



*The President*  
*Palikir, Pohnpei*  
*Federated States of Micronesia*

PRESIDENTIAL COMM NO. 19550  
FSM CONGRESS

February 6, 2017

The Honorable Wesley W. Simina  
Speaker  
Nineteenth Congress of the Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear Speaker Simina:

I am pleased to transmit the following congressional act, which I have signed into Public Law No. 19-143:

Congressional Act No. 19-147, entitled: "TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY CREATING A NEW CHAPTER 6 TO PROVIDE FOR AVAILABILITY, ACCESS, AND EXCHANGE OF INFORMATION FOR TAXATION PURPOSES, AND FOR OTHER PURPOSES."

As indicated before, the purpose of the exchange of information in this act is to establish and maintain transparency in business, and to demonstrate FSM's compliance with international standards with respect to sharing of tax information. The passage of this act marks a positive step towards maintaining this nation's credibility as a responsible tax regulator.

Therefore, I wish to extend my appreciation to the 19<sup>th</sup> Congress for the passage of this act. Thank you.

Sincerely,

  
Peter M. Christian  
President



Enclosure:

xc: Chief Justice, FSM Supreme Court



Office of the Chief Clerk

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3

Palikir, Sokehs Pohnpei State, FM 96941

Tel: (691) 320-2324 / 2338 Fax: (691) 320-5122

PRESIDENTIAL COMM. NO. 19550  
FSM CONGRESS

January 31, 2017



His Excellency Peter M. Christian  
President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear President Christian:

I have the honor to transmit herewith Congressional Act No. 19-147, "AN ACT TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY CREATING A NEW CHAPTER 6 TO PROVIDE FOR AVAILABILITY, ACCESS, AND EXCHANGE OF INFORMATION FOR TAXATION PURPOSES, AND FOR OTHER PURPOSES.", which was passed by the Nineteenth Congress of the Federated States of Micronesia, Sixth Regular Session, 2017, 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. 19-550  
FSM CONGRESS

NINETEENTH CONGRESS OF THE  
FEDERATED STATES OF MICRONESIA  
SIXTH REGULAR SESSION  
JANUARY 23 – FEBRUARY 11, 2017

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## An Act

TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY CREATING A NEW CHAPTER 6 TO PROVIDE FOR AVAILABILITY, ACCESS, AND EXCHANGE OF INFORMATION FOR TAXATION PURPOSES, AND FOR OTHER PURPOSES.

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

DATE: DECEMBER 14, 2016

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REFERRED TO: COMMITTEE ON WAYS AND MEANS

WITHDRAWN – JANUARY 27, 2017

FIRST READING: JANUARY 27, 2017

SECOND READING: JANUARY 28, 2017

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A handwritten signature in black ink, appearing to read "Liwiana Ramon Ioanis", is written over a horizontal line.

Liwiana Ramon Ioanis  
Chief Clerk, FSM Congress





Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

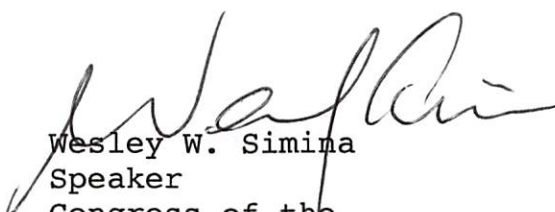
P.O.Box PS 3 Palikir, Sokehs  
Pohnpei State, FM 96941  
Tel: (691) 320-2324 / 2338  
Fax: (691) 320-5122


PRESIDENTIAL COMM. NO. 19-550  
FSM CONGRESS

ACT NO. 19-147

(CONGRESSIONAL BILL NO. 19-244)

We hereby certify that on January 28 the foregoing act passed  
Second and Final Reading of the Nineteenth Congress of the  
Federated States of Micronesia, Sixth Regular Session, 2017, 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.

  
Wesley W. Simina  
Speaker  
Congress of the  
Federated States of Micronesia

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

NINETEENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SEVENTH SPECIAL SESSION, 2016

CONGRESSIONAL BILL NO. 19-244

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AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, by creating a new chapter 6 to provide for availability, access, and exchange of information for taxation purposes, and for other purposes.

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

1       Section 1. The Congress finds that illegal tax evasion is a  
2 serious and global problem, and the effective international  
3 measures to exchange information for tax purposes is necessary to  
4 prevent tax fraud, money laundering, and financing of terrorism.  
5 It is hereby declared to be the policy of the Federated States of  
6 Micronesia to implement international standards for transparency  
7 and exchange of tax information, and it is the intent of Congress  
8 that this chapter be implemented in accordance with the policy.

9       Section 2. Title 54 of the Code of the Federated States of  
10 Micronesia (Annotated), as amended, is hereby further amended by  
11 creating a new chapter 6 entitled: "Access and Exchange of  
12 Information."

13       Section 3. Title 54 of the Code of the Federated States of  
14 Micronesia (Annotated), as amended, is hereby further amended by  
15 inserting a new section 601 of chapter 6, to read as follows:

16               "Section 601. Short title. This chapter may be cited  
17 as the 'Exchange of Tax Information Act of 2016'."

18       Section 4. Title 54 of the Code of the Federated States of

1 Micronesia (Annotated), as amended, is hereby further amended by  
2 inserting a new section 602 of chapter 6, to read as follows:

3 "Section 602. Definitions.

4 Wherever used in this chapter, except where otherwise  
5 specified, unless the subject matter, context, or sense  
6 otherwise requires:

7 (1) "Business" includes any profession, trade,  
8 manufacture, or other undertaking carried on for  
9 pecuniary profit in the Federated States of Micronesia,  
10 but not including employment.

11 (2) "Customs and Tax Administration" means the  
12 division in the Department of Finance and Administration  
13 that is charged with administration of national tax  
14 laws. It is headed by an assistant secretary.

15 (3) 'Entity' means a company, corporation,  
16 partnership, unincorporated association or other  
17 business entity, trust, or estate that:

18 (a) is registered in the Federated States of  
19 Micronesia;

20 (b) has a permanent establishment in the  
21 Federated States of Micronesia;

22 (c) owns assets in the Federated States of  
23 Micronesia; or

24 (d) in the case of a trust, has a trustee  
25 resident in the Federated States of Micronesia.

1           (4) 'Secretary' means the Secretary of the Department  
2           of Finance and Administration."

3           Section 5. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby further amended by  
5 inserting a new section 603 of chapter 6, to read as follows:

6           "Section 603. Availability of Information.

7           (1) Every business or entity, on or before January 31  
8           each year, shall provide complete ownership and identity  
9           information to the Customs and Tax Administration. The  
10          information required will be set out in a form approved  
11          by the Secretary pursuant to this section.

12          (2) Any corporation that has provided ownership  
13          information to the FSM National Registrar of  
14          Corporations within the previous year may file for an  
15          exemption from the requirements of subsection (1) of  
16          this section. The exemption request shall be on a form  
17          approved by the Secretary and shall contain such  
18          information as the Secretary may require.

19          (3) A business or entity may request an extension of  
20          time to file the information required by this section of  
21          up to 90 days."

22          Section 6. Title 54 of the Code of the Federated States of  
23 Micronesia (Annotated), as amended, is hereby further amended by  
24 inserting a new section 604 of chapter 6, to read as follows:

25          "Section 604. Accounting Records.

(1) Every business or entity shall maintain accounting records for a period of six years that:

- (a) Correctly explain all transactions;
- (b) Enable the financial position of the business or entity to be determined with reasonable accuracy; and
- (c) Allow financial statements to be prepared.

(2) Every business or entity shall maintain underlying documents of all transactions such as invoices and contracts for a period of six years.

(3) The Secretary may by regulation provide for simplified accounting record retention requirements for small businesses and entities. Any regulations issued pursuant to this subsection shall comply with international standards for tax transparency."

Section 7. Title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, is hereby further amended by inserting a new section 605 of chapter 6, to read as follows:

"Section 605. Exchange of Information.

(1) Subject to ratification by Congress, the Executive branch may negotiate and execute treaty with another country on the exchange of tax information. Upon entry into force of such treaty, the Secretary may enter into agreement or agreements with foreign counterpart to implement the terms of treaty.



(2) Any exchange of information concluded with other nation under subsection (1) or subsection (2) of this Section shall provide for reasonable safeguards against unauthorized or improper disclosure of confidential information.

(3) Any exchange of information pursuant to an agreement entered into under subsection (1) or subsection (2) of this section shall be exempt from any confidentiality or secrecy provisions provided for by law, but only to the extent permitted under that agreement and applicable law."

Section 8. Title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, is hereby further amended by inserting a new section 606 of chapter 6, to read as follows:

"Section 606. Power to Obtain Tax Information.

(1) The Secretary shall have authority to use any statutory powers to the extent granted in this title to obtain access to tax information for the purpose of complying with a request for exchange of tax information, including:

(a) powers to summon persons to provide testimony or provide documents under section 157(1) of this title;

(b) powers to summon third parties to provide testimony or provide documents under section 157(2) of

1           this title;

2                   (c) powers of access to records under section  
3           151 of this title; and

4                   (d) powers of and seizure as may be provided for  
5           under applicable FSM law.

6           (2) Any substantive restrictions or procedural  
7           requirements associated with the exercise of statutory  
8           access powers for a domestic tax purpose shall apply in  
9           a like manner when exercising such powers for the  
10          purpose of complying with a request for exchange of tax  
11          information.

12          (3) The powers provided by this section shall be  
13          exercised subject to such privileges as may be  
14          recognized by the FSM Supreme Court, but shall not be  
15          subject to contractual duties of confidentiality, and  
16          shall not be subject to professional ethical  
17          requirements not recognized by the law of privilege."

18          Section 9. Title 54 of the Code of the Federated States of  
19          Micronesia (Annotated), as amended, is hereby further amended by  
20          inserting a new section 607 of chapter 6, to read as follows:

21                "Section 607. Civil Penalty.

22                   (1) If any business or entity fails to provide  
23           ownership and identity information as required under  
24           this chapter on or before the date set, unless prior to  
25           that date such taxpayer applied for and received an

1 extension for reasonable cause, the business or entity  
2 shall pay a penalty of \$100 per month until such  
3 information is provided."

4 (2) If any business or entity fails to provide  
5 accounting records or banking or other information as  
6 required under chapter, then the business or entity  
7 shall pay a penalty of \$500 per month until such  
8 information is provided.

9 (3) If any person subject to a third party request  
10 for information or testimony as required by this  
11 chapter, then such person shall pay a penalty of \$500  
12 per month until such information is provided. As used  
13 in this subsection, a person includes a government,  
14 corporation, or other legal entity."

15 Section 10. Title 54 of the Code of the Federated States of  
16 Micronesia (Annotated), as amended, is hereby further amended by  
17 inserting a new section 608 of chapter 6, to read as follows:

18 "Section 608. Criminal Penalty.

19 Any person, business or entity who willfully violates  
20 any of the provisions of this chapter, or any license,  
21 rule, or regulation issued thereunder, shall upon  
22 conviction be imprisoned for a period of not more than  
23 one year, or fined not more than \$50,000, or both."

24 Section 11. Title 54 of the Code of the Federated States of  
25 Micronesia (Annotated), as amended, is hereby further amended by

1 inserting a new section 609 of chapter 6, to read as follows:

2           "Section 609. With the approval of the President, the  
3           Secretary may adopt new regulation or amend, or rescind  
4           existing regulations prescribing rules for the efficient  
5           and convenient implementation and enforcement, and such  
6           regulations shall have the force and effect of law if  
7           they are not in conflict with the express provisions of  
8           this chapter or other laws of the FSM.

9           Section 12. This act shall become law upon approval by the  
10          President of the Federated States of Micronesia or upon its  
11          becoming law without such approval.

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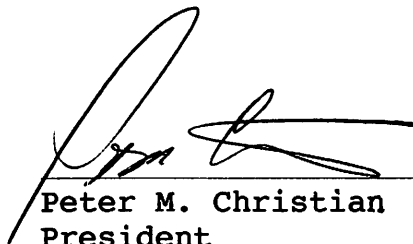
2/6/, 2017

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Peter M. Christian  
President  
Federated States of Micronesia

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PUBLIC LAW No. 19- 143