

FMM 03.26 Foreign Currency Receipts and Payments

26.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Income Tax Act 1959 (as amended)
- Bank of Papua New Guinea (BPNG) – Central Banking Act 2000 (as amended)

26.2 Standards and Supporting Documentation

- Foreign Exchange Application Forms (commercial bank or BPNG submission)
- FE Notice 20 – Notification of Foreign Exchange Remittance
- Foreign Exchange Reporting Framework for Authorised Dealer and Public User (Bank of PNG issued December 2023)
- IRC Tax Clearance Certificate Form (for contracts more than K1.5 million)
- FX confirmation slip (Bank or BPNG)

26.3 Minimum Responsibilities

- Departmental Heads must ensure compliance with BPNG foreign exchange laws and IRC tax requirements.
- Heads of Finance must ensure all foreign payments:
 - Are tax compliant,
 - Include the correct FX process and documentation, and
 - Are converted into Kina for budget and accounting purposes.
- Finance Officers must:
 - Prepare FE Notice 20 forms for all outward foreign payments, and
 - Submit these to BPNG with the payment request and order.

26.4 Mandated Policy

- 1. All foreign currency related expenditure follows the same procurement and payables process as domestic expenditure.**
- 2. Procurement and financial delegation thresholds are to be determined based on the Kina equivalent of the foreign currency value, using the prevailing Bank of Papua New Guinea (BPNG):**

- For expenditure, use the BPNG sell rate on the date the claim is raised must be used.
 - For contracts, the sell rate on the proposed date of execution is to be applied.
 - Where the date is retrospective, or a rate is not available for the transaction date, the BPNG published average rate for the relevant period must be used.
- 3. Cash receipts and payments arising from transactions in a foreign currency shall be recorded by applying to the foreign currency amount the spot exchange rate between PNG Kina and the foreign currency at the date of the receipts and payments.**
 - 4. An agency shall disclose the amount of exchange differences included as reconciling items between opening and closing cash balances for the period (the unrealised gains and losses arising from changes) separately.**
 - 5. All foreign currency remittances, regardless of whether made via BPNG or submitted for processing at a commercial bank, require completion and submission of BPNG Foreign Exchange Notice 20 (FE Notice 20).**
 - 6. All foreign currency is converted and reported in the financial accounts using PNG Kina.**

26.4.1 Tax Treatment

- 7. Refer to FMM Volume 3 on foreign contractors withholding tax.**

26.4.2 Conversion and Budgeting

- 8. The conversion rate and date must be clearly recorded on the claim description in the finance system.**

For approved finance systems (currently not available in IFMS until upgrade) that allow customer/vendor setup in foreign currency, the vendor must be set up in the billing/contract currency and not PNG Kina. The payment or receipt once processed should account for FX rate once receipted or paid.

26.5 Non-Mandatory Guidance

26.5.1 Payment Mechanisms

Where the foreign exchange order is made directly with the BPNG International Settlements team, payments are to be made via:

- EFT or Kundu Pei, or
- Cheque payable to BPNG for international settlement.

Where the foreign exchange order will be filled by a commercial bank (the bank account which the payment is being made from), the payment is liked to be directly deducted from the bank account using an authority form.

Further Information	frcd@finance.gov.pg
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