A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 312 relating to paid-in capital; by further amending section 313 relating to the applicability of the Income Tax Regime for FSM Corporations in the Corporate Income Tax Act of 2004, 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 enacted by Public Law No. 13-
- 3 71, is hereby amended to read as follows:
- 4 "Section 312. Definitions.
- (1) 'Control Group' for purposes of this chapter shall
 mean a corporation and its 80% or greater owned
 subsidiaries, its parent companies that own directly or
 indirectly 80% or more of the corporation, and the 80%
 or greater owned subsidiaries of such parent companies.
 - (2) 'Major Corporation' means any corporation that is subject to taxation under this chapter, specifically, any corporation that is not exempt from taxation by Section 313 of this chapter.
 - (3) 'Secretary' means the Secretary of the Department of Finance and Administration.
 - (4) 'Taxable Year' shall mean the fiscal year of the major corporation as reported to the Secretary under Section 314 of this chapter.

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1	(5) 'Paid-in Capital' for purposes of this chapter
2	shall mean the total amount of consideration contributed
3	to the company for the issuance of shares."
4	Section 2. Section 313 of title 54 of the Code of the
5	Federated States of Micronesia, as enacted by Public Law No. 13-
6	71, is hereby amended to read as follows:
7	"Section 313. Applicability of this Chapter.
8	(1) Taxes imposed under this chapter shall apply to
9	[all] corporations incorporated in the Federated States
10	of Micronesia [unless] <u>if</u> :
11	$[\frac{(1)}{(a)}]$ the corporation's shareholder
12	[equity or] paid-in capital as of the beginning of its
13	fiscal year is [less than] \$1,000,000 or more; or
14	$[\frac{(2)}{(b)}]$ the shareholder $[\frac{equity or}{b}]$ paid-in capital
15	of the corporation's control group is [less than]
16	\$10,000,000 <u>or more.</u> [; or]
17	(2) Notwithstanding subsection (1) of this section,
18	tax imposed under this chapter shall not apply to
19	corporations incorporated in the Federated States of
20	<pre>Micronesia if:</pre>
21	$[\frac{(3)}{(a)}]$ the corporation is principally engaged in
22	business in the Federated States of Micronesia as a bank
23	as such term is defined in 29 FSMC Section 102(1); or

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1 $\left[\frac{4}{4}\right]$ (b) the corporation was formed under the laws of 2 the Federated States of Micronesia prior to January 1, 3 2005." 4 Section 3. Section 351 of Chapter 3 of title 54 of the Code of the Federated States of Micronesia , as enacted by Public Law No. 13-71, is hereby amended to read as follows: 7 "Section 351. Filing of annual returns. Every major 8 corporation shall prepare and file with the Secretary an annual income tax return on a form approved by the 9 10 Secretary, which annual income tax return shall be 11 signed by the major corporation's authorized 12 representative. This form shall be filed with the 13 Secretary, together with a copy of the major corporation's [audited] financial statements in a form 14 15 acceptable to the Secretary, by the last day of the 16 sixth month period following the last day of the major 17 corporation's taxable year. A major corporation must submit the most recent audited financial statement of 18 19 any corporation that owns more than 50% of that major 20 corporation. Audited financial statements are not 21 required from individual owners of a major corporation 22 or from corporations that own 50% or less of a major 23 corporation." 24

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Section 4. This act shall become law upon approval by the
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 2 President of the Federated States of Micronesia or upon its
 3 becoming law without such approval.
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5 Date: <u>1/23/07</u>
                                   Introduced by: /s/ Manny Mori
                                                       Manny Mori
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