



GN 2025/1: Savings and Loan Societies – your tax obligations with respect to interest income

Income tax consequences for Savings and Loan Societies of interest they receive and interest they pay or credit to their individual members.



This Guidance Note applies to income years ending on, or before, **31 December 2025**.

Key Points

- Savings and Loan Societies are exempt from paying income tax on their income, including interest income.
- Interest that is paid or credited to an individual or corporate member of a Savings and Loan Society (irrespective of whether that member is a resident or non-resident of Papua New Guinea) is subject to Interest Withholding Tax at a rate of 15%.
- Savings and Loan Societies must withhold the amount of Interest Withholding Tax from the interest paid or credited and pay it to the Commissioner General.

Exemption from Income Tax

1. The income of Savings and Loan Societies, including interest income, is exempt from income tax pursuant to section 40A of the *Income Tax Act 1959*.
2. A Savings and Loan Society must be an entity that is licensed under the *Savings and Loan Societies Act 2015*.
3. As interest income is exempt income in the hands of Savings and Loan Societies, Interest Withholding Tax on that income is not applicable for the purposes of section 186 of the *Income Tax Act 1959*.

Interest Withholding Tax on Members' Interest Income

4. Withholding Taxes are levied on several payments, including payments of interest.
5. The rate of Interest Withholding Tax is 15%.

6. Under section 186 of the *Income Tax Act 1959*, where interest is paid or credited by a Savings and Loan Society to an individual or corporate member of that Society (regardless of whether that member is a resident or non-resident of Papua New Guinea), the Savings and Loan Society is liable to withhold and pay Interest Withholding Tax at a rate of 15% upon that amount.
7. The Savings and Loan Society must be a 'financial institution' for the purposes of subsection 35(1) of the *Income Tax Act 1959*, which states that a financial institution includes an entity licensed under the *Banks and Financial Institutions Act 2000*.
8. Where a member recipient of the interest income is a resident of Papua New Guinea, the interest income will form part of the resident's assessable income.
9. Where a member recipient of the interest income is a non-resident of Papua New Guinea, the Interest Withholding Tax is a final tax and the non-resident is not required to include the income as assessable income.
10. The Savings and Loan Society must pay the 15% Interest Withholding Tax to the Commissioner General within 21 days after the end of the month in which the interest to which the tax relates was credited or paid (whichever occurs earlier).

More Information

11. For more information, contact **Relby Luke** from the Internal Revenue Commission:
 - Phone: **322 7459**, or
 - Email: lukere@irc.gov.pg.

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you meet your obligations.

If this guidance is incorrect, we must still apply the law correctly.

If you make a mistake attempting to follow this guidance and you owe us money as a result, we will take this into account when considering whether a penalty will apply. If correcting the mistake means we owe you money, we will pay it to you.

If you feel this guidance does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

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Internal Revenue Commission for the Independent State of Papua New Guinea.

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