To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 222 thereof, as enacted by Public Law No. 9-139 and amended by Public Laws Nos. 10-10, 10-136 and 10-149, for the purpose of adding a new exemption for certain goods imported by new manufacturing firms, and for other purposes.

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

1. Section 222 of title 54 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 9-139 and amended by Public Laws Nos. 10-10, 10-136 and 10-149, is hereby further amended to read as follows:

"Section 222. Exemptions.

(1) Damaged, pillaged or faulty goods. Upon receipt of a written request within 28 days of the release of the goods from Customs control, the Secretary may authorize a refund of the whole or part of the duty paid, where any of the following conditions exist:

(a) Goods have been damaged, pillaged, lost or destroyed during the voyage;

(b) Goods have, while subject to the control of Customs, been damaged, pillaged, lost or destroyed; or

(c) The Commissioner is satisfied that, owing to a fault or defect in any goods, the importer has received a reduction or a refund, in whole or part, of the price paid for the goods.

(2) Imported goods subsequently exported.

(a) Upon application to and approval by the Secretary, import duty paid on the following goods shall be refunded:

(i) goods imported for processing in the FSM, not otherwise used in the FSM, and subsequently exported from the FSM. For purposes of this subsection, raw
materials or ingredients which are worked into or 
otherwise become part of a different or more finished 
product are deemed exported when that product is 
exported; and 

(ii) goods imported for transshipment through 
the FSM, not used in the FSM, and stored while in the FSM 
in a bonded warehouse pursuant to policies or regulations 
promulgated by the Secretary. This transshipment 
exemption shall not apply to tobacco products, alcoholic 
beverages, or other goods which the Secretary has 
specified by policy or regulation are to be excluded from 
the benefit of this exemption due to the risk of tax 
avoidance or other customs violations.

(b) Goods are eligible for the duty refund when 
they have been loaded on an aircraft or vessel for direct 
removal from the FSM and that aircraft or vessel has 
departed from the port. After they have been so loaded, 
the goods shall again be subject to import duty if they 
are unloaded or used in the FSM. With respect to 
importers primarily engaged in importing for processing 
and subsequent export and with respect to goods held in a 
bonded warehouse, the Secretary may provide for waiving 
by policy or regulation, [for waiving,] rather than 
collecting and subsequently refunding duties on imports 
to be subsequently exported.
(3) **Per trip abroad.** Each time an individual person enters or returns to the FSM from a foreign jurisdiction, he or she is entitled to bring into the FSM the following goods [7] duty-free, provided that such goods are for that person’s own personal use or consumption and not for resale or exchange, and provided further that such person is permitted by applicable State law to possess, use, and consume such goods:

(a) up to 200 cigarettes;

(b) up to one pound of tobacco or twenty cigars;

(c) up to 52 fluid ounces or 1500 milliliters of distilled alcoholic beverages; and

(d) up to two hundred dollars ($200) worth of goods other than tobacco products, beer and malt beverages, distilled alcoholic beverages, and wine.

(4) **Visitors’ personal effects.** A visitor to the FSM may import bona fide personal effects into the FSM duty-free, provided the goods are for the visitor’s own personal use and will be taken with the visitor when he or she leaves the country.

(5) **Returning goods.** Goods produced or properly entered into the FSM which are subsequently removed from the FSM may be returned to the FSM duty-free. The burden shall be on the owner of the goods to establish that the goods were either produced in the FSM or previously and
properly entered.

(6) Foreign aid projects. An international organization, foreign contractor, or other foreign entity may import goods into the FSM duty-free in connection with the performance of services or other conduct of business in furtherance of a foreign aid agreement entered into by the FSM, the terms of which require that such imports shall not be subject to taxation by the FSM; provided that if and when such goods are subsequently sold in the FSM, import duty shall be due based on the sale amount. The duty, together with penalties and interest, shall be the joint and several personal liability of the importer and the purchaser and shall be secured by first liens on the goods and on the importer’s property as hereinafter provided.

(7) Personal gifts. Goods claimed as gifts, valued at [one] five hundred dollars ($500) or less, and received by persons within the FSM from sources outside the FSM shall not be subject to import duty provided the goods are for the recipient’s own personal use or consumption and not for resale or exchange. There shall be a rebuttable presumption that goods received from outside the FSM are not gifts.

(8) Fishing vessels. Fishing vessels basing in the Federated States of Micronesia under a valid permit or
license issued pursuant to title 24 of the Code of the Federated States of Micronesia shall not be subject to the import duty on either the vessel [or] equipment installed in the vessel, or the parts reasonably necessary to maintain such vessel and equipment.

(9) Goods imported by a manufacturing firm. The Secretary of Finance may grant to a firm duly licensed to manufacture products within the Federated States of Micronesia a waiver of import duties on materials, plant and equipment imported for construction of a manufacturing facility."

Section 2. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 7/30/99 Introduced by: Peter M. Christian