



GLOBAL
EMPLOYER
GUIDE

**PAPUA NEW
GUINEA**





Basic Country Facts

Full name

- Papua New Guinea

Capital

- Port Moresby

Main Languages

- English
- Tok Pisin
- Hiri Motu

Population

- 8.606 million

Monetary unit

- Papua New Guinean kina

Internet domain

- .pg

International dialing code

- +675

Currency

- Papua New Guinean kina



STATUTORY LABOR REQUIREMENTS

Annual Leave

- In Papua New Guinea, employees, other than those engaged on a casual basis, are entitled to 14 days' paid annual leave

Public Holidays

- New Year's Day (1st January)
- National Day of Prayer and Fasting (25th March)
- Good Friday (10th April)
- Easter Sunday (12th April)
- Queen's Birthday (8th June)
- National Remembrance Day (23rd July)
- Repentance Day (26th August)
- Independence Day (of Papua New Guinea) (16th September)
- Christmas Day (25th December)
- Boxing Day (26th December)

Maternity Leave

- In the PNG public sector, female employees receive six weeks' maternity leave on full pay before delivering their baby and six weeks' maternity leave on full pay after delivery.
- This contrasts with the private sector where maternity leave is generally without pay.

Paternity Leave

- There is no paternity leave

Sick Leave

- In Papua New Guinea, employees, other than those engaged on a casual basis, are entitled to 6 days' paid sick leave for each year of service



Work Hours

- Typically, employees work a 42-hour week. Most employees will work eight hours per day from Monday to Friday and two hours between 7 am and 12 noon Saturday.
- Under the relevant labor laws employees must not work in excess of 12 hours in any one day.

Overtime

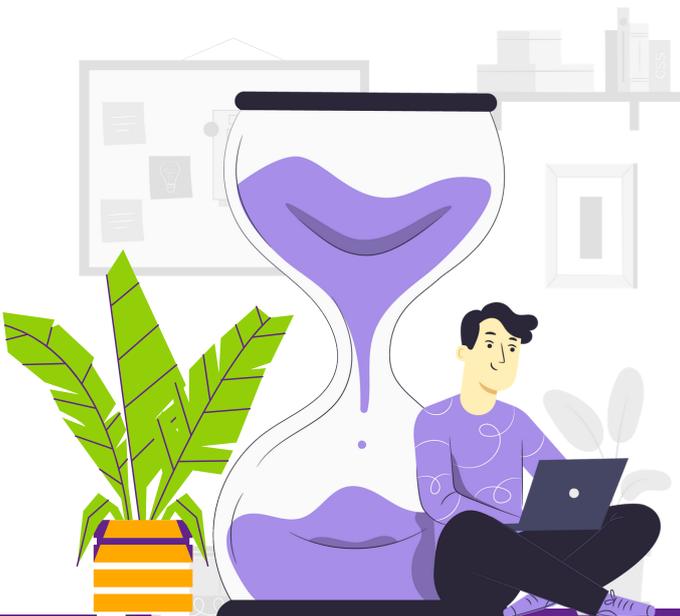
- An employer may require an employee to work a reasonable amount of overtime.
- Where overtime is to be worked on a Sunday or a public holiday, it shall be by agreement between the employer and the employee or between their respective registered industrial organizations.
- Overtime worked
 - on a Sunday shall be paid at twice the hourly rate;
 - on a public holiday shall be paid at the hourly rate; and
 - at any time, other than a Sunday or a public holiday, shall be paid at one and one half times the hourly rate.

Notice Period

- A party to a contract of service may, at any time, give notice to the other party of his intention to terminate the contract.
- The length of notice of intention required to terminate a contract of service shall be the same for both parties and
 - shall be as specified in the contract; or
 - shall be not less than the periods specified in Subsection
 - Where there is no provision in a contract of service for notice of intention to terminate,
 - the length of the notice shall be not less than one day's notice if the employee has been employed for less than four weeks; or
 - one week's notice if the employee has been employed for not less than four weeks and for less than one year; or
 - two weeks' notice if the employee has been employed for not less than one year and for less than five years; or
 - four weeks' notice if the employee has been employed for five years or more.

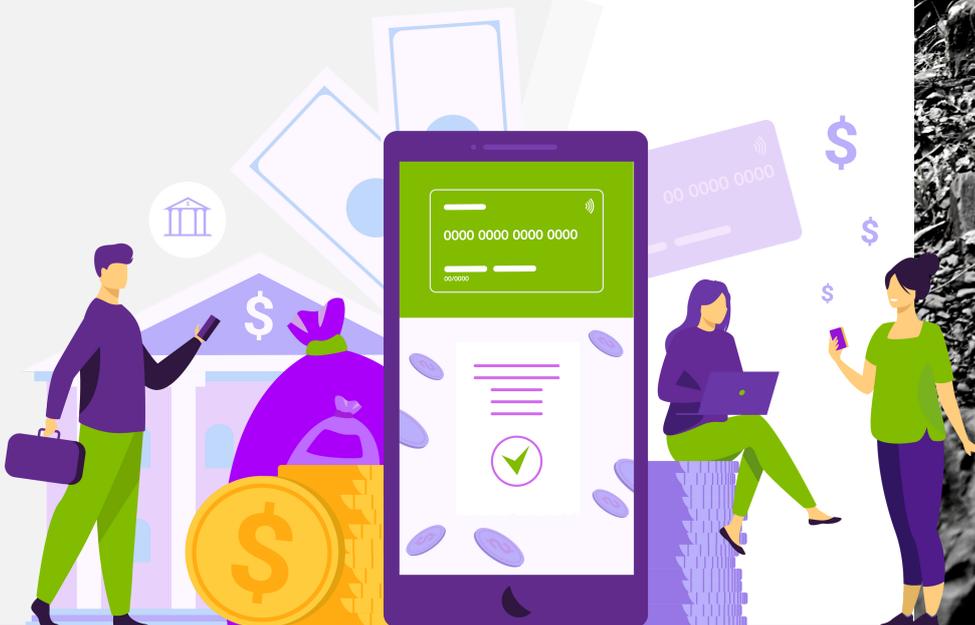
13th Month

- 13th month pay is not mandatory



Income Tax

- Residents of Papua New Guinea are taxed on their worldwide income.
- A foreign tax credit may be available to offset foreign tax paid against PNG tax payable
- Non-residents are generally taxed only on their PNG-sourced income.
- A non-resident's PNG-sourced passive income, including dividends, interest, and royalties, may be subject to WHT.
- The payer of the dividend, interest, or royalty must withhold the relevant amount of the tax and remit this to PNG's Internal Revenue Commission (IRC).
- Income derived by individuals, including salary or wages income, will generally be taxed at the following rates:
- The rates for residents are as follows:



Taxable income (PGK)	Tax thereon (PGK)	Tax on excess (%)
12,500	0	22
20,000	1,650	30
33,000	5,550	35
70,000	18,500	40
250,000	90,500	42

- The rates for non-residents are as follows:

Taxable income (PGK)	Tax thereon (PGK)	Tax on excess (%)
0	0	22
20,000	4,400	30
33,000	8,300	35
70,000	21,250	40
250,000	93,250	42



Social Security

- Papua New Guinea does not have a social security system.
- However, there are compulsory superannuation contributions for PNG citizen employees (superannuation contributions are not currently required for non-citizen employees but may be made on a voluntary basis).
- An employer of 15 or more persons must register with an authorized superannuation fund, unless operating in an exempt industry (currently certain agricultural sectors).
- Membership is compulsory for PNG citizens who work for more than 59 days in any three-month period and voluntary for non-citizens.
- Contributions are remitted by the employer at the following rates, as a percentage of gross basic salary (excluding overtime, bonus, and commission):
 - 6.0% employee contributions (i.e. after-tax contributions).
 - 8.4% employer contributions (i.e. pre-tax contributions).

Contribution	Employer	Employee
Superannuation Fund	8.4%	6%



Deductible Expenses

- Salary or wage earners receive a 25% rebate for allowable deductions to the extent of any salary or wages tax paid during an income year.
- Additionally, an employee can apply to the IRC requesting a variation in the amount of salary or wages tax to be deducted to take into account the expected rebate on work-related expenses or otherwise deductible expenditure (such as housing expenditure).
- Non-salary or wage earners or taxpayers who derive other income in addition to salary or wages are allowed deductions incurred in earning their assessable income.
- Specific deductions include:
 - Interest on borrowed funds.
 - Travelling expenses, in limited circumstances.
 - Gifts of more than PGK 50 paid to a sporting body established in Papua New Guinea and qualifying charitable organizations.
 - Depreciation of income-producing assets, such as freehold, leasehold, or company title buildings (except those situated outside Papua New Guinea), motor vehicles, machinery, and equipment.
 - Rates, advertising, and repairs to rental properties.
 - Certain tax-related expenses.

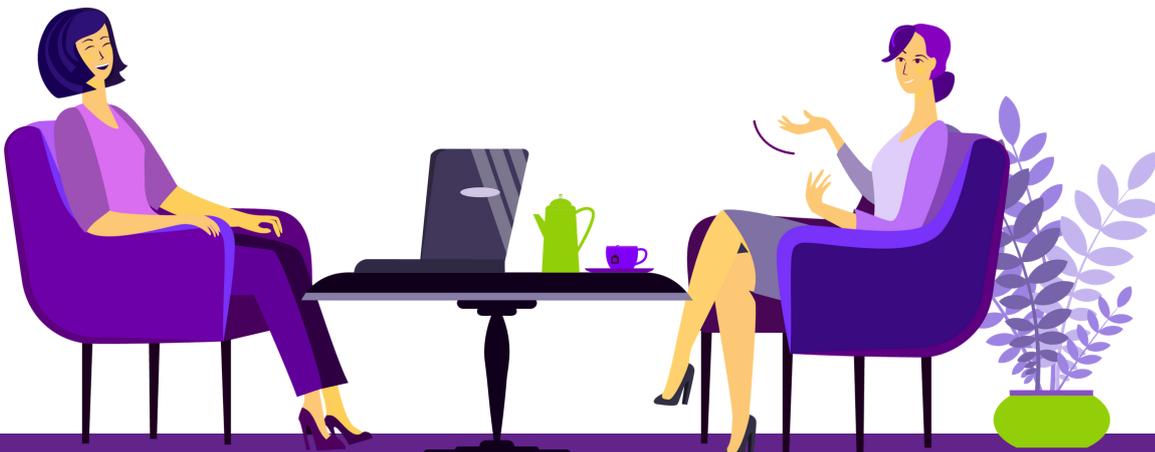


- Expenditures of a private nature, such as dental or medical costs, are neither deductible nor subject to rebate or credit.
- In Papua New Guinea, personal allowances take the form of tax credits
- Tax credits are also known as rebates in Papua New Guinea.
- The allowable dependent rebates for salary or wage earners are built into the tax rate schedule.
- Non-salary or wage earners who are resident in Papua New Guinea receive the following rebates for dependents:
 - First dependent: 15% of gross tax with a maximum of PGK 450 and a minimum of PGK 45.
 - Second and third dependents: 10% of gross tax with a maximum of PGK 300 and a minimum of PGK 30.
 - The maximum rebate available to an individual is PGK 1,050 per annum (i.e. no rebates are available for more than three dependents).



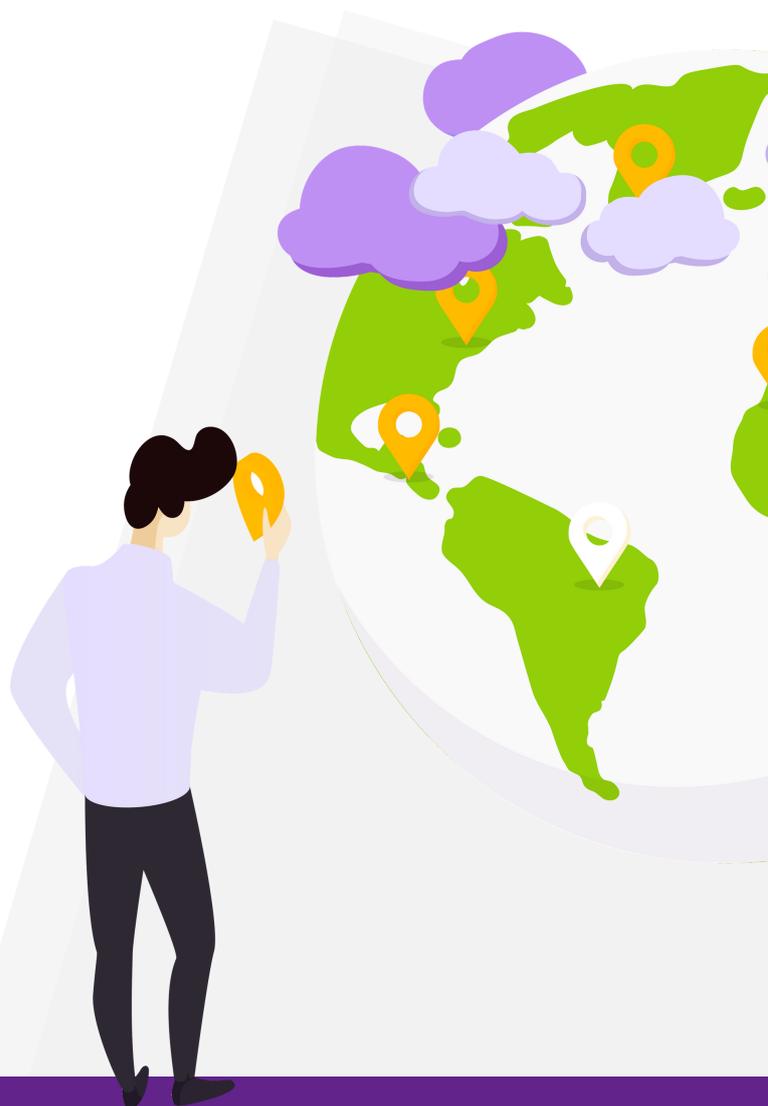
Deductible Expenses

Employment Expenses	<ul style="list-style-type: none"> • Salary or wage earners receive a 25% rebate for allowable deductions to the extent of any salary or wages tax paid during an income year. • Additionally, an employee can apply to the IRC requesting a variation in the amount of salary or wages tax to be deducted to take into account the expected rebate on work-related expenses or otherwise deductible expenditure (such as housing expenditure).
Business Deductions	<ul style="list-style-type: none"> • Non-salary or wage earners or taxpayers who derive other income in addition to salary or wages are allowed deductions incurred in earning their assessable income. • Specific deductions include: <ul style="list-style-type: none"> ◦ Interest on borrowed funds. ◦ Travelling expenses, in limited circumstances. ◦ Gifts of more than PGK 50 paid to a sporting body established in Papua New Guinea and qualifying charitable organizations. ◦ Depreciation of income-producing assets, such as freehold, leasehold, or company title buildings (except those situated outside Papua New Guinea), motor vehicles, machinery, and equipment. ◦ Rates, advertising, and repairs to rental properties. ◦ Certain tax-related expenses.
Personal Deductions	<ul style="list-style-type: none"> • Expenditures of a private nature, such as dental or medical costs, are neither deductible nor subject to rebate or credit.
Personal Allowances	<ul style="list-style-type: none"> • In Papua New Guinea, personal allowances take the form of tax credits • Tax credits are also known as rebates in Papua New Guinea. • The allowable dependent rebates for salary or wage earners are built into the tax rate schedule. • Non-salary or wage earners who are resident in Papua New Guinea receive the following rebates for dependents: <ul style="list-style-type: none"> ◦ First dependent: 15% of gross tax with a maximum of PGK 450 and a minimum of PGK 45. ◦ Second and third dependents: 10% of gross tax with a maximum of PGK 300 and a minimum of PGK 30. ◦ The maximum rebate available to an individual is PGK 1,050 per annum (i.e. no rebates are available for more than three dependents).



Immigration

- Non-citizens seeking to enter PNG for employment in the private sector may apply for a work and employment permit.
- The work permit can be issued for short- or long-term periods from six months and up to five years.
- The work and employment permit process consists of the following three steps:
 - A work permit application must be submitted to the Department of Labor and Industrial Relations (DLIR).
 - Once the work permit is approved, an entry permit application must be submitted to the PNGICA.
 - Once the work permit and entry permit are approved, the visa will be telexed to the nearest PNG consulate (or Australian consulate) for the consular visa issuance.
- Long-term work permits can be renewed in the country or out of the country three months prior to the expiration of the work permit.
- However, any changes to the applicant's employer or occupation (including promotion) will require the individual to apply for a new work permit.
- If individuals repatriate prior to the expiration of their work permits, they will be required to submit a work permit cancellation application with DLIR.
- Applicants may be required to apply for membership and registration with professional bodies in PNG prior to the submission of their work permit application.
- For example, engineers are required to apply for membership with the Institution of Engineers Papua New Guinea (IEPNG), and accountants are required to apply for membership with Chartered Professional Accountants Papua New Guinea (CPA PNG).
- Spouses (including de facto spouses) and dependents can apply for a dependent entry permit with PNGICA. Family members who are not included in a temporary resident's initial visa application may generally apply for a visa at a later date.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Short Term Work Permit	<ul style="list-style-type: none"> • Certificate of incorporation • IPA certificate permitting a foreign enterprise to conduct business in PNG (if applicable) • Maintenance Guarantee Bond • Letter of approval from DLIR regarding work permit • Educational qualifications and CV • Applicant's Passport 	6 months	<ul style="list-style-type: none"> • Non-citizens seeking to enter PNG for employment in the private sector may apply for a work and employment permit.
Long Term Work Permit	<ul style="list-style-type: none"> • Certificate of incorporation • IPA certificate permitting a foreign enterprise to conduct business in PNG (if applicable) • Maintenance Guarantee Bond • Letter of approval from DLIR regarding work permit • Educational qualifications and CV • Applicants Passport 	5 years	<ul style="list-style-type: none"> • Non-citizens seeking to enter PNG for employment in the private sector may apply for a work and employment permit.



Value Added Tax (VAT)

- The GST rate is 10% and applies to most goods and services supplied in Papua New Guinea.
- Exported goods and services attract a zero rate of GST.
- The supply of some goods and services are exempt, including medical, educational, and financial services.
- Land is excluded from GST, but buildings and other improvements are subject to the tax.

VAT Rates

Standard Rates	10%
Zero Rate	0%





Withholding Tax

Dividends

- Dividends paid to a nonresident company, the estate of a resident trust or an individual (whether resident or nonresident) are subject to a 15% dividends withholding tax unless the rate is reduced under a tax treaty
- Dividends paid to authorized or nonresident superannuation funds are exempt

Interest

- Interest paid or credited by a financial institution or a resident company to a resident or nonresident is subject to a 15% withholding tax, unless the rate is reduced under a tax treaty

Royalties

- Where the transaction is at arm's length, royalty payments made to a nonresident are subject to a withholding tax of 10% on the gross amount
- Where the parties are associated, the rate is 30%, unless the rate is reduced under a tax treaty

Technical Service Fees

- Management and technical service fees paid to a nonresident are subject to a 17% withholding tax unless the rate is reduced under a tax treaty

WHT	
Dividends	15%
Interest	15%
Royalties	10%/30%
Technical Service Fees	17%

Termination

- An employer may terminate a contract of service without notice or payment instead of notice where the employee
 - willfully disobeys a lawful and reasonable order; or
 - misconducts himself by an act of omission or commission that is inconsistent with the due and faithful discharge of his duties; or
 - is guilty of a fraud or dishonesty; or
 - is habitually neglectful of his duties; or
 - is imprisoned for a period exceeding seven days; or
 - is continually absent from his employment without leave or reasonable excuse; or
 - is convicted of an offence or contravention of this Act or any other law relating to employment; or
- on any other ground on which he would be entitled to terminate the contract without notice at common law.
- A party to a contract of service may, at any time, give notice to the other party of his intention to terminate the contract.
- The length of notice of intention required to terminate a contract of service shall be the same for both parties and
 - shall be as specified in the contract; or
 - shall be not less than the periods specified in Subsection
 - Where there is no provision in a contract of service for notice of intention to terminate,
 - the length of the notice shall be not less than one day's notice if the employee has been employed for less than four weeks; or
 - one week's notice if the employee has been employed for not less than four weeks and for less than one year; or
 - two weeks' notice if the employee has been employed for not less than one year and for less than five years; or
 - four weeks' notice if the employee has been employed for five years or more.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include annual leave, public holidays, sick leave, maternity leave, overtime pay, and notice period.
- Statutory benefits also include social security benefits

Statutory Benefits

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

Notice Period

Social Security Contributions



Payments and Invoicing

- The tax year is generally the period 1 January to 31 December.
- Taxpayers who have only employment income and are fully taxed at source by virtue of salary or wages tax need not complete an annual income tax return.
- Taxpayers with other income, such as interest, dividends, rental income, trust distribution, or partnership income, must disclose this in an annual income tax return.
- Annual income tax returns are generally due for lodgment by 30 June of the following year under most tax agent lodgment programs.
- Where a tax agent is not used, the return is due to be lodged by 28 February of the following year. Each individual is assessed separately.
- There is no joint assessment for husbands and wives.
- Papua New Guinea operates on a full assessment basis, and, where required, individuals lodge an annual income tax return showing the calculation of taxable income for the year.
- In addition, the return must provide detailed disclosures in relation to income derived and expenses incurred during the year of income.
- Salary or wages income is subject to salary or wages tax and is subject to fortnightly assessment of tax, regardless of the employer's actual pay period.
- The tax assessed is a final tax and is determined by reference to standard rate tables.
- Employers are required to remit salary or wages tax deducted from employee salary or wage payments on a monthly basis.
- Provisional tax is levied on non-salary or wages income to ensure that, as far as possible, all income is taxed in the year in which it is earned.
- Every taxpayer who earns in excess of PGK 100 from non-salary or wages sources has a liability to pay provisional tax.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Lao ranked 154th in the World in 2019 in terms of ease of doing business.



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