanctions

3. PNG's Financial Crime Risk Environment

The National Risk Assessment highlighted that financial crime risks are rarely isolated. They are often connected to broader economic activities, including:

- Natural resource sectors (e.g., illegal logging and fishing).
- Government procurement processes.
- Cross-border trade
- Tax offences

These sectors represent important parts of PNG's economy but also create opportunities for criminal proceeds to enter the financial system. This is why international standards focus heavily on transparency and governance within financial transactions.

4. What the FATF Mutual Evaluation Reveals

The FATF Mutual Evaluation Report (MER) assessed PNG's financial crime environment and identified both areas of progress and areas requiring improvement. Mr Onea stressed, that the evaluation is not entirely negative, noting that some parties have sought to weaponise the listing for political purposes, which risks creating unnecessary uncertainty.

1. Recognized Progress

The MER acknowledges that PNG has made meaningful progress in several areas:

- The Financial Analysis and Supervision Unit (FASU) was recognized as producing valuable financial intelligence.
- Supervision of the banking sector has improved in recent years.
- The country already has important building blocks in place for a functioning AML/CFT framework.

2. Identified Weaknesses

The evaluation also identified critical weaknesses that resulted in PNG being placed under increased monitoring:

- Weaknesses in enforcement of financial crime legislation.
- Gaps in supervision of non-banking financial sectors.
- Insufficient transparency in financial transactions.
- Limited effectiveness in investigating and confiscating criminal proceeds.

5. PNG'S FATF Action Plan

There are seven main actions plans:

1. Improving understanding of money laundering risks
2. Strengthening international cooperation
3. Enhancing risk-based supervision of banks and higher-risk sections
4. Increasing money laundering investigations and prosecutions
5. Expanding confiscation of criminal proceeds
6. Strengthening understanding of targeted financial sanctions
7. Addressing technical compliance gap

6. Implications of Grey Listing on Businesses

1. Banking and Due Diligence

Financial institutions that operate under global anti-money laundering (AML) standards typically respond to grey listing by:

- Strengthening their due diligence and transaction monitoring processes.
- Requesting additional documentation from customers and counterparties.
- Asking more questions around the purpose and context of certain transactions.

Most transaction delays occur not because something illegal has happened, but because the bank cannot adequately understand the transaction. Financial institutions are required to assess whether a transaction makes sense within the context of the business relationship.

2. Practical Steps for Businesses

Mr Auru emphasised, that businesses do not need to build complex, expensive AML frameworks. However, there are practical, high-impact steps that can significantly reduce friction in the financial system:

- Know your beneficial ownership: Understand who ultimately owns your business and related entities. Complex or unclear ownership structures attract additional scrutiny.
- Maintain clear transaction records: Keep documentation that clearly explains the commercial purpose of transactions. Banks are trying to verify legitimacy, and clear records make that easier.
- Ensure transparency in all financial dealings: Transparency is the most effective tool for reducing transaction delays and compliance burdens.

- Prepare for more questions: As PNG progresses through its action plan, due diligence expectations will rise. Businesses that are prepared will adapt more easily.

6.1 The Broader Context

Mr Onea, drew attention to PNG's position within the global financial system, urging businesses and policymakers to view the grey listing not as an external imposition but as a reflection of the interconnected global financial environment.

6.2 The System as a Whole

Mr Onea used the analogy of a structural system, like a bridge, to explain financial regulation: just as every component must carry its share of the load, every participant in the financial system must contribute to its integrity. If one part weakens, pressure is felt across the entire structure.

6.3 Governance and Board Responsibility

Boards and senior executives should be asking whether their organizations are prepared for increased scrutiny within the financial system. This does not necessarily require large compliance departments, but it does require:

- Awareness of ownership structures.
- Commitment to transaction transparency.
- Embedding governance fundamentals across the organization.

6.4 Rising to Global Standards

Rather than viewing global AML/CFT requirements as burdensome external demands, Mr Onea encouraged businesses to see them as the expected standard of operating in a global marketplace. PNG's grey listing is, in part, an invitation to align more fully with international financial norms

Q&A SESSION

The following sections summaries the key questions raised from the floor and the substantive responses provided by the panel. Questions are grouped thematically for clarity.

Enforcement: Declining Prosecutions and Rising Funding

Question:

Data from the ANU Development Policy Centre shows that senior-level financial crime prosecutions have dropped significantly through 2024, even as funding allocations for prosecution activities have increased. Did this come up during FATF's research?

A Response from Panel

The panel confirmed that the decline in investigations and prosecutions is a well documented and acknowledged issue, it is one of the primary reasons PNG was grey-listed. However, the

panel challenged the ANU finding that funding has increased, noting that the Mutual Evaluation Report specifically highlights that enforcement agencies are severely under-resourced. The action plan requires PNG to demonstrate that adequate resources, both financial and human, are being committed to key enforcement agencies. FATF will assess this by reviewing budgets and manpower allocations across the relevant agencies. Until that commitment is demonstrated convincingly, PNG remains under enhanced monitoring.

High-Risk Jurisdictions and Destinations of Illicit Funds

Question:

Is there a primary destination country for illicit money flowing out of PNG? Or is it broadly spread across multiple jurisdictions?

A Response from Panel

The panel confirmed there is no single primary destination country. High-risk jurisdictions are well-documented internationally - commonly known tax havens globally and regionally are listed in PNG's AML Act. PNG itself is classified as a high-risk jurisdiction due to its grey-listing status. Enhanced due diligence is expected for all transactions to and from high-risk jurisdictions. The panel noted, with some candour, that Australia - PNG's largest economic partner, has been identified in some contexts as a destination for certain flows, including real estate. Australia is also undergoing its own FATF Mutual Evaluation in 2025, at which point PNG intends to formally raise outstanding requests for international cooperation that have gone unanswered for over six years.

Political Interference and Enforcement Capacity

Question:

Political influence is a massive factor in enforcement failures. Funding goes up but prosecutions go down because of political interference. Law enforcement officers also lack training in financial crime as it is not taught in universities here. How does this get addressed?

A Response from Panel

The panel strongly agreed with this observation. Key points made included: law enforcement agencies' traditional focus is on crimes like armed robbery and domestic violence — they are ill-equipped to investigate complex financial crime transactions. Financial crime investigation requires specialized training that is largely absent from PNG's education and training systems. Political interference directly suppresses enforcement activity. Meaningful reform requires granting law enforcement agencies genuine operational autonomy, freeing them from political interference in both government and private sectors. The grey listing itself was seen as a forcing

function which can be an opportunity to flush out these systemic bad behaviours and drive real reform.

FATF Assessment Methodology

Question:

Does FATF assess PNG on the same basis as developed countries, or does it take into account our constraints — legal infrastructure, 50 years of structural challenges, limited resources?

A Response from Panel

The panel provided a detailed response, drawing on direct experience as a FATF assessor. The methodology is not a one-size-fits-all approach - it is risk and context-based, taking into account the size and complexity of each country. The assessment covers a five-year window of effectiveness. FATF looks at a country's top five risks and assesses whether adequate resources have been committed to address them. The assessors do not accept we don't have resources' as an explanation they want to know whether the country has committed enough resources, and if not, why not, and when it will. Reports go through multiple layers of quality review before publication, including a regional panel and the full FATF plenary, where PNG had the right to defend its report. PNG successfully argued against being treated as a high-risk country like the Philippines or Indonesia.

2.5 International Cooperation — Australia and Mutual Legal Assistance

Question:

Australia has been a major destination for certain flows. Given the mutual legal assistance treaty requirements, has cooperation been effective? And how does PNG's enforcement compare to Australian bank penalties (e.g., Westpac's \$1.2 billion fine)?

A Response from Panel

The panel acknowledged that international cooperation has been asymmetrical. PNG responds promptly to incoming international legal assistance requests — typically within one to six months depending on complexity — and did so well during the 2024 evaluation, responding to six cases effectively. However, PNG's outgoing requests to other jurisdictions, some over six years old, remain unanswered. This imbalance will be formally raised during Australia's 2025 FATF evaluation, when member countries are asked to comment on the effectiveness of international cooperation. On the comparison with Australian bank fines — while banks like Westpac faced heavy penalties (over \$1.2 billion) for AML failures, Australia had the institutional infrastructure to handle those consequences. PNG lacks comparable infrastructure, which is reflected in why it faces grey listing rather than fines.

PNG's Action Plan Timeline and the 2027 Elections

Question:

The current geopolitical and domestic environment — including conflicts and instability — could disrupt progress. Is a two-to-three-year timeline realistic?

A Response from Panel

The panel indicated the immediate concern is not external geopolitical conflict but the 2027 national elections, which represent PNG's biggest internal risk to the action plan timeline. Key disruptions include: interruption to government reporting cycles required by FATF; potential turnover among the 23 heads of agencies on the National Coordinating Committee (NCC); contracts and appointments coming up for renewal. The action plan runs to 2028, with 18 action items at various due dates. The strategy is to front-load as much progress as possible in 2025, before the election period disrupts momentum. Two critical action items are due in September 2025 — amendments to AML legislation and the publication of a national risk assessment, with a target of completing these by July 2025.

Compliance Burden on Businesses

Question:

Different banks send different KYC forms with different formats and different timelines — this is disruptive and burdensome for businesses. Can financial institutions standardize their requirements so businesses know what to prepare once and are done?

A Response from Panel

The panel acknowledged this as a legitimate business concern. Responses from multiple panelists included: Full standardization across banks is difficult because each institution applies its own risk framework and risk appetite (for example, Westpac PNG applies the standards of its Australian parent company, resulting in a higher compliance threshold than domestic banks). BSP is currently undergoing a digital transformation to simplify its forms and apply a risk-based approach — asking only for the minimum mandatory AML requirements for each customer tier.

Simplified due diligence applies to low-risk customers; enhanced requirements apply to high-risk customers and Politically Exposed Persons (PEPs). The panel encouraged regulatory guidance that standardizes minimum baseline requirements, while acknowledging that banks cannot currently share customer information with each other due to legal restrictions. At a minimum, businesses should focus on: clearly articulating source of funds, business structure and ownership, and the purpose of each transaction.

Government for Reform and Technical Assistance

Question:

Is there genuine government appetite for reform? And is technical assistance from development partners being sought to build the capacity of agencies?

A Response from Panel

On political will: FATF requires more than verbal commitment — it required a formal letter of undertaking from the Prime Minister. Sustained political will must be demonstrated through actual delivery of action items over the next two years. The panel noted candidly that the people who caused this problem are largely within government agencies, yet the impact is felt primarily by the private sector and businesses. On technical assistance: substantial support is already being mobilised. The US Office of Technical Assistance completed a scoping visit to meet all 23 NCC agencies. The World Bank visited the following week. Existing development partners — ADB, World Bank, IMF, and the Norwegian Government (focused on illegal logging and illicit fund flows) — are providing ongoing support. The panel is working to coordinate these offers to avoid duplication and run a matchmaking exercise connecting agency needs with the right partners. Conditions on development loans should be tied to FATF compliance to ensure accountability.

The Unbanked Population and Cash Economy

Question:

A significant portion of PNG's population remains unbanked, and there are large informal cash flows — especially during elections. New AML rules risk pushing people further away from the formal banking system and into the black economy. Is FATF aware of this, and how is it being addressed?

A Response from Panel

The panel described this as one of the most complex and challenging aspects of PNG's financial crime environment. Key points included: Tracking physical cash at scale across PNG would require thousands of additional staff deployed nationally — a currently impossible resource challenge. Proposed solutions include: legislating biometrics as an acceptable form of ID to bring more people into the banking system; enabling inter-bank information sharing (currently prohibited by law); ensuring every citizen with a bank account uses it, reducing reliance on cash. Deeper structural reforms are also necessary: law enforcement agencies need genuine operational autonomy from political interference; revenue-generating agencies (tax office, customs, immigration) should be able to retain a portion of collections to fund their own operations — the model used successfully by the National Fisheries Authority; independent boards should provide governance oversight over such agencies. The panel emphasised that reforms must be sustainable beyond just meeting FATF's immediate requirements — otherwise PNG risks returning to grey listing in its next evaluation cycle (potentially 2031-32, with evaluations moving to every five years).

Government Procurement and Connect PNG

Question:

Should the government review or refrain from activities that raise red flags, such as Connect PNG, given the money involved and lack of oversight?

A Response from Panel

The panel confirmed that FATF is not focused on a single programme as it expects PNG to investigate and prosecute cases across all of its top five identified financial crime risks: tax evasion, illegal logging, illegal fishing, government procurement fraud and corruption, and bribery. Connect PNG was acknowledged as a legitimate concern around governance and oversight, and the panel was candid that shared concerns exist. However, the formal obligation is to demonstrate an appetite to investigate and prosecute corruption across all risk categories — not to target any single project. The role of FATF is to require that PNG's enforcement agencies demonstrate effectiveness through actual cases.

CLOSING REMARKS

Mrs. Carmella Gabina, Executive Director, Business Council of PNG

This was a brief closing remarks by Carmella, where she expressed gratitude to all participants for attending and emphasized the value of practical engagement with regulators. She also thanked the moderators Maygen and Moses and speakers for their valuable insights. The workshop demonstrated the critical importance of collaboration and staying informed across three key sectors: government, financial institutions, and the private sector. Carmella concluded by thanking the council on behalf of everyone involved, reinforcing the value of collective efforts in bringing these different sectors together for meaningful dialogue and learning.