

# BUDGET BRIEF

GUINN  
ACCOUNTANTS



## Contents

• Overview of the 2026 Budget	1
• Economic Developments & Outlook	2
• Key Economic Assumptions	2
• Fiscal Strategy & Outlook	3
• Revenue	3
• Expenditure	4
• Financing & Debt Management Strategy	5
• Tax and Non-tax Measures & Developments	5



## Security with Growth

The 2026 National Budget, themed “Security with Growth,” continues the Marape-Rosso Government’s commitment to Budget Repair, targeting a surplus by 2027 and full debt repayment by 2034.

Following PNG’s 50th Independence Anniversary in 2025, the budget emphasises inclusive growth, macroeconomic stability, and prudent fiscal management to ensure long-term debt sustainability.


## Key Highlights

- More massive investments in law and justice sectors of K761 million, with 9.6% increase from the last year’s budget.
- Assisting families with cost-of-living pressures that will include Household Assistance Package of K1 million.
- Investment in human and capital resources with the largest budget of K30.9 million in PNG’s history.
- Significant investments in infrastructure with a record Public Investment Program (PIP) of K7.6 million, which is 277% higher than the K2 million investment in PIP in the 2018 year;
- Substantial investments in human capital through health and education sectors of K4.9 million and K3.2 million, respectively.
- Greater investments in the agriculture sector.
- Strong support for Provincial Funding including a 44% increase in functional grants over the last two years from K535 million to K770 million and 30% increase in GST and Bookmakers distribution from K980 million in 2024 to K1.2 billion in 2026.
- Inclusive economic growth that will provide more jobs, income and revenue to fund larger budgets.

## Strategic Alignment

The budget aligns with the 13-Year Budget Repair Plan (2022), the Medium-Term Revenue Strategy (2023-2027), the Medium-Term Debt Strategy (2024-2028), and the Medium-Term Development Plan IV (2023-2027). It is further guided by Vision 2050, DSP (2010-2030), StaRS, and the Reset@50 Roadmap.

 [www.guinn.com.pg](http://www.guinn.com.pg)

 +675 3210110

## Economic Developments & Outlook

The 2026 National Budget, themed “Security with Growth,” continues the Marape-Rosso Government’s commitment to Budget Repair, targeting a surplus by 2027 and full debt repayment by 2034.

Following PNG’s 50th Independence Anniversary in 2025, the budget emphasizes inclusive growth, macroeconomic stability, and prudent fiscal management to ensure long-term debt sustainability.

- agriculture, forestry and fishery sector – 3.1%
- wholesale and retail sector – 4.8%
- administrative and support services – 5%
- public administration and defence – 5.5%
- Information and communication – 8%

The 2.5% growth in the resource sector is driven mainly by increased output in the mining and quarrying industry, which is projected to grow by 8.3%, underpinned by increased gold and copper production. Gold production is expected to increase as the Porgera mine returns to near full operating capacity. In contrast, the Oil and Gas sector is projected to contract by 0.7% due to lower oil output, consistent with the natural decline in oil reserves. LNG and condensate production are expected to remain stable in line with normal operating capacity.



In 2026, inflation is projected to average at around 4.2% driven largely by inflation in major trading partners, especially Australia, and expectations of continued Kina depreciation. These pressures are moderated by deflationary impacts from reducing the budget deficit. Inflation would have been notably higher without the extension of the GST exemption under the Household Assistance Package to December 2026.

## Risks to Economic & Fiscal Outlook



### Macroeconomics risks

- global economic uncertainty
- commodity price volatility
- foreign exchange issues
- public debt and liquidity risks
- law and order issues
- natural disasters
- cyber-attack risk
- grey listing
- upcoming new resource projects



### Fiscal risks

- unbudgeted expenditures of commitments
- shortfall in dividend collections
- implementation of Non-Tax Administration Act 2022
- reduction in tax collections due to tax exemptions and incentives



### Financing risks

- high dependance on domestic borrowings which result to high interest costs
- exchange rate risks on external loans

## Key Economic Assumptions

	2026 Budget	2025 Budget	2024 Actual
<b>Real GDP Growth (%)</b>			
Total GDP	4.0	4.5	3.8
Resource GDP	2.5	4.3	
Non-Resource GDP	4.5	4.6	4.5
<b>Inflation</b>			
Year Average (%)	4.2	4.0	0.6
Dec on Dec (%)	4.7	3.0	0.7
<b>Exchange Rate</b>			
Real Exchange Rate Index	109.0	118.8	118.1
<b>Interest rate</b>			
Kina Rate Facility (KFR)	5.0	4.3	2.9
Inscribed Stock (3-year yield)	7.2	-	5.6

Source: Department of Treasury

### Agriculture Prices

	2026 Budget	2025 Budget	2024 Actual
Copra	3,043	2,917	2,730
Cocoa	30,664	33,850	28,303
Coffee	34,737	34,544	21,633
Palm Oil	4,429	4,162	3,707
Rubber	4,063	4,063	4,063
Tea	3,859	3,699	3,749
Copra Oil	10,221	6,245	5,843
Logs (K/m <sup>3</sup> )	386	370	337

### Mineral Prices

	2026 Budget	2025 Budget	2024 Actual
Gold (US\$/ounce)	3,540	3,657	2,387
Copper (US\$/tonne)	9,940	9,648	9,142
Oil (US\$/barrel)	66.0	66.2	79.2
LNG (US\$ per '000 cubic feet)	11.7	12.3	12.8
Condensate (US\$/barrel)	66.0	66.2	79.2
Nickel (US\$/tonne)	15,643	15,231	16,816
Cobalt (US\$/tonne)	34,123	31,022	26,327





# Fiscal Strategy & Outlook

The 2026 budget involves creating fiscal space to meet the country's development needs while strengthening buffers against potential shocks. This includes cutting inefficiencies, auditing payrolls to remove "ghost employees", controlling expenses, and improving oversight of development funds to support provincial growth.

Over the medium term, GoPNG will disburse operational funds and allocate resources to maintain infrastructure, strengthen security, and invest in human capital. Ongoing support will also be provided to the police and defence forces, as well as for preparations for the 2027 National Elections.

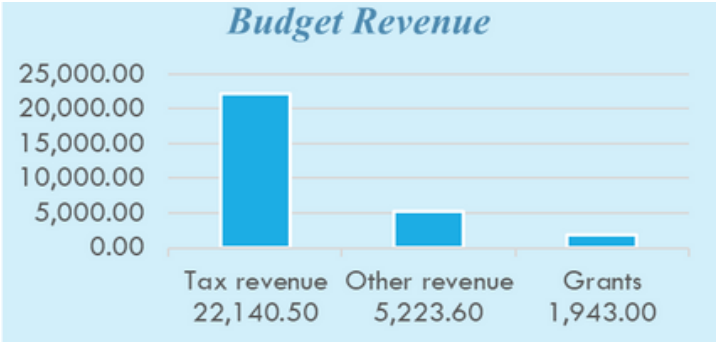
- Go PNG's Medium-Term Revenue Strategy (2023-2027) (MTRS) aims to strengthen the revenue base to support the Government's medium- and long-term expenditure plans. It will focus on modernising tax administration and strengthening compliance to boost revenue collection and promote fiscal sustainability. In 2026, GoPNG revenue is expected to be 18.8% of GDP. This is higher than the 17.9% revenue target by 2027 set out in the MTRS.
- The Medium-Term Debt Strategy (2024-2028) (MTDS) aims to provide low-cost financing within prudent risk limits to safeguard macroeconomic stability. GoPNG is managing domestic and external borrowing to lower financial risks.

GoPNG is committed to lowering the budget deficit from 2.2% of GDP in 2025 to 1.1% in 2026, continuing the decline from the peak deficit of 8.9% recorded in 2020 during the Government's COVID-19 response.



## Revenue

All key revenue sources are expected to grow, with total domestic revenue (excluding grants) projected to reach a record of K27.4 billion.



In 2026, PNG's internal revenues are projected to rise by K3,456.1 million to K27,364.1 million (18.8% of GDP). These gains are driven by favourable mineral prices, the completion of KPHL's LNG project financing obligations, stronger compliance efforts, and increased production at the Porgera mine.

## Revenue Strategy

In 2026, total revenue and grants are projected to be 15.4% higher than the 2025 budget, driven by increased SOE resource dividends, improved GST collections through the new GST Monitoring System, ongoing implementation of NTRA 2022, strengthened tax administration and compliance under the Tax Administration Act 2017 and with the implementation of new Income Tax Act 2025 starting 1 January 2026 and K650 million retained by NTRA recognised as government revenue collections.

## Expenditure Strategy

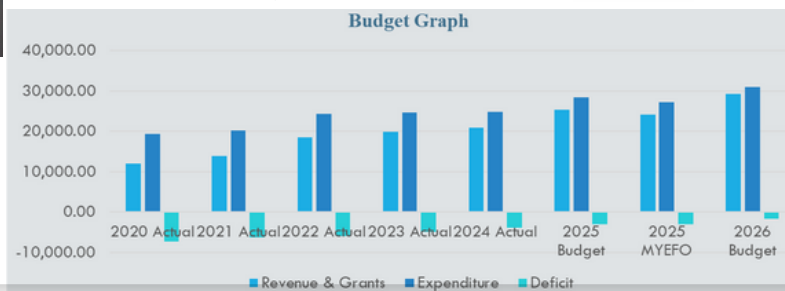
Total expenditure and net lending in 2026 is projected to be 21.2% of GDP. Operational expenditure is expected to rise slightly to support key services in health, education—including teacher salary adjustments—and law and order. With expanded capital investment in roads, hospitals, universities, and other infrastructure, operating costs will also increase to cover maintenance and operations.

## Fiscal Indicator

To meet fiscal and development objectives, GoPNG projects revenue of K29.3 billion against a budgeted expenditure of K30.9 billion, resulting in a projected deficit of K1.6 billion—the lowest since 2012. PNG's debt to GDP ratio drops significantly from 48.4% in 2025 to 45.5% in 2026 and expected to fall to 42% in 2027.

	2026 Budget	2025 Budget	Budget Variation
In million kina			
Revenue & Grants	29,307.1	25,408.0	3,899.1
Expenditure	30,915.2	28,357.2	2,558.0
Deficit	-1,608.1	- 2,949.2	1,341.1
% of GDP			
Revenue & Grants	20.1%	19.1%	1.00%
Expenditure	21.2%	20.7%	0.5%
Debt to GDP ratio	45.5%	48.4%	-2.9%

Source: Department of Treasury



Other Revenue is expected to grow by K2,516.5 million (3.6% of GDP) to K5,223.6 million in 2026. The increase comes from higher dividend payments under the new Dividend Policy, strong gold and mineral prices, the end of PNG LNG partners' debt repayments, and higher collections from the NTRA Act 2022 and departmental fees and charges.

Donor Grants are projected to rise by K443.0 million (29.5%) to K1,943.0 million from the 2025 budget estimate.



## Revenue by Source

	2024	2025	2025	2026	Budget
<i>In million Kina</i>	Outcome	Budget	MYEFO	Budget	Variation
<b>Total Revenue and Grants</b>	<b>20,826.3</b>	<b>25,408.0</b>	<b>24,225.2</b>	<b>29,307.1</b>	<b>3,899.0</b>
<b>Taxes</b>	<b>18,447.1</b>	<b>21,201.0</b>	<b>19,995.7</b>	<b>22,140.5</b>	<b>939.5</b>
Taxes on income, profits & cap. gains	12,364.8	13,707.6	13,626.9	14,879.3	1,171.7
Taxes on payroll & workforce	0.3	1.0	2.5	2.3	1.3
Taxes on goods & services	5,320.2	6,553.4	5,565.4	6,358.0	-195.4
Taxes on international trade & transaction	761.8	938.9	801.0	901.0	-38.0
<b>Grants</b>	<b>1,180.6</b>	<b>1,500.0</b>	<b>1,774.0</b>	<b>1,943.0</b>	<b>443.0</b>
From Foreign Governments	757.9	1150.0	1374.0	1453.5	303.5
From International Organisations	422.7	350.0	400.0	489.5	139.5
<b>Other Revenue</b>	<b>1,198.6</b>	<b>2,707.0</b>	<b>2,455.5</b>	<b>5,223.6</b>	<b>2,516.5</b>
Property income	700.3	1,638.0	1,686.5	3,404.2	1,766.1
Sales of goods and services	14.8	16.7	16.7	26.1	9.4
Fines, penalties, and forfeits	1.3	2.7	2.7	2.2	-0.5
Other transfers	482.1	1,049.6	749.6	1,791.1	741.5

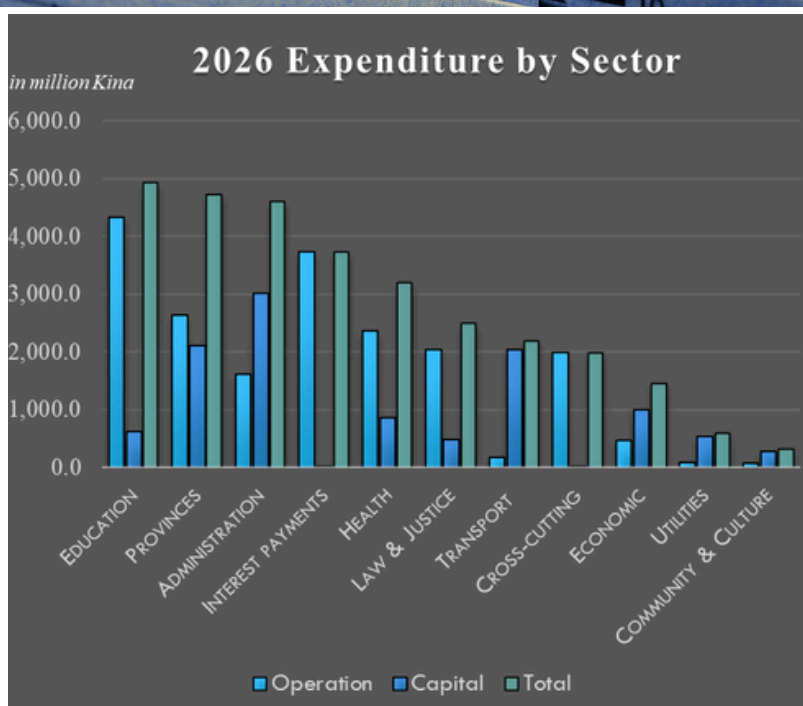


Source: Department of Treasury

## Expenditure

The total estimated expenditure for the 2026 Budget is K30,915.2 million including K650 million NTRA agencies expenditure. The net amount of K30,265.2 have been allocated across all government sectors to fund their programs and projects in 2026.

	<i>in million Kina</i>
<b>Operational</b>	
Compensation of Employees	8,193.5
Goods and Services	5,438.3
Provincial Functional Grants	770.0
GST & Bookmakers	1,274.5
	<b>15,676.2</b>
<b>Debt (interest repayment)</b>	<b>3,723.0</b>
<b>Capital Investment</b>	
GoPNG	7,697.0
Concessional Loans	1,226.0
Donor Grants	1,943.0
	<b>10,866.0</b>
<b>Total Expenditure</b>	<b>30,265.2</b>



Source: Department of Treasury

The 2026 operational budget comprises 64.1% of the total expenditure budget.

The capital investment budget supports Vision 2050 and MTDP IV by funding programs across 12 Special Priority Areas, divided into 71 Deliberate Intervention Programs, to drive infrastructure development and economic growth.

More than half of the total expenditure is allocated to key sectors including education, provincial governments, administration, and health. This prioritisation reflects the government's focus on improving access to quality education, strengthening local governance and provincial services, ensuring efficient administrative operations, and enhancing healthcare delivery across the country. These sectors are considered essential for human development, service delivery, and overall national growth.





## Financing & Debt Management Strategy

The net borrowing requirement under the 2026 budget is projected to K1,608.2 million, which will be financed by engaging multilateral and bilateral partners. The strategy focuses on lowering the cost of borrowing costs, mitigating risks and maintaining a healthy, efficient domestic debt market. The deficit will lead to gross government debt of K66,215.7 million, which represents a 2.8% reduction in Debt to GDP from the 2025 budget.

Major external source of gross financing include loans from Asian Development Bank (US\$ 150.0 million), Asian Infrastructure Investment Bank (US\$ 100.0 million) and International Monetary Fund (US\$ 337.9 million).

GoPNG will continue its domestic borrowing program through the issuance of government securities such as Treasury Bills and Bonds.

	2024	2025	2026
<i>In million Kina</i>	Actual	MYEFO	Budget
<b>Domestic Borrowings</b>	29,948.5	30,809.7	30,892.8
Securities	29,071.4	30,168.3	29,824.7
Loans	877.1	641.4	1,068.1
<b>External Borrowings</b>	31,709.4	33,797.8	35,322.8
Monetary Gold & SDR's	1,244.1	1,244.1	1,244.1
Sovereign Bond	1,897.0	1,897.0	1,897.0
Loans	28,568.4	30,656.7	32,181.7
<b>Total Borrowings</b>	61,658.2	64,607.50	66,215.60
<b>Debt to GDP %</b>	50.9%	48.4%	45.5%
<b>GDP</b>	121,171.0	133,365.0	145,601.0

Source: Department of Treasury



## Tax and Non-tax Measures & Developments

### Major Revenue Policy Measures

#### Good and Services Tax

- Extension of Household Assistance Package

The government introduced a household assistance package in 2025 to assist families in dealing with the rising prices of basic necessities. As part of this package, GST on essential household goods (baby diapers, soap, biscuit, cooking oil, flour, chicken, noodles, rice, sanitary pads and tampons, tea, coffee, tinned fish and tinned meats) will be zero-rated for a period of 12 months, from 1 July 2025 to 30 June 2026. This package has been extended for a further six months from 1 July 2026 to 31 December 2026.

- Extend the Scope of GST Monitoring System Beyond Companies

The government is broadening the GMS coverage to include all taxpayers, facilitating more complete tracking of sales transactions.

#### Excise Tariff

- Extension of Household Assistance Package

In 2025, the government imposed a one-year freeze on the bi-annual excise indexation on the rates for alcohol and tier-1 tobacco products for twelve months from 1 December 2024 to 30 November 2025. The government further extends the freeze for another 12 months from 1 December 2025 to 30 November 2026.

- Diesel Excise Rate

To reinforce PNG's commitments on climate commitments, the government will increase the diesel excise rate from K0.23 per liter to K0.29 per liter effective 1 January 2026.

### Income Tax

- Income Tax Regulation 2025

In March 2025, the National Parliament enacted the new Income Tax Act 2025 (ITA25), scheduled to take effect on 1 January 2026. To support its effective implementation, the Income Tax Regulation 2025 (ITR) needs to be amended to align with the provisions of the ITA25.

- Introduction of Tax Credits for Petroleum Levy

The National Petroleum Authority Act 2025 was recently enacted by Parliament formally transforming the Department of Petroleum into the National Petroleum Authority (NPA). Under this Act, all petroleum producers will be subject to a 0.5% levy on the gross revenue effective 1 January 2026.

- Operationalising the Tax Administration Act 2017

With the passing of the new Income Tax Act 2025 and the rollout of IRC's new Integrated Tax Administration System, the TAA will be implemented effective 1 January 2026 to provide a consistent legal platform for registration, filings, assessments, audits and compliance.

- Amendments to Infrastructure Tax Credit Scheme

The amendments include:

- increasing standard ITC from 2% to 3% of assessable income;
- increasing special ITC rate for PNG LNG from 1.25% to 3.0%; and
- introduction of compulsory requirement to spend 0.5% of the assessable income from the 3.0% ITC rate threshold on Autonomous Region of Bougainville.

- IRC Oversight Board

To enhance governance, strategic direction and institutional performance within IRC, the Government will introduce an IRC Oversight Board that will come into effect on 1 January 2026.

### Minor Policy Measures

The government announced the removal of the 2% tax on superannuation withdrawals for retirees who have served more than 15 years in the company. This measure aims to recognise and reward the significant contributions these employees have made throughout their careers, while also encouraging other employees to remain in the company.

### Non-tax Policy Measures

The government will continue to implement the Non-Tax Revenue Administration Act 2022 through the interim arrangement. It will be terminated on a date set by the Treasurer through National Gazette publication.

A faint, light-colored map of Papua New Guinea serves as the background for the page. It shows the main island and surrounding islands, with various locations labeled in a small, light font. The map is oriented with North at the top.

## Contact us

### Phone

+675 321 0110

### Email

[info@guinn.com.pg](mailto:info@guinn.com.pg)

### Website

[www.guinn.com.pg](http://www.guinn.com.pg)

### Disclaimer:

The material contained in this publication is in the nature of general information and statements only and neither purports, nor is intended, to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of date it is received or that it will continue to be accurate in the future. Guinn Accountants, its principal, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against Guinn Accountants or any of its principal, employees or agents.