



The President
Palikir, Pohnpei
Federated States of Micronesia

PRESIDENTIAL COMM. NO. 18-419
FSM CONGRESS

December 19, 2014

The Honorable Dohsis Halbert
Speaker
Eighteenth Congress of the Federated States of Micronesia
Palikir, Pohnpei FM 96941



Dear Speaker Halbert:


I am pleased to transmit the following Congressional Act, which I have signed to become Public Law No. 18-103:

Congressional Act No. 18-106, entitled: "AN ACT TO AMEND SECTIONS 312, 313, 314, 322, 331, 352 AND 360 OF TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 13-71, AND AS AMENDED BY PUBLIC LAW NOS. 14-110, 16-19, 16-52 AND 17-73, TO INCLUDE MAJOR FSM BRANCHES, AND FOR OTHER PURPOSES."

As I indicated before, this amendment was designed to capture the additional potential benefits from the major corporation scheme, by providing incentives to foreign corporations that encourage them to accelerate the transfer of their assets and investments to FSM. This is a major undertaking that will be very beneficial to this nation.

In view of the foregoing, I take this opportunity to thank Congress and its staff for taking favorable action on this important subject matter.

Sincerely,


Manny Mori
President

Enclosures:

Yes: Acting Chief Justice, FSM Supreme Court
Secretary, Department of Justice
Director, Office of SBOC
Legislative Counsel, CFSM
Library, CFSM
PIO, FSM



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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Office of the Chief Clerk

PRESIDENTIAL COMM. NO. 18-419
FSM CONGRESS

December 01, 2014



His Excellency Manny Mori
President
Federated States of Micronesia
Palikir, Pohnpei FM 96941

Dear President Mori:

I have the honor to transmit herewith Congressional Act No. 18-106, "AN ACT TO AMEND SECTIONS 312, 313, 314, 322, 331, 352 AND 360 OF TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 13-71, AND AS AMENDED BY PUBLIC LAW NOS. 14-110, 16-19, 16-52 AND 17-73, TO INCLUDE MAJOR FSM BRANCHES, AND FOR OTHER PURPOSES.", which was passed by the Eighteenth Congress of the Federated States of Micronesia, Fifth Special Session, 2014, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Liwiana Ramon Ioanis".

Liwiana Ramon Ioanis
Chief Clerk, Congress of the
Federated States of Micronesia

Enclosures



PRESIDENTIAL COMM. NO. 18-419
FSM CONGRESS

EIGHTEENTH CONGRESS OF THE
FEDERATED STATES OF MICRONESIA
FIFTH SPECIAL SESSION
NOVEMBER 17 - 29, 2014

PUBLIC LAW No. 18- 103

An Act

TO AMEND SECTIONS 312, 313, 314, 322, 331, 352 AND 360 OF TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 13-71, AND AS AMENDED BY PUBLIC LAW NOS. 14-110, 16-19, 16-52 AND 17-73, TO INCLUDE MAJOR FSM BRANCHES, AND FOR OTHER PURPOSES.

INTRODUCED BY SENATOR: FLORENCIO S. HARPER (BY REQUEST)

DATE: NOVEMBER 18, 2014

REFERRED TO: COMMITTEE ON WAYS AND MEANS

S.C.R. NO. 18-246 – NOVEMBER 24, 2014

FIRST READING: NOVEMBER 25, 2014

SECOND READING: NOVEMBER 26, 2014

A handwritten signature in black ink, appearing to read "Liwiana Ramon Ioanis".

Liwiana Ramon Ioanis
Chief Clerk, FSM Congress



CONGRESS OF THE FEDERATED STATES OF MICRONESIA

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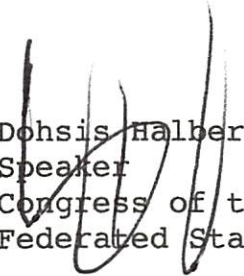
Office of the Speaker


PRESIDENTIAL COMM. NO. 18-419
FSM CONGRESS

ACT NO. 18-106

(CONGRESSIONAL BILL NO. 18-237)

We hereby certify that on November 26 the foregoing act passed Second and Final Reading of the Eighteenth Congress of the Federated States of Micronesia, Fifth Special Session, 2014, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.


Dohsis Halbert
Speaker
Congress of the
Federated States of Micronesia


Liwiana Ramon Ioanis
Chief Clerk
Congress of the
Federated States of Micronesia

~~PUBLIC LAW NO. 18-103~~

AN ACT

To amend sections 312, 313, 314, 322, 331, 352 and 360 of title 54 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-71, and as amended by Public Law Nos. 14-110, 16-19, 16-52 and 17-73, to include Major FSM Branches, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 312 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos.
3 14-110 and 16-52, is hereby further amended to read as follows:

4 "Section 312. Definitions.

5 (1) 'Control group' of a corporation for purposes of
6 this chapter shall mean a group of corporations
7 comprising of:

8 (a) the corporation,

9 (b) other corporations in which the corporation
10 owns directly or indirectly 80% or more of the shares,

11 (c) other corporations that own directly or
12 indirectly 80% or more of the shares of the corporation,
13 and,

14 (d) corporations other than the corporation
15 described in paragraph (a) of this section or
16 corporations described in paragraph (b) of this section,
17 or corporations where 80% or more shares are owned
18 directly or indirectly by the corporations described in
19 paragraph (c) of this section.

20 (2) 'Major Corporation' means any corporation not

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1 principally engaged in business in the Federated States
2 of Micronesia as a bank (as such term is defined in
3 title 29 of the Code of the Federated States of
4 Micronesia, section 102(1)), formed on or after January
5 1, 2005, and,

6 (a) whose shareholders equity or paid-Capital as
7 of the beginning of its fiscal year is \$1,000,000 or
8 more; or

9 (b) the aggregate amount of the shareholders
10 equity or Paid-in Capital of the control group is
11 \$10,000,000 or more; or

12 (c) that is a captive insurance company licensed
13 pursuant to title 37 of the Code of the Federated States
14 of Micronesia regardless of the amount of
15 capitalization.

16 (3) 'Major FSM Branch' means any corporation not
17 principally engaged in business in the Federated States
18 of Micronesia as a bank (as such term is defined in
19 title 29 of the Code of the Federated States of
20 Micronesia, section 102(1) authorized by law to issue
21 stock, organized under laws other than the laws of the
22 Federated States of Micronesia for a purpose or purposes
23 for which a corporation may be organized under the laws
24 of the Federated States of Micronesia, section 102(1),
25 which has a Permanent Establishment in the Federated

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1 States of Micronesia and whose Paid-in Capital as of the
2 beginning of its fiscal year is \$1,000,000 or more.

3 (4) 'Permanent Establishment' means a fixed
4 place of business through which the business of an
5 enterprise is wholly or partly carried on.

6 (5) 'Secretary' means the Secretary of the Department
7 of Finance and Administration.

8 (6) 'Taxable Year' shall mean the fiscal year of a
9 Major Corporation or Major FSM Branch, as the case may
10 be, as reported under section 314 of this chapter.

11 (7) 'Paid-in Capital' for purpose of this chapter
12 shall mean: (I) in the case of a Major Corporation, the
13 total amount of consideration contributed to the company
14 for the issuance of shares; and (II) in the case of a
15 Major FSM Branch, the total amount of Domestic Capital
16 (as defined in section 314(2) registered with the
17 Registrar of Corporation."

18 Section 2. Section 313 of title 54 the Code of the Federated
19 States of Micronesia, as amended by Public Laws Nos. 14-110, 16-19
20 and 16-52, is hereby further amended to read as follows:

21 "Section 313. Applicability of this chapter. Taxes
22 imposed under this chapter shall apply to all Major
23 Corporations as defined in section 312. In case of
24 conflict, this chapter shall prevail over other laws or
25 regulations of the Federated States of Micronesia.

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1 Section 3. Section 314 of title 54 of the Code of the
2 Federated States of Micronesia, as enacted by Public Laws Nos.
3 13-71, is hereby amended to read as follows:

4 "Section 314. Filing of report. A major corporation
5 shall file an initial written report with the Secretary.
6 The written report shall be signed by the authorized
7 representative of the major corporation and shall state:

8 (1) A Major Corporation that is a Domestic
9 Corporation shall file an initial written report with
10 the Secretary. The written report shall be signed by
11 the authorized representative of the Major Corporation
12 and shall state:

13 (a) the true and correct name of the Major
14 Corporation;

15 (b) the taxpayer identification number or other
16 identifying number, if any, of the Major Corporation;

17 (c) the mailing and office address of the Major
18 Corporation;

19 (d) the name, address, telephone, and fax
20 numbers of the authorized representative for the Major
21 Corporation;

22 (e) the nature of the Major Corporation's
23 principal business; and

24 (f) the last day of the Major Corporation's
25 fiscal year. The report shall be filed by the Major

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1 Corporation within sixty (60) days of the Major
2 Corporation becoming subject to this chapter."

3 (2) Every Foreign Corporation which undertakes to do
4 or carry on business in the Federated States of
5 Micronesia as a Major Corporation shall be permitted to
6 do so upon:

7 (a) remitting the sum of \$1,000,000 or more (or
8 its equivalent in another currency) to a commercial bank
9 licensed to business in the Federated States of
10 Micronesia, hereinafter referred to as a "Licensed
11 Bank", as initial capital for the purpose of doing or
12 carrying on business in the Federated States of
13 Micronesia;

14 (b) registering such amount as its initial
15 domestic capital ("Domestic Capital") by filing with the
16 Registrar of Corporations a copy of a statement prepared
17 by such Licensed Bank duly confirming its receipt from
18 the corporation of such Domestic Capital;

19 (c) filing with the Registrar of Corporations a
20 declaration stating:

21 (i) the true and correct name of the
22 corporation;

23 (ii) the state or country wherein it was
24 incorporated;

25 (iii) the location and address of its

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1 principal office;

2 (iv) the location and address of its branch
3 office in the Federated States of Micronesia, including
4 its mailing address;

5 (v) the names and addresses of its officers
6 and directors;

7 (vi) the nature of the corporation's
8 principal business (unless otherwise stated in the
9 Certificate of Incorporation, Charter, Articles of
10 Association or equivalent document to be filed pursuant
11 to paragraph (d) of this subsection);

12 (vii) its Domestic Capital which shall be
13 \$1,000,000 or more;

14 (viii) the name and branch address of the
15 licensed Bank which received the Domestic Capital;

16 (ix) the name, citizenship and business
17 address of the person residing within the Federated
18 States of Micronesia, or notices from officials of t he
19 Federated States of Micronesia, may be served;

20 (x) the last day of the corporation's
21 fiscal year; and

22 (d) filing with the Registrar of Corporations a
23 copy of the corporation's Certificate of Incorporation,
24 Charter, Articles of Association or equivalent
25 document."

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1 Section 4. Section 322 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Law No.
3 16-52, is hereby further amended to read as follows:

4 "Section 322. Taxable income defined.

5 (1) The taxable income of a Major Corporation equals
6 its income, before income taxes, earned in the taxable
7 year as determined under International Financial
8 Reporting Standard ('IFRS') or Generally Accepted
9 Accounting Principles ('GAAP'), as IFRS or GAAP, as the
10 case may be, is regularly utilized to calculate taxable
11 income in the Major Corporation corporation's principal
12 shareholder's, if a corporation, place of incorporation
13 or, if an individual, country of primary residence.

14 (2) The taxable income of a Major FSM Branch equal
15 its income, before income taxes, earned in the taxable
16 year as determined under IFRS or GAAP, as IFRS or CAAP,
17 as the case may be, is regularly utilized to calculate
18 taxable income in the place of incorporation of the
19 Major FSM Branch, and attributable to a Permanent
20 Establishment in the Federated State of Micronesia
21 through which the corporation carried on its business."

22 Section 5. Section 331 of title 54 of the Code of the
23 Federated States of Micronesia, as amended by Public Law No.
24 16-52, is hereby amended to read as follows:

25 "Section 331. Non-refundable credit for payment of

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1 foreign taxes.

2 (1) In the case of a Major Corporation, any income
3 taxes paid or accrued on taxable income during the
4 taxable year to a foreign country shall be allowed as a
5 credit against the amount of tax imposed by section 321.

6 (2) In the case of a dividend received by a Major
7 Corporation or Major FSM Branch, a credit shall also be
8 allowed against the amount of tax imposed by section 321
9 in an appropriate amount to reflect any income taxes the
10 Major Corporation or Major FSM Branch, as the case may
11 be, can demonstrate have been paid with respect to such
12 dividend to any foreign country or countries.

13 (3) In no case shall a Major Corporation or Major FSM
14 Branch, in any taxable year, be entitled to credits
15 which, in the aggregate, exceed the amount of the tax
16 imposed, for that taxable year, under the provisions of
17 section 321 of this chapter.

18 (4) No foreign tax credit shall be permitted to
19 create a refund or credit for overpayment of tax; but
20 any amount of foreign tax not creditable by reason of
21 this provision may be carried forward as a creditable
22 foreign tax to each succeeding year until fully utilized
23 subject to the same restrictions in the succeeding
24 years. In no event, however, shall any such foreign tax
25 credit be carried forward more than seven (7) years."

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1 Section 6. Section 352 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Law No.
3 16-52 and 17-73, is hereby further amended to read as follows:

4 "Section 352. Payment of tax due. Taxes shall be paid
5 as follows:

6 (1) Each Major Corporation and Major FSM Branch
7 shall, pay fifty percent (50%) of the tax it paid for
8 the income of the previous fiscal year, if any,
9 hereinafter referred to as "Tax Deposit", to the FSM by
10 the end of the eighth (8th) month of the current fiscal
11 year. This is unless the Major Corporation or Major FSM
12 Branch, as the case may be, requests a reduction or
13 waiver as the Tax Deposit is rendered unnecessary
14 because the expected tax payable in the current fiscal
15 year is less than the amount of the Tax Deposit.
16 Reduction or waiver of the Tax Deposit is subject to
17 approval by the Secretary; however, such approval must
18 not be unreasonably withheld.

19 (2) A Major Corporation or Major FSM Branch which
20 pays an amount less than the Tax Deposit shall pay
21 interest on the delinquent tax balance of one-half of
22 one percent (0.5%) for each full month until the full
23 amount is paid unless approval is granted under
24 subsection (1) of this section).

25 (3) A Major Corporation that does not have a previous

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1 fiscal year to determine its Tax Deposit either because
2 it is newly formed or is redomesticating into the
3 Federated States of Micronesia or a Major FSM Branch
4 that does not have previous fiscal year to determine its
5 tax Deposit because it newly created a Permanent
6 Establishment in the Federated States of Micronesia,
7 shall be exempt from the payment of Tax Deposit and any
8 filing requirements pertaining to the Tax Deposit.

9 (4) A Major Corporation and Major FSM Branch shall
10 complete and submit to the Department of Finance and
11 Administration an annual statement declaring the taxable
12 income with permitted deductions and exemptions,
13 hereinafter referred to as "Tax Return", by the last
14 business day of the sixth month period following the
15 last day of the fiscal year of the Major Corporation or
16 Major FSM Branch, respectfully. The annual statement
17 shall be accompanied by one of the following:

18 (a) Any additional tax payment, after the
19 subtraction of the Tax Deposit, due as shown on the Tax
20 Return of the Major Corporation or Major FSM Branch, as
21 the case may be, shall be paid by the last business day
22 of the sixth month period following the last day of the
23 fiscal year of the Major Corporation or Major FSM
24 Branch, respectfully.

25 (b) If the Major Corporation or Major FSM Branch

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1 pays, including the Tax Deposit by the end of the eighth
2 (8th) month during the fiscal year, as per sub-section 1
3 above, an amount less than the tax due as shown on the
4 annual tax return by the last business day of the six
5 month period following the last day of the fiscal year
6 of the Major Corporation or Major FSM Branch,
7 respectfully, it shall pay interest on the delinquent
8 tax balance of one half of one percent (0.5%) for each
9 full month until the full amount is paid.

10 (5) Should the Tax Deposit paid by the Major
11 Corporation or Major Branch exceed the total annual
12 income tax amount shown on the Tax Return resulting in
13 overpayment of tax, then the Major Corporation or Major
14 FSM Branch, as the case may be shall be entitled to
15 their rights conferred under section 332, chapter 3 of
16 title 54 of the Code of the Federated States of
17 Micronesia. A Major Corporation or Major FSM Branch
18 shall apply to the Department of Finance and
19 Administration for either of the following tax treatment
20 options provided under Section 332 by indicating their
21 choice in the Tax Return form:

22 (a) To have the overpaid tax amount refunded in
23 full, in which case, the Department of Finance and
24 Administration shall credit the bank account of Major
25 Corporation or Major FSM Branch, as the case may be,

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1 within a two (2) month period from the last business of
2 the sixth month period following the last day of the
3 fiscal year of Major Corporation or Major FSM Branch,
4 respectfully;

5 (b) To have the overpaid tax amount credited to
6 any tax payments by the Major Corporation or the Major
7 FSM Branch, as the case may be to the Federated States
8 of Micronesia."

9 Section 7. Section 360 title 54 of the Code of the Federated
10 States of Micronesia, as amended by Public Laws Nos. 16-52 and
11 17-73, is hereby further amended to read as follows:

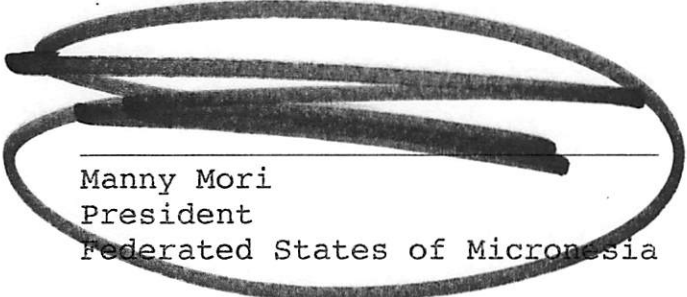
12 "Section 360. Engaging in business or operating a
13 business in the Federated States of Micronesia. A Major
14 Corporation incorporated in the Federated States of
15 Micronesia or a Major FSM Branch that only holds, buys,
16 sell, transfers or otherwise transacts with overseas
17 Assets (as defined below) is not engaging in business in
18 the Federated States of Micronesia or a business
19 operating in the Federated States of Micronesia for the
20 purposes of section 323 of this chapter or title 32,
21 chapter 2: the Foreign-Investment Act of the Code of the
22 Federated States of Micronesia. For the purposes of
23 this section 360, "Overseas Assets" means assets or
24 property located outside of the Federated States of
25 Micronesia, including but not limited to, businesses,

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1 shares, stocks, bonds, annuities, treasury bills,
2 partnership units or trust units, real estate, precious
3 metals, antiques and art."

4 Section 8. This act shall become law upon approval by the
5 President of the Federated States of Micronesia or upon its
6 becoming law without such approval.

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9 *December 19*, 2014
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15 Manny Mori
16 President
17 Federated States of Micronesia
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