Independent State Of Papua New Guinea

SUPPLEMENTARY APPROPRIATION BILL, 2026

GOODS AND SERVICES TAX (AMENDMENT) BILL, 2026

INCOME TAX (AMENDMENT) BILL, 2026

On the Occassion of the Presentation of the 2026 Supplementary Budget

Draft of 06/07/2026

No. of 2026.

Income Tax (Amendment) Bill **2026.**

ARRANGEMENT OF CLAUSES.

A Bill

for

AN ACT

entitled,

Income Tax (Amendment) Bill 2026,

Being an Act to amend the ***Income Tax Act*** **2025**, and for related purposes,

MADE by the National Parliament to come into operation upon certification.

1. REPEAL AND REPLACEMENT OF SECTION 128.

The Principal Act is amended by repealing Section 128 and replacing it with the following new section:

"**128. PRESCRIBED INFRASTRUCTURE DEVELOPMENT EXPENDITURE.**

(1) In this section -

"***eligible taxpayer***" means-

(a) a licensee within the meaning of Section 100; or

(b) a taxpayer carrying on a primary production business;

"***Infrastructure Tax Credit Development Board***" means the Board established under Section 128A;

"***Prescribed infrastructure development expenditure***" means expenditure prescribed under the Regulations for the purposes of this section.

(2) Where an eligible taxpayer incurs prescribed infrastructure development expenditure during a tax year, the amount of that expenditure is treated as income tax paid by the eligible taxpayer for that tax year equal to the lesser of –

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

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

(*c*) the amount of prescribed infrastructure development expenditure certified under Subsection (3).

(3) The Infrastructure Tax Credit Development Board must certify the amount of prescribed infrastructure development expenditure incurred by an eligible taxpayer in respect of an approved infrastructure development project.

(4) The amount certified under Subsection (3) is credited against the eligible taxpayer's income tax liability for the tax year in which the Board certifies that the prescribed infrastructure development expenditure has been incurred.

(5) An eligible taxpayer seeking to incur prescribed infrastructure development expenditure must submit a proposal for the infrastructure development project to the Infrastructure Tax Credit Development Board in accordance with the Regulations.

(6) Where prescribed infrastructure development expenditure incurred by an eligible taxpayer during a tax year exceeds the amount treated as income tax paid under Subsection (2), the excess is carried forward to the next following tax year and treated as prescribed infrastructure development expenditure for the tax year.

(7) Prescribed infrastructure development expenditure may not be carried forward under Subsection (6) for more than seven tax years after the end of the tax year in which the expenditure was first certified under Subsection (3).

(8) Where more than one amount of excess expenditure is carried forward under Subsection (6), the amount relating to the earlier tax year is credited first.

(9) A Regulation may provide for the Minister to require that up to 0.5% of prescribed infrastructure development expenditure, incurred by an eligible taxpayer, be applied to approved infrastructure development projects in the Autonomous Region of Bougainville.

(10) For the avoidance of doubt, this section is subject to Section 164(16), under which Section 219C of the repealed Act continues to apply to an LNG Project Company (as defined in the repealed Act) in respect of –

(a) approved infrastructure expenditure as defined in Exhibit F of the PNG LNG Gas Agreement; and

(b) other prescribed infrastructure development expenditure approved by the State and implemented after the commencement of this Act,

and reference to "1.25%" in Section 219C(12) of the repealed Act is taken to be a reference to "3%".

(11) Where prescribed infrastructure development expenditure incurred by a PNG LNG Project Participant on or after 1 January 2026 exceeds the taxpayer's income tax liability for the relevant tax year, the balance remaining after the discharge of that liability is a debt due to the taxpayer."

2. NEW SECTION 128A.

The Principal Act is amended by adding immediately after Section 128, the following new section:

"128A. INFRASTRUCTURE TAX CREDIT DEVELOPMENT BOARD.

(1) The Infrastructure Tax Credit Development Board is hereby established for the purposes of this Act.

(2) The Board consists of the following members:

(a) the Departmental Head of the Department responsible for treasury matters, who is the Chairperson, or his nominee; and

(b) the Departmental Head of the Department responsible for national planning and monitoring matters, or his nominee; and

(c) the Departmental Head of the Department responsible for the Prime Minister and National Executive Council, or his nominee; and

(d) the Departmental Head of the Department responsible for works and highways matters, or his nominee; and

(e) the Commissioner General of the Internal Revenue Commission, or his nominee; and

(f) the head of the agency responsible for –

(i) petroleum and gas matters; or

(ii) minerals and geohazards matters; and

(iii) any other department or agency required to attend meetings of the Board.

(3) The Board has the following functions:

(a) to assess, screen and approve project proposals submitted by an eligible taxpayer for prescribed infrastructure development expenditure; and

(*b*) to ensure that proposed projects are consistent with Government policies, national development plans and relevant project agreements; and

(*c*) ensure that all such projects and costs are included in the annual Budget to Parliament; and

(d) certify the amount of prescribed infrastructure development expenditure incurred by an eligible taxpayer in respect of an approved infrastructure development project; and

(e) to perform any other functions necessary for the administration of the Infrastructure Tax Credit Development Scheme.

(4) The Board may determine its own procedures relating to –

(a) convening of meetings; and

(b) quorum requirements; and

(c) recording of minutes and decisions; and

(d) criteria for the assessment and approval of project proposals.".

I hereby certify that the above is a fair print of the Income Tax (Amendment) Act 2026 which has been made by the National Parliament.

....

Clerk of the National Parliament

I hereby certify that the Income Tax (Amendment) Act 2026 was made by the National Parliament on .... 2026.

....

Speaker of the National Parliament

SECOND READING SPEECH

INCOME TAX (AMENDMENT) BILL 2026

MR SPEAKER,

1. THE MARAPE-ROSSO GOVERNMENT IS, THE INFRASTRUCTURE GOVERNMENT.

2. OUR INFRASTRUCTURE GOVERNMENT, HAS TRIPLED THE SIZE OF THE PUBLIC INVESTMENT PROGRAM OR PIP, FROM K2,041 MILLION IN 2018, TO K6,131 MILLION IN 2025.

3. IN ADDITION TO DIRECT BUDGET SUPPORT, THE GOVERNMENT HAS BEEN WORKING WITH THE PRIVATE SECTOR TO ENCOURAGE THEM TO LIFT THE SIZE OF THEIR INVESTMENTS.

4. THE INFRASTRUCTURE TAX CREDIT SCHEME, IS A KEY ELEMENT OF THIS. THIS PROGRAM, MEANS, THAT IF A RESOURCE COMPANY, SPENDS FUNDS ON ELIGIBLE AND APPROVED INFRASTRUCTURE PROJECTS, THEN THIS SPENDING CAN BE OFFSET AGAINST THEIR TAX BILLS, UP TO A CAP.

5. THIS BILL PUTS IN PLACE, A MAJOR INCREASE IN THE SIZE OF INFRASTRUCTURE TAX CREDITS, FROM 1.25 PER CENT, UP TO A MAXIMUM OF 3 PER CENT, OF A RESOURCE COMPANY'S ASSESSABLE INCOME. THIS IS GROSS INCOME, OR SALES, NOT JUST TAXABLE INCOME AFTER ELIGIBLE COSTS HAVE BEEN DEDUCTED.

6. GIVEN THE SIZE OF OUR RESOURCE SECTOR IS ESTIMATED TO BE K50 BILLION IN 2026, THE IMPLICATION IS THAT UP TO 3 PER CENT, OR K1,500 MILLION PER ANNUM, CAN BE SPENT ON

ELIGIBLE INFRASTRUCTURE PROJECTS. OFCOURSE, THIS EXPENDITURE, IS THEN MATCHED BY A DECREASE, IN OUR INCOME TAX COLLECTIONS.

7. THIS BILL, PROVIDES CLARIFICATIONS ON DEFINITIONS, FOR PRESCRIBED INFRASTRUCTURE DEVELOPMENT EXPENDITURE. IMPORTANTLY, THERE ARE DIRECTIONS, THAT ENCOURAGE INVESTMENTS TO TAKE PLACE, AROUND THE COUNTRY. SPECIFICALLY, OF THE MAXIMUM TAX CREDIT OF 3 PER CENT, A MAXIMUM OF 1.25 PER CENT, CAN BE SPENT IN THE PROVINCES, WITH A PROJECT FOOTPRINT. A FURTHER MAXIMUM OF 1.25 PER CENT, CAN BE SPENT IN PROVINCES, OUTSIDE OF THE PROJECT FOOTPRINT. AND TO GAIN THE FULL 3 PER CENT, THE REMAINING 0.5 PER CENT OF FUNDS, MUST BE SPENT, IN THE AUTONOMOUS REGION OF BOUGAINVILLE. THIS DISTRIBUTION OF THE 3 PER CENT MAXIMUM, APPLIES TO AGREEMENTS BOTH OLD AND NEW.

8. THE BILL ALSO INSERTS A NEW SECTION 128A, TO ESTABLISH THE COMPOSITION, FUNCTION AND PROCEDURES OF THE INFRASTRUCTURE TAX CREDIT DEVELOPMENT BOARD. THIS BOARD, CHAIRED BY TREASURY, HAS THE CRITICAL FUNCTION TO ASSESS, SCREEN AND RECOMMEND PROJECT PROPOSALS. THESE PROJECT PROPOSALS, WILL NEED TO COME TO THE NEC, FOR ENDORSEMENT.

9. GIVEN THE SIZE OF POTENTIAL PROJECT PROPOSALS, AND THEIR IMPLICATIONS FOR THE BUDGET AND THE COUNTRY, THIS IS ENTIRELY APPROPRIATE.

MR SPEAKER, I COMMEND THE BILL TO THE PARLIAMENT.

EXPLANATORY MEMORANDUM

Income Tax (Amendment) Bill 2026,

The Bill proposes:

i. Repeal and replace Section 128 ***"PRESCRIBE INFRASTRUCTURE DEVELOPMENT EXPENDITURE"*** of the *Income Tax Act 2025.*

ii. Insert new Section 128A:

"128A. INFRASTRUCTURE TAX CREDIT DEVELOPMENT BOARD".

This is to ensure clarity, certainty and administrative efficiency.

PAPUA NEW GUINEA

OFFICE OF THE STATE SOLICITOR

CERTIFICATE OF NECESSITY

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

having considered the proposed ***Income Tax (Amendment) Bill 2026*** and having formed the opinion that the Bill is necessary for the intended purposes;

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

Dated this 21st day of August 2026.

DANIEL ROLPAGAREA
State Solicitor