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A BILL FOR AN ACT

To further amend chapter 8 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, by repealing and re-enacting sections 801, 802, and 803 as subchapter I; repealing sections 804 and 805; and enacting new subchapters II, III, IV, V, VI, VII, VIII, IX, X, XI, XII and XIII; for the purpose of establishing the Revenue Administration Act of 2019, and for other purposes.

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

1           Section 1. Chapter 8 of title 54 of the Code of the  
2 Federated States of Micronesia (Annotated), as amended, is hereby  
3 amended by designating sections 801 to 803 as subchapter I  
4 entitled "General Provisions".

5           Section 2. Section 801 of title 54 of the Code of the  
6 Federated States of Micronesia (Annotated) is hereby repealed and  
7 re-enacted to read as follows:

8                   "Section 801. Short title.

9                   This chapter may be cited as the Revenue Administration  
10                   Act of 2019."

11           Section 3. Section 802 of title 54 of the Code of the  
12 Federated States of Micronesia (Annotated) is hereby repealed and  
13 re-enacted to read as follows:

14                   "Section 802. Definitions.

15                   Wherever used in this chapter, unless the  
16                   subject matter, context, or sense otherwise  
17                   requires:

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1           (1) 'Arrangement' means any contract, agreement,  
2           plan, or understanding whether expressed or implied and  
3           whether or not enforceable in legal proceedings.

4           (2) 'Associate' has the meaning in section 515 of  
5           this title.

6           (3) 'Authority' means the FSM Unified Revenue  
7           Authority established under section 711 of this title.

8           (4) 'Board' means the Board of Directors of the  
9           Authority appointed under section 712 of this title.

10          (5) 'CEO' means the Chief Executive Officer appointed  
11          under section 731 of this title.

12          (6) 'FSM' means the Federated States of Micronesia.

13          (7) 'Installment of tax' means an installment of tax  
14          payable under chapter 5 of this title.

15          (8) 'Late payment interest' means late payment  
16          interest imposed under section 865 of this chapter.

17          (9) 'Net profit tax' means net profit tax imposed  
18          under chapter 5 of this title.

19          (10) 'Objection decision' means the decision referred  
20          to in section 819(5) of this chapter.

21          (11) 'Person' means an individual, company,  
22          corporation, partnership, unincorporated association or  
23          other business entity, trust, estate, government,  
24          political subdivision of a government, or public  
25          international organization.

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1           (12) 'Prescribed' means prescribed by the Secretary in  
2           regulations.

3           (13) 'President' means the President of the FSM.

4           (14) 'Presumptive tax' means the presumptive tax  
5           imposed under chapter 5 of this title.

6           (15) 'Private ruling' means a ruling made under  
7           sections 858, 859, 860, 861, and 862 of this chapter.

8           (16) 'Public ruling' means a ruling made under  
9           sections 855, 856, and 857 of this chapter.

10          (17) 'Representative' means:

11               (a) in the case of an individual under a legal  
12               disability, the guardian or manager who receives or is  
13               entitled to receive income on behalf, or for the  
14               benefit, of the individual;

15               (b) in the case of a company or corporation, the  
16               chief executive officer, public officer, managing  
17               director, or any director of the company;

18               (c) in the case of a partnership, any partner in  
19               the partnership;

20               (d) in the case of a trust, any trustee of the  
21               trust;

22               (e) in the case of an unincorporated association  
23               or other business entity (other than a company,  
24               corporation, or partnership), any individual responsible  
25               for accounting for the receipt or payment of moneys or

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1           funds on behalf of the association;

2                   (f) in the case of the National or a State  
3           Government, or a local authority in the FSM, any  
4           individual responsible for accounting for the receipt or  
5           payment of moneys or funds on behalf of the Government  
6           or local authority;

7                   (g) in the case of a foreign government,  
8           political subdivision of a foreign government, or public  
9           international organization, any individual responsible  
10          for accounting for the receipt or payment of moneys or  
11          funds in the FSM on behalf of the government, political  
12          subdivision of the government, or organization;

13                  (h) in the case of a non-resident person, any  
14          person controlling the person's affairs in the FSM,  
15          including any manager of any business of such person  
16          and, in relation to customs, the person's customs agent;  
17          or

18                  (i) in the case of a person to whom section 826  
19          of this title applies, the trustee of the person under  
20          that section, and includes any person that the CEO has,  
21          by notice in writing, declared to be a representative of  
22          a person for the purposes of this chapter.

23          (18) 'Revenue law' means:

24                   (a) any chapter under this title;

25                   (b) a law of the FSM imposing a tax or duty

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1           if the law provides that the Authority has the  
2           responsibility for administering the tax or duty; and  
3                       (c) a law of a State imposing a tax that  
4           the Authority is permitted to administer by virtue of  
5           the laws of such State.

6           (19) 'Revenue officer' means the CEO and any officer  
7           of the Authority appointed under section 732 of this  
8           title.

9           (20) 'Secretary' means the Secretary of the FSM  
10          Department of Finance and Administration.

11          (21) 'Self-assessment' means a self-assessment of net  
12          profits tax, presumptive tax, or VAT.

13          (22) 'Self-assessment return' means a tax return  
14          required to be furnished by a self-assessment taxpayer.

15          (23) 'Self-assessment taxpayer' means a person liable  
16          for net profit tax, presumptive tax, or VAT.

17          (24) 'State' means a State of the FSM.

18          (25) 'Tax' means any tax, duty, or penalty imposed  
19          under a revenue law, and includes an installment of tax  
20          and withholding tax.

21          (26) 'Tax assessment' means:

22                       (a) an assessment of wages and salaries tax  
23          under section 152 of this title;

24                       (b) a self-assessment;

25                       (c) an assessment under subchapter III of this

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1 chapter, including an amended assessment; and

2 (d) an assessment of penalty under section 870  
3 of this title.

4 (27) 'Tax decision' means:

5 (a) a tax assessment; or

6 (b) a decision in relation to a revenue law on  
7 any matter left to the discretion, judgment, direction,  
8 opinion, approval, consent, satisfaction, or  
9 determination of the CEO, other than such decision made  
10 by the CEO in relation to the making of a tax assessment  
11 or to take action on subchapter VI of this chapter.

12 (28) 'Tax period' means:

13 (a) in the case of tax imposed on wages  
14 and salaries payable by the employer by withholding  
15 under section 132 of this title or payable by the  
16 employee under section 138 of this title, the  
17 quarter;

18 (b) in the case of the net profits tax or  
19 presumptive tax, the tax year;

20 (c) in the case of installments of net profit  
21 tax, the period to which the installment relates;

22 (d) in the case of tax withheld from a payment  
23 under chapter 5 of this title, the period to which the  
24 withholding relates;

25 (e) in the case of VAT, the VAT period; or

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1                   (f) in any other case, the period for which the  
2                   tax or duty is reported.

3                   (29) 'Tax return' means a return required to be filed  
4                   under a revenue law.

5                   (30) 'Tax warrant' means a warrant issued under  
6                   section 835 of this title.

7                   (31) 'Taxpayer' means a person liable for any tax or  
8                   duty imposed under a revenue law and includes:

9                           (a) an employer liable to withhold tax from a  
10                           payment of wages and salaries under section 132 of this  
11                           title; and

12                           (b) a person liable to withhold tax from a  
13                           payment under chapter 5 of this title.

14                   (32) 'Taxpayer Identification Number' means a Taxpayer  
15                   Identification Number issued under section 846 of this  
16                   chapter.

17                   (33) 'VAT' means valued added tax imposed under a  
18                   revenue Law.

19                   (34) 'Wages and salaries tax' means the tax imposed  
20                   under section 121 of this title.

21                   (35) 'Withholding tax' means the amount that a payer  
22                   is required to withhold from a payment as tax."

23           Section 4. Section 803 of title 54 of the Code of the  
24 Federated States of Micronesia (Annotated) is hereby repealed and  
25 re-enacted to read as follows:

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1           "Section 803. References to terms used in other laws.  
2           When this chapter applies in respect of a revenue law,  
3           any term not defined in this chapter has the meaning  
4           that it has for the purposes of the revenue law."

5           Section 5. Section 804 of title 54 of the Code of the  
6 Federated States of Micronesia (Annotated) is hereby repealed.

7           Section 6. Section 805 of title 54 of the Code of the  
8 Federated States of Micronesia (Annotated), as amended by Public  
9 Law No. 18-107, is hereby repealed.

10          Section 7. Chapter 8 of title 54 of the Code of the  
11 Federated States of Micronesia (Annotated), as amended, is hereby  
12 amended by designating sections 806 to 807 as subchapter II  
13 entitled "Tax Returns".

14          Section 8. Title 54 of the Code of the Federated States of  
15 Micronesia, (Annotated), as amended, is hereby amended by enacting  
16 a new section 806 to read as follows:

17           "Section 806. Extension of time to file a tax return.

18           (1) A taxpayer required to file a tax return may  
19           apply, at any time and in writing, to the CEO for an  
20           extension of time to file the return.

21           (2) The CEO may, upon satisfaction that there is  
22           reasonable cause (as defined in regulations issued from  
23           time to time by the Authority), grant an application  
24           under subsection (1) of this section and must serve  
25           notice of the decision on the applicant.



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1           (3) An extension of time granted under this section  
2           does not change the date for payment of tax due as  
3           specified in the revenue law under which the return has  
4           been made, but shall extend the date from which  
5           penalties shall be payable with respect to the late  
6           filing of a return.”

7           Section 9. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting  
9 a new section 807 to read as follows:

10           “Section 807. Tax return duly made.  
11           A tax return purporting to be filed by or on behalf of a  
12           taxpayer is treated as having been filed by the taxpayer  
13           or with the taxpayer’s authority unless the contrary is  
14           proved.”

15           Section 10. Chapter 8 of title 54 of the Code of the  
16 Federated States of Micronesia (Annotated), as amended, is hereby  
17 amended by designating sections 810 to 816 as subchapter III  
18 entitled “Tax Decisions”.

19           Section 11. Title 54 of the Code of the Federated States of  
20 Micronesia (Annotated), as amended, is hereby amended by enacting  
21 a new section 810 to read as follows:

22           “Section 810. Self-assessments.

23           (1) For the purposes of this chapter:

24                   (a) a self-assessment taxpayer who has filed a  
25           self-assessment return is treated as having made an

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1           assessment of the amount of tax payable for the tax  
2           period to which the return relates being that amount as  
3           set out in the return; and

4                   (b) a self-assessment return furnished by a  
5           self-assessment taxpayer is treated as a notice of the  
6           assessment served by the CEO on the taxpayer on the date  
7           the return was filed.

8                   (2) [Reserved]"

9           Section 12. Title 54 of the Code of the Federated States of  
10          Micronesia (Annotated), as amended, is hereby amended by enacting  
11          a new section 811 to read as follows:

12                   "Section 811. Assessment of person who fails to file a  
13                   tax return.

14                   (1) If a taxpayer liable for tax on an assessment  
15                   basis under a revenue law fails to file a tax return for  
16                   a tax period as required under the revenue law, the CEO  
17                   may, at any time, make an assessment of the tax payable  
18                   by the taxpayer.

19                   (2) The CEO must serve a taxpayer assessed under  
20                   subsection (1) of this section with notice of the  
21                   assessment as soon as is practicable after making the  
22                   assessment. The notice must state:

23                           (a) the amount of tax payable;

24                           (b) the amount of interest or penalty (if any)  
25                   payable in respect of the tax payable;

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- 1                   (c) the tax period in respect of which the  
2                   assessment relates;  
3                   (d) the date of issue of the notice; and  
4                   (e) the due date for payment of the tax payable  
5                   under the notice."

6           Section 13. Title 54 of the Code of the Federated States of  
7 Micronesia (Annotated), as amended, is hereby amended by enacting  
8 a new section 812 to read as follows:

9           "Section 812. Advanced tax assessments.

10           (1) The CEO may make an assessment of the tax payable  
11           for the tax period and the tax is payable on the date  
12           set out in the notice of assessment served on the  
13           taxpayer if, in any tax period:

14                   (a) a taxpayer liable for tax on an assessment  
15                   basis under a revenue law ceases to carry on a trade,  
16                   business, profession, vocation, or employment; or

17                   (b) the CEO has reasonable grounds to believe  
18                   that a taxpayer liable for tax on an assessment basis  
19                   under a revenue law may leave, or has left, the FSM  
20                   without filing a return as required under the revenue  
21                   law for the tax period.

22           (2) The CEO must serve a taxpayer assessed under  
23           subsection (1) of this section with notice, in writing,  
24           of the assessment as soon as is practicable after making  
25           the assessment, and such notice must set out the matters

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1           specified in section 811(2) of this chapter.

2           (3) An assessment made under subsection (1) of this  
3           section can be amended under section 813 of this chapter  
4           so that the taxpayer is assessed in respect of the whole  
5           of the tax period to which the assessment under  
6           subsection (1) of this section relates.”

7           Section 14. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting  
9 a new section 813 to read as follows:

10           “Section 813. Amendment of tax assessments.

11           (1) Subject to this section, the CEO may amend a tax  
12           assessment by making such alterations or additions to  
13           the assessment as the CEO considers necessary to ensure  
14           that a taxpayer is liable for the correct amount of tax  
15           payable in respect of the tax period to which the  
16           assessment relates.

17           (2) A self-assessment taxpayer can apply to the CEO  
18           within the time specified in subsection (3)(b) of this  
19           section for the CEO to make an amendment in accordance  
20           with subsection (1) of this section to a self-assessment  
21           and the CEO shall serve the taxpayer with notice of the  
22           decision on the application as soon as is practicable  
23           after the making of the assessment.

24           (3) The amendment of a tax assessment under  
25           subsection (1) of this section may be made:

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1           (a) in the case of fraud or willful neglect,  
2           within six years of the date the CEO served notice of  
3           the assessment on the taxpayer, or within one year after  
4           the fraud or willful neglect is discovered, whichever is  
5           the later; or

6           (b) in any other case, within six years of the  
7           date the CEO served notice of the assessment on the  
8           taxpayer.

9           (4) As soon as practicable after making an amended  
10          assessment under this section, the CEO must serve the  
11          taxpayer with notice of the amended assessment.

12          (5) Subject to subsection (6) of this section, if a  
13          notice of assessment (referred to as the 'original  
14          assessment') has been amended under subsection (1) of  
15          this section, the CEO may further amend the original  
16          assessment within the later of:

17               (a) six years after the CEO served notice of the  
18               original assessment on the taxpayer; or

19               (b) one year after the CEO served notice of the  
20               amended assessment on the taxpayer.

21          (6) If subsection (5)(b) of this section applies, the  
22          CEO is limited to amending the alterations and additions  
23          made in the amended assessment to the original  
24          assessment.

25          (7) An amended assessment is treated in all respects

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1           as a tax assessment for the purposes of this chapter  
2           (other than subsection (1) or (2) of this section) and  
3           the revenue law under which the original assessment has  
4           been made.

5           (8) The making of an amended assessment does not  
6           preclude the liability for any interest and penalty in  
7           relation to the tax assessed under amended assessment  
8           arising from the date that tax was due under the  
9           original assessment."

10          Section 15. Title 54 of the Code of the Federated States of  
11 Micronesia (Annotated), as amended, is hereby amended by enacting  
12 a new section 814 to read as follows:

13           "Section 814. Validity of tax decisions.

14           (1) The validity of a tax decision, a notice of a tax  
15           decision, or any other document purporting to be made or  
16           executed under a revenue law, if it is in substance and  
17           effect in conformity with the law under which it has  
18           been made, issued, or executed, and the person assessed  
19           or intended to be assessed or affected by the decision  
20           or document is designated in it according to common  
21           understanding:

22                   (a) cannot be quashed or deemed to be void or  
23                   voidable for want of form; or

24                   (b) is not affected by reason of any immaterial  
25                   mistake, defect, or omission therein.

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1                   (2) [Reserved]”

2           Section 16. Title 54 of the Code of the Federated States of  
3 Micronesia (Annotated), as amended, is hereby amended by enacting  
4 a new section 815 to read as follows:

5                   “Section 815. Correctness of tax decisions.

6                   (1) Except in proceedings under subchapter IV of this  
7 chapter:

8                   (a) no tax decision can be disputed in any court  
9 or in any other proceedings on any ground whatsoever;

10                   (b) the production of the original notice of a  
11 tax assessment or a document under the hand of the CEO  
12 purporting to be a copy of a notice of such assessment  
13 is conclusive evidence of the making of the assessment  
14 and that the amount and particulars of the assessment  
15 are correct; and

16                   (c) in the case of a self-assessment taxpayer,  
17 the production of the original self-assessment return or  
18 a document under the hand of the CEO purporting to be a  
19 copy of such return is conclusive evidence of the  
20 contents of the return.

21                   (2) A court must, in all proceedings, take judicial  
22 notice of the signature of the CEO in either the  
23 original or copy of a notice of a tax decision.”

24           Section 17. Title 54 of the Code of the Federated States of  
25 Micronesia (Annotated), as amended, is hereby amended by enacting

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1 a new section 816 to read as follows:

2 "Section 816. Rectification of mistakes.

3 If the CEO is satisfied that an order made or document  
4 issued by the CEO under a revenue law contains a mistake  
5 that is apparent on the face of the record or document  
6 and the mistake does not involve a dispute as to the  
7 interpretation of the law or facts of the case, the CEO  
8 may, for the purposes of rectifying the mistake, amend  
9 the order or document any time before the expiry of six  
10 years from the date of making or issuing the order or  
11 document."

12 Section 18. Chapter 8 of title 54 of the Code of the  
13 Federated States of Micronesia (Annotated), as amended, is hereby  
14 amended by designating sections 819 to 821 as subchapter IV  
15 entitled "Objections and Appeals".

16 Section 19. Title 54 of the Code of the Federated States of  
17 Micronesia (Annotated) as amended, is hereby amended by enacting a  
18 new section 819 to read as follows:

19 "Section 819. Objection to tax decision.

20 (1) A person dissatisfied with a tax decision must  
21 lodge an objection to the decision with the CEO within  
22 30 days of service of the notice of the decision.

23 (2) If the CEO has amended an assessment under  
24 section 813 of this title, the taxpayer has no further  
25 right of objection that the taxpayer would have had if



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1           the amendment had not been made, except to the extent  
2           that by reason of the amendment a fresh liability is  
3           imposed on the taxpayer or an existing liability is  
4           increased.

5           (3) An objection must substantially comply with the  
6           prescribed form and state fully and in detail the  
7           grounds upon which the person objecting relies to  
8           support the objection.

9           (4) A person may apply, in writing, to the CEO for an  
10          extension of time to lodge an objection and the CEO may,  
11          if satisfied there is reasonable cause, grant an  
12          application under this section and must serve notice of  
13          the decision on the applicant as soon as is practicable  
14          after making the decision.

15          (5) Subject to subsection (6) of this section, the  
16          CEO must consider the objection and either allow the  
17          objection in whole or part, or disallow it, and the  
18          CEO's decision is referred to as an 'objection  
19          decision'.

20          (6) The CEO is not required to consider an objection  
21          unless and until the person objecting has complied with  
22          all the requirements under this chapter or the revenue  
23          law to which the objection relates in relation to the  
24          making of tax returns and payment of tax.

25          (7) The CEO must serve notice of the objection

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1           decision on the person objecting as soon as practicable  
2           after making the decision.”

3           Section 20. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby amended by enacting  
5 a new section 820 to read as follows:

6           “Section 820. Judicial review.

7           (1) A person dissatisfied with an objection decision  
8           may institute an action for review in a court of  
9           competent jurisdiction in the FSM. Such action is  
10           commenced by filing a petition, within 60 days after  
11           service of notice of the objection decision, setting  
12           forth:

13                   (a) assignments of errors alleged to have been  
14                   committed by the CEO in making the objection decision;

15                   (b) the facts relied upon to sustain such  
16                   assignments of errors; and

17                   (c) a prayer for appropriate relief.

18           (2) The CEO is the defendant in proceedings under  
19           subsection (1) of this section.

20           (3) The payment of the amount of tax in dispute, in  
21           whole or part, after the filing of a petition under  
22           subsection (1) of this section does not deprive the  
23           court of jurisdiction.

24           (4) When the decision of the court or an appeal there  
25           from becomes final, the CEO must, upon presentment of a

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1           certified copy of the decree, make such adjustments to  
2           comply with the decree as are necessary to correct,  
3           amend, or abate the assessment, and determine whether an  
4           additional amount of tax is to be assessed.

5           (5) This section shall not condition or limit the  
6           right of a taxpayer to seek immediate judicial review of  
7           any action taken or to be taken under subchapter VI of  
8           this chapter."

9           Section 21. Title 54 of the Code of the Federated States of  
10          Micronesia (Annotated), as amended, is hereby amended by enacting  
11          a new section 821 to read as follows:

12           "Section 821. General provisions relating to objections  
13           and appeals.

14           (1) In any proceeding under this chapter:

15                   (a) in the case of a tax assessment, the burden  
16                   is on the taxpayer to prove that the assessment is  
17                   excessive; or

18                   (b) in the case of a tax decision (other than a  
19                   tax assessment), the burden is on the person objecting  
20                   to the decision to prove that the decision should not  
21                   have been made or should have been made differently.

22           (2) In an action for review by a court under section  
23           820 of this chapter, the person bringing the action is  
24           limited to the grounds stated in the person's objection  
25           to the CEO.

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1           (3) To the extent necessary for the making of a  
2           decision and when presented, the reviewing court shall  
3           decide all relevant questions of law and fact, interpret  
4           constitutional and statutory provisions, and determine  
5           the meaning or applicability of the terms of any action  
6           taken by the CEO.

7           (4) The reviewing court shall:

8                   (a) compel any action of the CEO unlawfully  
9                   withheld or unreasonably delayed; and

10                   (b) hold unlawful and set aside any actions and  
11                   decisions of the CEO found to be:

12                           (i) arbitrary, capricious, an abuse of  
13                           discretion, or otherwise not in accordance with law;

14                           (ii) contrary to constitutional right,  
15                           power, privilege, or immunity;

16                           (iii) in excess of statutory jurisdiction,  
17                           authority, or limitations, or a denial of legal rights;

18                           (iv) without substantial compliance with the  
19                           procedures required by law; or

20                           (v) unwarranted by the facts.

21           (5) Subject to subsection (6) of this section, the  
22           tax due under a tax assessment is payable  
23           notwithstanding that an objection has been lodged or an  
24           action for judicial review under section 820 of this  
25           chapter has been instituted by the taxpayer in respect

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1           of the assessment.

2           (6) The CEO may, upon application in writing by a  
3           taxpayer, agree to stay recovery of a tax in dispute  
4           under a tax assessment up to a maximum of 50% of the  
5           disputed tax, but only if the taxpayer has paid the  
6           entire amount of tax due under the assessment that is  
7           not in dispute."

8           Section 22. Chapter 8 of title 54 of the Code of the  
9 Federated States of Micronesia (Annotated), as amended, is hereby  
10 amended by designating sections 824 to 831 as subchapter V  
11 entitled "Recovery of Unpaid Tax".

12          Section 23. Title 54 of the Code of the Federated States of  
13 Micronesia (Annotated), as amended, is hereby amended by enacting  
14 a new section 824 to read as follows:

15           "Section 824. Payment of tax.

16           (1) A taxpayer must pay tax in the prescribed manner.

17           (2) Any unpaid tax may be sued for and recovered in  
18           any court of competent jurisdiction by the CEO suing in  
19           his or her official capacity as collection agent for the  
20           National or State Governments, as the case may be.

21           (3) In any suit under subsection (2) of this section,  
22           the production of a certificate signed by the CEO  
23           stating the name and address of the taxpayer and the  
24           amount of tax due is sufficient evidence that the amount  
25           of tax is due by the taxpayer and sufficient authority

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1           for the court to give judgment with full costs of suit  
2           against the taxpayer."

3           Section 24. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby amended by enacting  
5 a new section 825 to read as follows:

6           "Section 825. Extension of time to pay tax.

7           (1) A taxpayer may apply, in writing, to the CEO for  
8           an extension of time to pay tax due under a revenue law.

9           (2) If an application has been made under this  
10          section, the CEO may, having regard to the circumstances  
11          of the case:

12                 (a) grant the taxpayer an extension of time for  
13                 payment of the tax due; or

14                 (b) require the taxpayer to pay the tax due in  
15                 such installments as the CEO may determine, and the CEO  
16                 must serve the taxpayer with written notice of the  
17                 decision.

18           (3) If a taxpayer permitted to pay tax by  
19           installments defaults in the payment of an installment,  
20           the whole balance of the tax outstanding, at the time of  
21           default, is immediately payable.

22           (4) The grant of an extension of time or permission  
23           to pay tax due by installments does not preclude the  
24           liability for late payment interest arising from the  
25           original date the tax was due for payment."

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1           Section 25. Title 54 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby amended by enacting  
3 a new section 826 to read as follows:

4           "Section 826. Trustees, liquidators, and executors.

5           (1) In this section:

6           (a) "trustee" means:

7                   (i) a liquidator of a company being wound  
8 up;

9                   (ii) a receiver for debenture holders who  
10 has taken possession of any assets of a company;

11                   (iii) a trustee in bankruptcy;

12                   (iv) a mortgagee in possession;

13                   (v) an executor of a deceased  
14 estate; or

15                   (vi) any other person holding a  
16 similar office or acting in a similar capacity; and

17           (b) "taxpayer", in relation to a trustee, means  
18 the person whose assets are in the possession or control  
19 of the trustee, including if the trustee is an executor,  
20 the estate of the deceased person.

21           (2) A trustee must, within 14 days after becoming a  
22 trustee in respect of, or assuming the control of assets  
23 of a taxpayer in the capacity as trustee, give written  
24 notice thereof to the CEO.

25           (3) The CEO must notify the trustee, in writing, of

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1           the amount of any tax that is payable by the taxpayer  
2           and such notice must be served on the trustee within one  
3           month of the CEO being served with a notice under  
4           subsection (2) of this section.

5           (4) Subject to subsection (5) of this section, a  
6           trustee:

7                   (a) must not, without the leave of the CEO,  
8           dispose of any asset of the taxpayer until a notice has  
9           been served on the trustee under subsection (3) of this  
10           section;

11                   (b) must set aside, out of the assets available  
12           for the payment of tax due by the taxpayer, assets to  
13           the value of the amount notified under subsection (3) of  
14           this section, or the whole of the assets if their value  
15           is less than the amount notified; and

16                   (c) is, to the extent of the value of the assets  
17           required to be set aside, liable for the tax due by the  
18           taxpayer.

19           (5) A trustee may pay the expenses properly incurred  
20           by the trustee in the capacity as such, including the  
21           trustee's remuneration, in priority to the amount  
22           notified under subsection (3) of this section.

23           (6) If two or more persons are trustees in respect of  
24           a taxpayer, the obligations and liabilities under this  
25           section apply jointly and severally to the trustees but



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1           may be discharged by any of them.

2           (7) The amount that a trustee is liable for under  
3           subsection (4)(c) of this section is treated as if it  
4           were tax payable by the trustee as taxpayer for the  
5           purposes of this subchapter, subchapter VI of this  
6           chapter, and section 851 of this chapter."

7           Section 26. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting  
9 a new section 827 to read as follows:

10           "Section 827. Recovery of unpaid tax from third party.

11           (1) In this section, "payer" means a person who:

12                   (a) owes or may subsequently owe money to a  
13           taxpayer;

14                   (b) holds or may subsequently hold money, for or  
15           on account of, a taxpayer;

16                   (c) holds money on account of some other person  
17           for payment to a taxpayer; or

18                   (d) has authority from some other person to pay  
19           money to a taxpayer.

20           (2) This section applies if a taxpayer is liable to  
21           pay tax and the tax has not been paid by the taxpayer by  
22           the due date for payment. This remedy shall be in  
23           addition to any right of levy and execution set forth in  
24           subchapter VI of this chapter.

25           (3) If this section applies, the CEO may, by notice

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1           in writing, require a payer in respect of the taxpayer  
2           to pay the amount specified in the notice to the CEO,  
3           being an amount that does not exceed the amount of tax  
4           that has not been paid.

5           (4) A payer must pay the amount specified in a notice  
6           under subsection (3) of this section by the date  
7           specified in the notice, being a date that is not before  
8           the date that the amount owed to the taxpayer becomes  
9           due to the taxpayer or held on the taxpayer's behalf.

10          (5) If a notice served under subsection (3) of this  
11          section requires a payer to deduct amounts from wages or  
12          salaries, the amount required to be deducted by the  
13          payer from each payment must not exceed 20% of the  
14          amount of each payment of wages or salaries.

15          (6) If a person served with a notice under subsection  
16          (3) of this section is unable to comply with the notice  
17          by reason of lack of moneys owing to, or held for, the  
18          taxpayer, the person must notify the CEO, in writing,  
19          setting out the reasons for the person's inability to  
20          comply.

21          (7) If a notice is served on the CEO under subsection  
22          (6) of this section, the CEO may, by notice in writing:

23                 (a) accept the notification and cancel or amend  
24                 the notice issued under subsection (3) of this section;  
25                 or

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1                   (b) reject the notification.

2                   (8) The CEO must, by notice in writing to the payer,  
3                   revoke or amend a notice served under subsection (3) of  
4                   this section if the taxpayer has paid the whole or part  
5                   of the tax due or has made an arrangement satisfactory  
6                   to the CEO for payment of the tax.

7                   (9) A copy of a notice served on a payer under this  
8                   section must be served on the taxpayer.

9                   (10) An amount deducted from a payment by a payer  
10                   pursuant to a notice served on a payer under this  
11                   section is held by the payer in trust for the Authority.

12                   (11) A payer making a payment under this section is  
13                   treated as acting under the authority of the taxpayer  
14                   and of all other persons concerned and is hereby  
15                   indemnified in respect of the payment.

16                   (12) The CEO must apply any amount paid by a payer  
17                   under this section to the tax owing by the taxpayer.

18                   (13) A payer who, without reasonable cause, fails to  
19                   comply with a notice under this section is personally  
20                   liable for the amount specified in the notice.

21                   (14) The amounts referred to in subsections (10) and  
22                   (13) of this section are treated as if they were tax  
23                   payable by the payer as taxpayer for the purposes of  
24                   this subchapter, subchapter VI of this chapter, and  
25                   section 851 of this title."

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1           Section 27. Title 54 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby amended by enacting  
3 a new section 828 to read as follows:

4           "Section 828. Seizure of goods.

5           (1) In addition to any other right of levy and  
6 execution set forth in subchapter VI of this chapter and  
7 the powers of forfeiture under subchapter IV of chapter  
8 2 of this title, the CEO or a revenue officer authorized  
9 by the CEO in writing for the purposes of this section  
10 may seize any goods if the VAT that is payable in  
11 respect of the supply or the import duty in respect of  
12 the import of those goods has not been paid or the CEO  
13 or authorized officer has reasonable grounds to believe  
14 that such VAT or import duty will not be paid.

15           (2) Any goods seized under this section must be  
16 stored in a place approved by the CEO or authorized  
17 officer for the storage of seized goods.

18           (3) If goods have been seized under subsection (1) of  
19 this section, the CEO or authorized officer must, as  
20 soon as is practicable after the seizure, serve on the  
21 owner of the goods or the person who had custody or  
22 control of the goods immediately before the seizure, a  
23 notice in writing:

24           (a) identifying the goods;

25           (b) stating that the goods have been seized

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1           under this section and the reason for seizure; and

2                   (c) setting out the terms of subsections (6),  
3           (7), and (8) of this section.

4           (4) The CEO or authorized officer is not required to  
5           serve a notice under subsection (3) of this section if,  
6           after making reasonable enquiries, the CEO or authorized  
7           officer does not have sufficient information to identify  
8           the person on whom the notice should be served.

9           (5) If subsection (4) of this section applies, the  
10          CEO or authorized officer may serve a notice under  
11          subsection (3) of this section on any person claiming  
12          the goods, provided the person has given the CEO or  
13          authorized officer sufficient information to enable the  
14          notice to be served.

15          (6) The CEO or authorized officer may authorize any  
16          goods seized under subsection (1) of this section to be  
17          delivered to the person on whom a notice under  
18          subsection (3) of this section has been served if that  
19          person has paid, or makes an arrangement satisfactory to  
20          the CEO or authorized officer for payment of, the VAT  
21          that is payable in respect of the supply or import duty  
22          in respect of the import of the goods.

23          (7) Except if subsection (6) of this section applies,  
24          the CEO or authorized officer must detain the goods  
25          seized under subsection (1) of this section:

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1           (a) in the case of perishable goods, for such  
2           period as the CEO or authorized officer considers  
3           reasonable having regard to the condition of the goods;  
4           or

5           (b) in any other case, for 10 days after seizure  
6           of the goods.

7           (8) If the detention period in subsection (7) of this  
8           section has expired, the CEO or authorized officer may  
9           sell the goods by public auction or, in the case of  
10          perishable goods, may sell the goods in such manner as  
11          the CEO or authorized officer determines, and apply the  
12          proceeds of sale as follows:

13           (a) first towards the cost of taking, keeping,  
14           and selling the goods seized;

15           (b) then towards payment of any VAT that is  
16           payable in respect of the supply or import duty in  
17           respect of the import of the goods;

18           (c) then towards payment of any other tax due by  
19           the person whose goods have been seized; and

20           (d) the remainder of the proceeds, if any, must  
21           be paid to the person whose goods have been seized.

22           (9) If the proceeds of disposal are less than the sum  
23           of the cost of taking, keeping, and selling the goods  
24           seized and the VAT or import duty due, the CEO or  
25           authorized officer may proceed under this chapter to

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1           recover the excess.

2           (10) The costs of taking, keeping, and selling the  
3           seized goods is treated as if they were tax payable by  
4           the person whose goods have been seized as taxpayer for  
5           the purposes of this subchapter and section 851 of this  
6           chapter."

7           Section 28. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting  
9 a new section 829 to read as follows:

10           "Section 829. CEO may require security.  
11           The CEO may, for the purposes of securing payment of any  
12           tax that is or will become due, require a taxpayer to  
13           give security in such amount and in such manner as the  
14           CEO thinks fit."

15           Section 29. Title 54 of the Code of the Federated States of  
16 Micronesia (Annotated), as amended, is hereby amended by enacting  
17 a new section 830 to read as follows:

18           "Section 830. Taxpayer leaving the FSM.

19           (1) If the CEO has reasonable grounds to believe that  
20           a taxpayer may leave the FSM before the due date for  
21           payment of any tax and the taxpayer has not made an  
22           arrangement satisfactory to the CEO for payment of the  
23           tax, the tax is due on such date as specified by the CEO  
24           by notice in writing to the taxpayer.

25           (2) If the CEO has reasonable grounds to believe that

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1           a taxpayer may leave the FSM without paying tax due, the  
2           CEO may issue a certificate containing those grounds and  
3           the particulars of the tax due to the FSM Department of  
4           Justice and requesting the prevention of the taxpayer  
5           from leaving the FSM until the taxpayer:

6                     (a) makes payment of the tax due in full; or

7                     (b) makes an arrangement satisfactory to the CEO  
8           for payment of the tax due.

9           (3) The CEO must serve a copy of a certificate issued  
10          under subsection (2) of this section on the taxpayer  
11          named in the certificate if it is practicable to do so.

12          (4) Payment of the tax specified in the certificate  
13          to a customs or immigration officer or the production of  
14          a certificate signed by the CEO stating that the tax has  
15          been paid or satisfactory arrangements for payment have  
16          been made is sufficient authority for allowing the  
17          taxpayer to leave the FSM."

18          Section 30. Title 54 of the Code of the Federated States of  
19          Micronesia (Annotated), as amended, is hereby amended by enacting  
20          a new section 831 to read as follows:

21                     "Section 831. Temporary closure of business.

22                     (1) If a taxpayer fails to pay VAT or tax withheld  
23                     from wages and salaries on or before the due date, the  
24                     CEO or a revenue officer authorized by the CEO, in  
25                     writing, for the purposes of this section may notify the



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1           taxpayer in writing of the intention to close down part  
2           or the whole of the taxpayer's business unless the  
3           taxpayer pays the tax due within seven days of the date  
4           of the notice.

5           (2) If a taxpayer fails to comply with a notice under  
6           subsection (1) of this section, the CEO or authorized  
7           officer may issue an order to close down part or the  
8           whole of the business of that person for a period not  
9           exceeding 14 days.

10          (3) The CEO or authorized officer may, at any time,  
11          enter any premises described in an order issued under  
12          subsection (2) of this section for the purposes of  
13          executing the order and shall require a police officer  
14          to be present while the order is being executed.

15          (4) The CEO or authorized officer shall affix, in a  
16          conspicuous place on the front of the premises of the  
17          business or part of the business which has been closed  
18          under an order issued under subsection (2) of this  
19          section, a notice in the following words 'CLOSED  
20          TEMPORARILY FOR NOT COMPLYING WITH TAX OBLIGATIONS BY  
21          ORDER OF THE CEO OF THE FSM UNIFIED REVENUE AUTHORITY  
22          UNDER SECTION 831 OF THE REVENUE ADMINISTRATION ACT'.

23          (5) If the tax due is paid in full within the period  
24          of closure, or a satisfactory arrangement is reached  
25          with the CEO with respect to payment of the tax, the

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1           order issued under subsection (2) of this section ceases  
2           to have effect and the CEO must immediately arrange for  
3           removal of the notice referred to in subsection (4) of  
4           this section."

5           Section 31. Chapter 8 of title 54 of the Code of the  
6 Federated States of Micronesia (Annotated), as amended, is hereby  
7 amended by designating sections 834 to 839 as subchapter VI  
8 entitled "Levy and Execution".

9           Section 32. Title 54 of the Code of the Federated States of  
10 Micronesia (Annotated), as amended, is hereby amended by enacting  
11 a new section 834 to read as follows:

12           "Section 834. Tax as lien on property.

13           (1) If any taxpayer neglects or refuses to pay, or  
14           withhold and pay, or collect and pay any tax that is due  
15           after assessment or demand for payment as provided in  
16           this title, the amount of the tax shall be a lien in  
17           favor of the Authority on all the property of that  
18           taxpayer as allowed hereunder.

19           (2) The lien imposed by subsection (1) of this  
20           section shall arise at the time that the assessment or  
21           demand has been made as provided in this chapter, and  
22           shall continue until the liability for payment of the  
23           amount assessed or demanded is satisfied or  
24           extinguished.

25           (3) As against any mortgagee, pledgee, purchaser,

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1           judgment creditor, lienor or other encumbrance for  
2           value, the lien imposed by subsection (1) of this  
3           section shall not be considered to have arisen or have  
4           any effect whatever unless notice of the lien has been  
5           filed. Against all subsequently arising interests, the  
6           lien shall have priority.

7           (4) The notice of lien must be filed in the Supreme  
8           Court of the State in which the property is located and  
9           a copy thereof sent by certified or registered mail to  
10          the taxpayer not less than 45 days after the assessment  
11          or demand for payment as provided in this title. The  
12          notice of lien:

13               (a) shall identify the taxpayer whose liability  
14               for taxes is sought to be enforced, the type or nature  
15               of the tax, the amount of the tax due on the date that  
16               the notice is filed plus any penalty or interest that  
17               may be chargeable, the date or approximate date on which  
18               the tax became due, and the date on which the assessment  
19               or demand for payment was delivered or mailed; and

20               (b) shall state:

21                       (i) that the Authority claims a lien for  
22                       the entire amount of tax asserted to be due, including  
23                       applicable interest and penalties, and including any  
24                       additional amounts that may become due after the notice  
25                       is filed; and

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1                    (ii) that the lien may result in the levy  
2                    and sale of the property if the amounts asserted to be  
3                    due are not paid in full.

4                    (5) Notwithstanding any other provision of this  
5                    chapter, the following described property shall be  
6                    exempt from the taking of liens and subsequent  
7                    attachment and execution as imposed under this chapter:

8                    (a) *personal and household goods.* All necessary  
9                    household furniture, cooking and eating utensils, and  
10                   all necessary wearing apparel, bedding, and provisions  
11                   for household use sufficient for four months;

12                   (b) *necessities for trade or occupation.* All  
13                   tools, implements, utensils, work animals and vehicles  
14                   that are not used for personal transportation, including  
15                   travel from residence to place of employment and return  
16                   thereto, and equipment necessary to enable the person  
17                   against whom the attachment or execution is issued to  
18                   carry on his usual occupation; and

19                   (c) *certain interests in land.* All interests in  
20                   land, exclusive of leasehold interests, except where  
21                   such interests can be shown to have been acquired to  
22                   avoid attachment or execution with respect to the cause  
23                   of action to which the attachment or execution is  
24                   ordered, or where attachment or execution against such  
25                   interest in land is specifically permitted under a real

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1           property mortgage statute or real property deed of trust  
2           statute for the State in which the interest is located.”

3           Section 33. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby amended by enacting  
5 a new section 835 to read as follows:

6           “Section 835. Warrant for collection of tax;  
7           issuance; effect; levy and sale.

8           (1) If, within 30 days following filing of the notice  
9           of lien pursuant to section 834 of this chapter, the  
10           delinquent taxpayer fails or refuses to pay all sums  
11           secured by the same, or to enter into other arrangements  
12           for the payment of the same, as provided in this title,  
13           the Authority may issue a tax warrant for the  
14           enforcement of such lien and for the collection of any  
15           tax secured by the lien. Upon issuing the tax warrant,  
16           any property of the delinquent taxpayer, except as  
17           provided in section 834(5) of this chapter, may be  
18           levied and converted to money in accordance with this  
19           chapter.

20           (2) A levy shall be executed by taking possession of  
21           the taxpayer’s property pursuant to authority contained  
22           in the tax warrant or by serving the warrant upon the  
23           taxpayer, upon any other person in possession of  
24           property of the taxpayer, or upon any person or  
25           depository, including any officer or employee of any

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1           governmental entity, subdivision or agency, who owes or  
2           who will owe money to the taxpayer, who is holding funds  
3           of the taxpayer, and ordering him to reveal the extent  
4           thereof and surrender it to the state forthwith or agree  
5           to surrender it or the proceeds therefrom in the future,  
6           but, in any case, on the terms and conditions stated in  
7           the tax warrant.

8           (3) The tax warrant shall be directed to and executed  
9           by the Department of Justice of the Federated States of  
10          Micronesia, or, to the extent required by State law, by  
11          the Attorney General of the State in which the property  
12          may be located. Except as provided otherwise by this  
13          title, the tax warrant shall be levied and the sale or  
14          other disposal made in the same manner and with the same  
15          effect as a levy and sale under a writ of execution.

16          (4) A tax warrant shall:

17                  (a) bear on its face a statement of the  
18                  authority for its issuance and service, compel  
19                  compliance with its terms, and shall be attested to,  
20                  under oath, by the CEO;

21                  (b) identify the taxpayer whose liability for  
22                  taxes is sought to be enforced, the amount thereof, and  
23                  the date or approximate date on which the tax became  
24                  due;

25                  (c) state that the Authority claims a lien for

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1           the entire amount of tax asserted to be due, including  
2           applicable interest and penalties;

3           (d) order the person on whom it is served to  
4           reveal all property in his possession, custody or  
5           control that belongs to the taxpayer and the extent of  
6           his own interest therein; and to reveal the amount and  
7           kind of property of the taxpayer that, to the best of  
8           his knowledge, is in the possession, custody or control  
9           of others;

10           (e) order the person on whom it is served to  
11           surrender the property forthwith, but may allow him to  
12           agree, in writing, to surrender the property or the  
13           proceeds therefrom on a certain date in the future when  
14           the taxpayer's right to it would otherwise mature; and

15           (f) state on its face the penalties for willful  
16           failure by any person upon whom it is served to comply  
17           with its terms.

18           (5) Whenever any property upon which levy has been  
19           made by virtue of a tax warrant is not sufficient to  
20           satisfy the claim for which levy is made, the CEO,  
21           thereafter, and as often as may be necessary, may  
22           proceed to levy in like manner upon any other property  
23           of the taxpayer against whom the claim exists, until the  
24           amount due from the taxpayer is fully paid.

25           Section 34. Title 54 of the Code of the Federated States of

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1 Micronesia (Annotated), as amended, is hereby amended by enacting  
2 a new section 836 to read as follows:

3 "Section 836. Surrender of property subject to levy;  
4 penalty and notice.

5 (1) Upon receipt of a tax warrant issued pursuant to  
6 section 835 of this chapter, any person in possession or  
7 control of property subject to levy under a tax warrant  
8 shall immediately surrender the property or discharge  
9 the obligation to the CEO; PROVIDED, HOWEVER, that the  
10 property or part of the property, that is already the  
11 subject of a bona fide attachment, execution, levy or  
12 other similar process need not be surrendered.

13 (2) Any person who receives a tax warrant and  
14 wrongfully fails or refuses to comply therewith shall be  
15 liable in his own person and estate to the Authority in  
16 a sum equal to the value of the property not so  
17 surrendered or paid over, but not exceeding the amount  
18 of the taxes for the collection of which such levy has  
19 been made, together with penalties and interest on such  
20 sum from the date of such levy, plus the costs of  
21 executing the warrant.

22 (3) As soon as practicable after the levy, the CEO  
23 shall notify the taxpayer of the amount and kind of  
24 property seized and of the total amount demanded in  
25 payment of tax."



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1       Section 35. Title 54 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby amended by enacting  
3 a new section 837 to read as follows:

4           "Section 837. Notice of sale; redemption.

5           (1) As soon as practicable after the levy and seizure  
6 of the property pursuant to section 835 of this chapter,  
7 the CEO shall decide on a date, time and place for the  
8 sale of any property, excepting cash or liquid deposits,  
9 which may be immediately applied pursuant to section 839  
10 of this chapter, and shall make a diligent inquiry as to  
11 the identity and whereabouts of the owner of the  
12 property and persons having an interest therein, and  
13 shall notify the owner and such persons of the time and  
14 place for the sale.

15           (2) Notice of the sale must be given to the  
16 delinquent taxpayer, in writing, at least 30 days before  
17 the date set for the sale. Such notice shall contain a  
18 description of the property to be sold, a statement of  
19 the amount due, including interest, penalties and costs,  
20 the name of the delinquent taxpayer, and a statement  
21 that, unless the amount due plus interest, penalties and  
22 costs are paid on or before the time fixed in the notice  
23 for the sale, the property, or so much of it as is  
24 necessary, will be sold in accordance with law and the  
25 notice.

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1           (3) No sale of imperishable property shall be held  
2           until after the expiration of 30 days from the date of  
3           the levy thereon; PROVIDED, HOWEVER, that perishable  
4           property may be sold immediately after seizure without  
5           notice of the sale. The CEO shall make special efforts  
6           pursuant to rules and regulations to give notice of the  
7           sale to persons with a particular interest in special  
8           property, and, apart from the requirements stated above,  
9           shall advertise the sale in a manner appropriate to the  
10          kind of property to be sold.

11          (4) If any property of the taxpayer subject to levy  
12          cannot be reasonably divided so as to enable the CEO to  
13          sell a part thereof to raise the whole amount of the tax  
14          and expenses, the whole of the taxpayer's interest in  
15          the property shall be sold.

16          (5) The levy and sale shall not be made, or the levy  
17          and sale shall be terminated and released if the  
18          taxpayer pays the entire amount due, furnishes security,  
19          or makes other arrangements for payment that are  
20          acceptable to the CEO as provided in this title. Upon  
21          making such payment or arrangements the CEO shall  
22          restore the property to the taxpayer, and all further  
23          proceedings in connection with the levy and sale of the  
24          property shall cease from the time of the payment or  
25          signing of an agreement with the Authority."

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1 Section 36. Title 54 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby amended by enacting  
3 a new section 838 to read as follows:

4 "Section 838. Sale; delivery of bill of sale;  
5 disposition of unsold portion.

6 (1) Except as provided in subsection (4) of this  
7 section, the Authority shall sell the property,  
8 excluding cash and liquid deposits, at a public auction  
9 and in accordance with the notice of sale, and shall  
10 deliver to the purchaser a bill of sale for the property  
11 sold.

12 (2) Except as provided in subsection (4) of this  
13 section, payment must be in full, in cash or its  
14 equivalent, and made immediately after the acceptance of  
15 a bid for the property.

16 (3) The unsold portion of any property seized may be  
17 left at the place of sale at the risk and cost of the  
18 delinquent taxpayer.

19 (4) The foregoing notwithstanding, stocks, bonds,  
20 certificates of deposit, promissory notes or other  
21 securities which have a specific value or prevailing  
22 market price may be sold by the Authority at a private  
23 sale at a price not lower than the specific price or  
24 prevailing market price, or may otherwise be liquidated  
25 to their cash value in accordance with the regulations

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1           promulgated by the CEO. No such liquidation may occur  
2           sooner than the date scheduled for the sale as stated in  
3           the notice."

4           Section 37. Title 54 of the Code of the Federated States of  
5 Micronesia (Annotated), as amended, is hereby amended by enacting  
6 a new section 839 to read as follows:

7           "Section 839. Proceeds of levy and sale.

8           (1) Money realized by levy or sale under this title  
9           shall be first applied against the expenses of the  
10          proceedings;

11          (2) The amount remaining, if any, then shall be  
12          applied to the liability for the tax, interest and  
13          penalties for which the levy was pursued;

14          (3) Except as provided in subsection (4) of this  
15          section, the balance, if any, shall be returned to the  
16          taxpayer or the person legally entitled thereto and a  
17          receipt obtained;

18          (4) If, before the sale, any person having an  
19          interest in or lien upon the property files with the  
20          Authority notice of his interest or lien, the Authority  
21          shall withhold any excess, pending a determination of  
22          the rights of the respective parties to it by a Court of  
23          competent jurisdiction."

24          Section 38. Chapter 8 of title 54 of the Code of the  
25 Federated States of Micronesia, (Annotated), as amended, is hereby

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1 amended by designating sections 842 to 848 as subchapter VII  
2 entitled "Record Keeping and Information Collection".

3 Section 39. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby amended by enacting  
5 a new section 842 to read as follows:

6 "Section 842. Accounts and records.

7 (1) Every taxpayer must, for the purposes of a  
8 revenue law, maintain in the FSM such accounts,  
9 documents, and records (including in electronic form) as  
10 may be required under the revenue law and such accounts,  
11 documents, and records must be retained by the taxpayer  
12 for six years after the end of the tax period to which  
13 they relate.

14 (2) If any accounts, documents, or records referred  
15 to in subsection (1) of this section are not in English,  
16 the CEO may, by notice in writing, require the person  
17 keeping the accounts, documents, or records to provide,  
18 at the person's expense, a translation into English by a  
19 translator approved by the CEO."

20 Section 40. Title 54 of the Code of the Federated States of  
21 Micronesia (Annotated), as amended, is hereby amended by enacting  
22 a new section 843 to read as follows:

23 "Section 843. Power to enter and search.

24 (1) For the purposes of administering a revenue law,  
25 the CEO or a revenue officer authorized by the CEO, in

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1           writing, for the purposes of this section:

2                   (a) must have, upon presentation of a warrant  
3                   issued by a court of competent jurisdiction, full and  
4                   free access to any premises, place, property, book,  
5                   record, or data storage device;

6                   (b) may, upon presentation of a warrant issued  
7                   by a court of competent jurisdiction, make an extract or  
8                   copy of any accounts, documents, books, or records  
9                   (including in electronic form) to which access is  
10                  obtained under paragraph (a) of this subsection;

11                  (c) may, upon presentation of a warrant issued  
12                  by a court of competent jurisdiction, seize any  
13                  accounts, documents, books, or records that, in the  
14                  opinion of the CEO or authorized officer, afford  
15                  evidence that may be material in determining the tax  
16                  liability of a taxpayer;

17                  (d) may retain any accounts, documents, books,  
18                  or records seized under paragraph (c) of this subsection  
19                  for as long as they may be required for determining a  
20                  taxpayer's tax liability or for any proceeding under a  
21                  revenue law; and

22                  (e) may, if a hard copy or copy on data storage  
23                  media of information stored on a data storage device is  
24                  not provided, seize and retain the device for as long as  
25                  is necessary to copy the information required.

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1           (2) A revenue officer is not entitled to enter or  
2           remain on any premises or place if, upon request by the  
3           owner or lawful occupier, the officer is unable to  
4           produce the CEO's written authorization permitting the  
5           officer to exercise powers under subsection (1) of this  
6           section.

7           (3) The CEO or authorized officer may require a  
8           police officer to be present for the purposes of  
9           exercising powers under this section.

10          (4) Upon presentation by the CEO or authorized  
11          officer of a warrant issued by a court of competent  
12          jurisdiction, the owner or lawful occupier of the  
13          premises or place to which an exercise of power under  
14          subsection (1) of this section relates must provide all  
15          reasonable facilities and assistance to the CEO or  
16          authorized officer.

17          (5) A person whose accounts, documents, books, or  
18          records have been seized under subsection (1) of this  
19          section may examine them and make copies, at the  
20          person's expense, during office hours.

21          (6) A person whose data storage device has been  
22          seized under subsection (1) of this section may have  
23          access to the device during office hours on such terms  
24          and conditions as the CEO or authorized officer may  
25          specify.

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1           (7) The CEO or authorized officer must sign for all  
2           accounts, documents, books, records, or data storage  
3           devices removed and retained under this section and  
4           return them to the owner within 14 days of the  
5           conclusion of the investigation to which they relate and  
6           all related proceedings.

7           (8) This section has effect notwithstanding:

8                   (a) any law relating to privilege or the public  
9                   interest with respect to the giving of information or  
10                   the production of any property, accounts, documents,  
11                   books, or records (including in electronic form); or

12                   (b) any contractual duty of confidentiality.”

13           Section 41. Title 54 of the Code of the Federated States of  
14 Micronesia (Annotated), as amended, is hereby amended by enacting  
15 a new section 844 to read as follows:

16           “Section 844. Administrative summons.

17                   (1) The CEO may, for the purposes of administering  
18                   any revenue law, by notice in writing, require any  
19                   person:

20                           (a) to furnish such information as the CEO may  
21                           require;

22                           (b) to attend and give evidence concerning that  
23                           person’s or any other person’s tax affairs; or

24                           (c) to produce all accounts, books, documents,  
25                           and records (including in electronic form) in the



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1           person's custody or under the person's control relating  
2           to that person's or any other person's tax affairs.

3           (2) If a notice served under subsection (1) of this  
4           section requires the production of accounts, books,  
5           documents, or records (including in electronic form), it  
6           is sufficient if such accounts, books, documents, or  
7           records are described in the notice with reasonable  
8           certainty.

9           (3) A notice issued under this section must be served  
10          personally upon the person to whom it is directed or  
11          left at the person's last known usual place of business  
12          or abode and the certificate of service signed by the  
13          person serving the notice is conclusive evidence of the  
14          facts stated therein.

15          (4) The CEO may require the information or evidence  
16          referred to in subsection (1) of this section to be  
17          given under oath, verbally or in writing, and, for that  
18          purpose, the CEO may administer the oath.

19          (5) This section has effect notwithstanding:

20                 (a) any law relating to privilege or the public  
21                 interest with respect to the giving of information or  
22                 the production of any property, accounts, documents,  
23                 books, or records (including in electronic form); or

24                 (b) any contractual duty of confidentiality."

25          Section 42. Title 54 of the Code of the Federated States of

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1 Micronesia (Annotated), as amended, is hereby amended by enacting  
2 a new section 845 to read as follows:

3 "Section 845. Audit of taxpayer's tax affairs.

4 (1) The CEO may select any taxpayer for an audit of  
5 the taxpayer's tax affairs for the purpose of a revenue  
6 law having regard to:

7 (a) the taxpayer's history of compliance or non-  
8 compliance with the revenue law or any other revenue  
9 law;

10 (b) the amount of tax payable by the taxpayer;

11 (c) the class of business conducted by the  
12 taxpayer; or

13 (d) any other matter that the CEO considers  
14 relevant to ensuring the collection of tax due.

15 (2) The fact that a taxpayer has been audited in  
16 relation to a tax period does not preclude the taxpayer  
17 from being audited again in the relation to the next and  
18 following tax periods if there are reasonable grounds  
19 for the audits, particularly having regard to the  
20 matters referred to in subsection (1) of this section.

21 (3) An audit of a taxpayer's tax affairs may be  
22 conducted for the purposes of more than one revenue  
23 law."

24 Section 43. Title 54 of the Code of the Federated States of  
25 Micronesia (Annotated), as amended, is hereby amended by enacting

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1 a new section 846 to read as follows:

2 "Section 846. Issue of Taxpayer Identification  
3 Numbers.

4 (1) The CEO may, for the purposes of identification  
5 and cross-checking, require a taxpayer to apply for a  
6 Taxpayer Identification Number.

7 (2) An application for a Taxpayer Identification  
8 Number must be:

9 (a) in the prescribed form;

10 (b) accompanied by documentary evidence of the  
11 person's identity as prescribed; and

12 (c) lodged in the prescribed manner.

13 (3) If a person has applied for a Taxpayer  
14 Identification Number under subsection (1) of this  
15 section and the CEO is satisfied that the applicant's  
16 identity has been established, the CEO must issue a  
17 Taxpayer Identification Number to the applicant by  
18 written notice.

19 (4) The CEO must refuse an application under this  
20 section:

21 (a) if the CEO is not satisfied as to the  
22 applicant's true identity;

23 (b) if the applicant has already been issued  
24 with a Taxpayer Identification Number that is still in  
25 force; or

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1                    (c) for any other reason the CEO considers  
2                    appropriate.

3                    (5) The CEO must serve the applicant with written  
4                    notice of the decision to refuse an application under  
5                    this section within 14 days after making the decision.

6                    (6) The CEO may, without an application being made,  
7                    issue a Taxpayer Identification Number to any person  
8                    liable for tax under a revenue law."

9                    Section 44. Title 54 of the Code of the Federated States of  
10                    Micronesia (Annotated), as amended, is hereby amended by enacting  
11                    a new section 847 to read as follows:

12                    "Section 847. Cancellation of Taxpayer Identification  
13                    Number.

14                    (1) A person who ceases to be a taxpayer must apply  
15                    to the CEO, in the prescribed form, for cancellation of  
16                    the person's Taxpayer Identification Number within 30  
17                    days of the date on which the person ceased to be a  
18                    taxpayer.

19                    (2) The CEO must, by notice in writing, cancel a  
20                    Taxpayer Identification Number:

21                    (a) if the person has ceased to be a taxpayer;

22                    (b) if a Taxpayer Identification Number has been  
23                    issued to the person under an identity that is not the  
24                    person's true identity;

25                    (c) if the person has already been issued with a

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1           Taxpayer Identification Number that is still in force;

2           or

3                   (d) for any other reason the CEO considers  
4           appropriate.

5                   (3) The CEO may, at any time, by notice in writing,  
6           cancel the Taxpayer Identification Number issued to a  
7           person and issue the person with a new Taxpayer  
8           Identification Number."

9           Section 45. Title 54 of the Code of the Federated States of  
10   Micronesia (Annotated), as amended, is hereby amended by enacting  
11   a new section 848 to read as follows:

12                   "Section 848. Quotation of Taxpayer Identification  
13           Number.

14                   The CEO may require a taxpayer to state the taxpayer's  
15           Taxpayer Identification Number in any tax return,  
16           notice, or other document used for the purposes of any  
17           revenue law."

18           Section 46. Chapter 8 of title 54 of the Code of the  
19   Federated States of Micronesia (Annotated), as amended, is hereby  
20   amended by designating sections 851 to 852 as subchapter VIII  
21   entitled "Representatives".

22           Section 47. Title 54 of the Code of the Federated States of  
23   Micronesia (Annotated), as amended, is hereby amended by enacting  
24   a new section 851 to read as follows:

25                   "Section 871. Liabilities and obligations of

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1           representatives.

2           (1) Every representative of a taxpayer is responsible  
3           for performing any duties or obligations imposed by a  
4           revenue law on the taxpayer, including the payment of  
5           tax.

6           (2) A representative making a payment of tax on  
7           behalf of a taxpayer is treated as acting under the  
8           authority of the taxpayer and is hereby indemnified in  
9           respect of the payment.

10          (3) Subject to subsection (4) of this section, any  
11          tax that, by virtue of subsection (1) of this section,  
12          is payable by a representative of a taxpayer is  
13          recoverable from the representative only to the extent  
14          of any assets of the taxpayer that are in the possession  
15          or under the control of the representative.

16          (4) Subject to subsection (5) of this section, a  
17          representative is personally liable for the payment of  
18          any tax due by the representative in that capacity if,  
19          while the amount remains unpaid, the representative  
20          disposes of or parts with any moneys or funds belonging  
21          to the taxpayer that are in the possession of the  
22          representative or which come to the representative after  
23          the tax is payable, if such tax was required by law to  
24          have been paid from or out of such moneys or funds.

25          (5) Nothing in subsection (3) of this section

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1           prevents a representative paying an amount on behalf of  
2           a taxpayer that has priority over the revenue payable by  
3           the taxpayer.

4           (6) If there are two or more representatives of a  
5           taxpayer, the duties or obligations referred to in this  
6           section apply jointly and severally to the  
7           representatives but may be discharged by any of them.

8           (7) Nothing in this section relieves a taxpayer from  
9           performing any duties or obligations imposed on the  
10           taxpayer under a revenue law that the representative of  
11           the taxpayer has failed to perform.

12           (8) The amount that a representative is liable for  
13           under subsection (4) of this section is treated as if it  
14           were tax payable by the representative for the purposes  
15           of subchapters V and VI of this chapter, and section 865  
16           of this chapter."

17           Section 48. Title 54 of the Code of the Federated States of  
18 Micronesia (Annotated), as amended, is hereby amended by enacting  
19 a new section 852 to read as follows:

20           "Section 852. Liability for tax payable by a company  
21           left with insufficient assets.

22           (1) This section applies if an arrangement has been  
23           entered into with the intention of rendering a company  
24           unable to satisfy a current or future tax liability  
25           under a revenue law.

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1           (2) Subject to subsection (3) of this section, if  
2           this section applies, every person who was a director or  
3           controlling shareholder of the company at the time the  
4           arrangement was entered into is jointly and severally  
5           liable for the tax liability of the company.

6           (3) The amount that a person is liable for under  
7           subsection (2) of this section is treated as if it were  
8           tax payable by the person for the purposes of  
9           subchapters V and VI of this chapter, and section 865 of  
10           this chapter.

11           (4) A director of a company is not liable under this  
12           section for the tax liability of the company if the CEO  
13           is satisfied that the director derived no financial or  
14           other benefit from the arrangement and:

15                   (a) the director has, on becoming aware of the  
16                   arrangement, formally recorded with the company his or  
17                   her dissent and notified the CEO, in writing, of the  
18                   arrangement; or

19                   (b) the director satisfies the CEO that, at the  
20                   time the arrangement was entered into:

21                           (i) the director was not involved in the  
22                           executive management of the company; and

23                           (ii) the director had no knowledge of, and  
24                           could not reasonably have been expected to know of the  
25                           arrangement.



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1           (5) For the purposes of this section, a controlling  
2           shareholder of a company is any person who beneficially  
3           holds, either alone or together with an associate or  
4           associates:

5                   (a) more than 50% of the voting rights in the  
6           company;

7                   (b) more than 50% of the rights to dividends; or

8                   (c) more than 50% the rights to capital.”

9           Section 49. Chapter 8 of title 54 of the Code of the  
10 Federated States of Micronesia (Annotated), as amended, is hereby  
11 amended by designating sections 855 to 862 as subchapter IX  
12 entitled “Rulings”.

13           Section 50. Title 54 of the Code of the Federated States of  
14 Micronesia (Annotated), as amended, is hereby amended by enacting  
15 a new section 855 to read as follows:

16                   “Section 855. Binding public rulings.

17                   (1) The CEO may make a public ruling in accordance  
18           with section 856 of this chapter setting out the CEO’s  
19           interpretation on the application of a revenue law.

20                   (2) A public ruling made in accordance with section  
21           856 of this title is binding on the CEO until withdrawn.

22                   (3) A public ruling is not binding on a taxpayer.”

23           Section 51. Title 54 of the Code of the Federated States of  
24 Micronesia (Annotated), as amended, is hereby amended by enacting  
25 a new section 856 to read as follows:

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1           "Section 856. Making a public ruling.

2           (1) The CEO shall print and maintain a gazette or  
3           other publication of public rulings to be made available  
4           free of charge to the public. The CEO shall make a  
5           public ruling by publishing a notice of the ruling in  
6           such gazette.

7           (2) A public ruling must state that it is a public  
8           ruling and have a number and subject heading by which it  
9           can be identified.

10          (3) A public ruling applies from the date specified  
11          in the ruling and if no date is specified, from the date  
12          of publication in the gazette identified in subsection  
13          (1) of this section."

14          Section 52. Title 54 of the Code of the Federated States of  
15          Micronesia (Annotated), as amended, is hereby amended by enacting  
16          a new section 857 to read as follows:

17          "Section 857. Withdrawal of a public ruling.

18          (1) The CEO may withdraw a public ruling, in whole or  
19          part, by publishing notice of the withdrawal in the  
20          gazette identified in section 856 of this title.

21          (2) If legislation is passed, or the CEO makes  
22          another public ruling, that is inconsistent with an  
23          existing public ruling, the existing ruling is treated  
24          as withdrawn to the extent of the inconsistency.

25          (3) The withdrawal of a public ruling, in whole or

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1           part, has effect:

2                   (a) if subsection (1) of this section applies,  
3                   from the date specified in the notice of withdrawal and  
4                   if no date is specified, from the date notice of the  
5                   withdrawal is published in the gazette; or

6                   (b) if subsection (2) of this section applies,  
7                   from the date of application of the inconsistent  
8                   legislation or public ruling.

9           (4) A public ruling that has been withdrawn in whole  
10           or in part:

11                   (a) continues to apply to a transaction  
12                   commenced before the public ruling was withdrawn; and

13                   (b) does not apply to a transaction commenced  
14                   after the ruling was withdrawn to the extent that the  
15                   ruling is withdrawn."

16           Section 53. Title 54 of the Code of the Federated States of  
17 Micronesia (Annotated), as amended, is hereby amended by enacting  
18 a new section 858 to read as follows:

19           "Section 858. Binding private rulings.

20                   (1) Subject to section 859 of this title, the CEO  
21                   shall, upon application in writing by a taxpayer, issue  
22                   to the taxpayer a private ruling setting out the CEO's  
23                   position regarding the application of a revenue law to a  
24                   transaction entered into, or proposed to be entered  
25                   into, by the taxpayer.

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1           (2) If the taxpayer has made a full and true  
2           disclosure of all aspects of the transaction relevant to  
3           the making of a private ruling and the transaction has  
4           proceeded in all material respects as described in the  
5           taxpayer's application for the ruling, the ruling is  
6           binding on the CEO in relation to the taxpayer.

7           (3) A private ruling is not binding on the taxpayer  
8           to whom it is issued.

9           (4) If a private ruling is inconsistent with an  
10          existing public ruling, the private ruling has priority  
11          to the extent of the inconsistency."

12          Section 54. Title 54 of the Code of the Federated States of  
13 Micronesia (Annotated), as amended, is hereby amended by enacting  
14 a new section 859 to read as follows:

15          "Section 859. Refusing an application for a private  
16          ruling.

17          (1) The CEO may refuse an application for a private  
18          ruling if:

19                 (a) the CEO has already decided the matter that  
20                 is the subject of the application in a tax assessment;

21                 (b) the CEO is of the opinion that an existing  
22                 public ruling adequately covers the matter that is the  
23                 subject of the application;

24                 (c) the application relates to a matter that is  
25                 the subject of a tax audit or an objection;

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1                   (d) the application is frivolous or vexatious;

2                   (e) the arrangement to which the application  
3 relates has not been carried out and there are  
4 reasonable grounds to believe that it will not be  
5 carried out;

6                   (f) the applicant has not provided the CEO with  
7 sufficient information to make a private ruling; or

8                   (g) in the opinion of the CEO, it would be  
9 unreasonable to comply with the application having  
10 regard to the resources needed to comply and any other  
11 matters the CEO considers relevant, such as disadvantage  
12 to other taxpayers.

13                   (2) The CEO shall serve the applicant with a written  
14 notice of the refusal to make a private ruling."

15           Section 55. Title 54 of the Code of the Federated States of  
16 Micronesia (Annotated), as amended, is hereby amended by enacting  
17 a new section 860 to read as follows:

18                   "Section 860. Making a private ruling.

19                   (1) The CEO must make a private ruling unless section  
20 859 of this title applies.

21                   (2) The CEO makes a private ruling by serving written  
22 notice of the ruling on the applicant.

23                   (3) The CEO may make a private ruling on the basis of  
24 assumptions about a future event or other matter as  
25 considered appropriate.

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1           (4) A private ruling must set out the matter ruled on  
2           identifying:

3                   (a) the taxpayer;

4                   (b) the revenue law relevant to the ruling;

5                   (c) the tax period to which the ruling applies;

6                   (d) the arrangement to which the ruling relates;

7           and

8                   (e) any assumptions on which the ruling is  
9           based.

10           (5) A private ruling is made at the time the  
11           applicant is served with notice of the ruling and  
12           remains in force for the period specified in the ruling.

13           (6) The making of a private ruling is not a tax  
14           decision for the purposes of this chapter."

15           Section 56. Title 54 of the Code of the Federated States of  
16 Micronesia (Annotated), as amended, is hereby amended by enacting  
17 a new section 861 to read as follows:

18           "Section 861. Withdrawal of a private ruling.

19                   (1) The CEO may, for reasonable cause, withdraw a  
20           private ruling, in whole or part, by written notice  
21           served on the applicant.

22                   (2) If legislation is passed, or the CEO publishes a  
23           public ruling, that is inconsistent with a private  
24           ruling, the private ruling is treated as withdrawn to  
25           the extent of the inconsistency.

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1           (3) The withdrawal of a private ruling, in whole or  
2           part, has effect:

3                   (a) if subsection (1) of this section applies,  
4                   from the date specified in the notice of withdrawal; or

5                   (b) if subsection (2) of this section applies,  
6                   from the date of application of the inconsistent  
7                   legislation or public ruling.

8           (4) A private ruling that has been withdrawn:

9                   (a) continues to apply to a transaction  
10                  commenced before the ruling was withdrawn; and

11                  (b) does not apply to a transaction commenced  
12                  after the ruling was withdrawn to the extent that the  
13                  ruling is withdrawn.

14           (5) A decision to withdraw a private ruling is not a  
15           tax decision for the purposes of this chapter."

16           Section 57. Title 54 of the Code of the Federated States of  
17 Micronesia (Annotated), as amended, is hereby amended by enacting  
18 a new section 862 to read as follows:

19           "Section 862. Publication of private rulings.  
20           The CEO shall include in the gazette or other  
21           publication referred to in section 856(1) of this title  
22           an edited version of a binding private ruling issued to  
23           a taxpayer. The edited version must not disclose the  
24           identity of the taxpayer."

25           Section 58. Chapter 8 of title 54 of the Code of the

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1 Federated States of Micronesia (Annotated), as amended, is hereby  
2 amended by designating sections 865 to 870 as subchapter X  
3 entitled "Interest and Administrative Penalties".

4 Section 59. Title 54 of the Code of the Federated States of  
5 Micronesia (Annotated), as amended, is hereby amended by enacting  
6 a new section 865 to read as follows:

7 "Section 865. Late payment interest.

8 (1) A person who fails to pay any tax due on or  
9 before the due date for payment is liable for late  
10 payment interest at the rate of six percent per annum on  
11 the amount unpaid calculated from the date the payment  
12 was due to the date the payment is made.

13 (2) Late payment interest paid by a person under  
14 subsection (1) of this section must be refunded to the  
15 person to the extent that the principal amount to which  
16 the interest relates is found not to have been payable.

17 (3) Late payment interest payable by a person is  
18 borne personally by the person and is not recoverable  
19 from any other person:

20 (a) in respect of tax withheld by the person  
21 under chapter 1 or 5 of this title from a payment made  
22 by the person; or

23 (b) in respect of an amount referred to in  
24 sections 826(7), 827(14), or 851(8) of this chapter  
25 payable by the person.



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1           (4) Late payment interest payable under this section  
2           is simple interest.

3           (5) Late payment interest payable under this section  
4           is treated as tax payable by a taxpayer for the purposes  
5           of subchapter V of this chapter and section 851 of this  
6           chapter.

7           (6) Late payment interest payable under this section  
8           is in addition to any penalty imposed under this  
9           subchapter or any fine or imprisonment imposed under  
10          subchapter XI of this chapter in respect of the same act  
11          or omission."

12          Section 60. Title 54 of the Code of the Federated States of  
13 Micronesia (Annotated), as amended, is hereby amended by enacting  
14 a new section 866 to read as follows:

15          "Section 866. Penalty for failure to file a tax return  
16          or lodge other document.

17          (1) A person who fails to file a tax return or lodge  
18          any other document as required under any revenue law is  
19          liable:

20                 (a) in the case of a failure to file a tax  
21                 return under which tax is payable, for a penalty of one  
22                 percent of the amount of tax payable under the return  
23                 for each month or part of a month that the return  
24                 remains unfiled; or

25                 (b) in any other case, for a penalty of \$10 for

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1           each day of default.

2           (2) A taxpayer served with a notice of assessment by  
3           the CEO under section 811 of this title is liable for a  
4           penalty of 25% of the tax assessed (taking into account  
5           any subsequent amendment of the assessment) in addition  
6           to the penalty imposed under subsection (1)(a) of this  
7           section.

8           (3) For the purposes of subsection (1)(b) of this  
9           section, a person ceases to be in default at the time  
10          the document is received by the CEO.”

11          Section 61. Title 54 of the Code of the Federated States of  
12          Micronesia (Annotated), as amended, is hereby amended by enacting  
13          a new section 867 to read as follows:

14          “Section 867. Penalty for failure to pay tax by due  
15          date.

16          (1) A taxpayer who fails to pay a tax when due is  
17          liable for a penalty equal to 10% of the amount of tax  
18          due for each month, or part of a month, that the tax  
19          remains unpaid subject to a maximum penalty of 100% of  
20          the unpaid tax.

21          (2) The penalty imposed under subsection (1) of this  
22          section is in addition to interest payable under section  
23          865 of this chapter for late payment of tax. The ceiling  
24          on the amount of penalty payable under subsection (1) of  
25          this section does not apply to or take into account

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1           interest payable under section 865 of this title.

2           (3) The reference to "tax" in subsection (1) of this  
3           section does not include penalty."

4           Section 62. Title 54 of the Code of the Federated States of  
5 Micronesia (Annotated), as amended, is hereby amended by enacting  
6 a new section 868 to read as follows:

7           "Section 868. Penalty for failure to maintain proper  
8           records.

9           (1) A taxpayer who fails to maintain accounts,  
10           documents, or records as required under a revenue law is  
11           liable:

12                   (a) if the failure was knowingly or recklessly  
13                   made, for a penalty equal to 50% of the amount of tax  
14                   payable by the taxpayer for the tax period to which the  
15                   failure relates; or

16                   (b) in any other case, for a penalty equal to  
17                   ten percent of the amount of tax payable by the taxpayer  
18                   for the tax period to which the failure relates.

19           (2) [Reserved]"

20           Section 63. Title 54 of the Code of the Federated States of  
21 Micronesia (Annotated), as amended, is hereby amended by enacting  
22 a new section 869 to read as follows:

23           "Section 869. Penalty for making false or misleading  
24           statement.

25           (1) This section applies to a person:

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1           (a) who makes a statement to a revenue officer  
2           that is false or misleading in a material particular or  
3           omits from a statement made to a revenue officer any  
4           matter or thing without which the statement is false or  
5           misleading in a material particular; and

6           (b) whose statement results in the tax liability  
7           of any person computed on the basis of the statement  
8           being less than it would have been if the statement had  
9           not been false or misleading (the difference being  
10          referred to as the "tax shortfall").

11          (2) Subject to subsection (3) of this section, a  
12          person to whom this section applies is liable:

13           (a) if the statement or omission was made  
14           knowingly or recklessly, for a penalty equal to 50% of  
15           the tax shortfall; or

16           (b) in any other case, for a penalty equal to  
17           10% of the tax shortfall.

18          (3) No penalty is payable under subsection (2) of  
19          this section if:

20           (a) the person who made the statement did not  
21           know and could not reasonably be expected to know that  
22           the statement was false or misleading in a material  
23           particular; or

24           (b) the tax shortfall arose as a result of a  
25           self-assessment taxpayer taking a reasonably arguable

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1           position on the application of a revenue law to the  
2           taxpayer's circumstances in filing a self-assessment  
3           return.

4           (4) Nothing in subsection (3) of this section  
5           prevents the imposition of late payment interest under  
6           section 865 of this title in respect of a tax shortfall  
7           if the tax is not paid by the due date.

8           (5) A reference in this section to a statement made  
9           to a revenue officer means a statement made in writing  
10           or orally to a revenue officer acting in the performance  
11           of the officer's duties under a revenue law, and  
12           includes a statement made:

13                   (a) in any application, certificate,  
14                   declaration, notification, tax return, objection, or  
15                   other document furnished or lodged under a revenue law;

16                   (b) in any information required to be furnished  
17                   under a revenue law;

18                   (c) in any document furnished to a revenue  
19                   officer;

20                   (d) in answer to a question asked of a person by  
21                   a revenue officer; or

22                   (e) to another person with the knowledge or  
23                   reasonable expectation that the statement would be  
24                   passed on to a revenue officer."

25           Section 64. Title 54 of the Code of the Federated States of

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1 Micronesia (Annotated), as amended, is hereby amended by enacting  
2 a new section 870 to read as follows:

3 "Section 870. Collection of penalty.

4 (1) A liability for penalty is calculated separately  
5 with respect to each section imposing a penalty under  
6 this subchapter.

7 (2) If a penalty has been paid under this title and  
8 the CEO institutes a prosecution under subchapter XI of  
9 this chapter in respect of the same act or omission, the  
10 CEO must refund the amount of the penalty paid, and no  
11 penalty is payable unless the prosecution is withdrawn.

12 (3) The CEO must:

13 (a) make an assessment of penalty imposed under  
14 this subchapter; and

15 (b) serve a notice of the assessment on the  
16 person subject to the penalty, which notice must state  
17 the amount of penalty payable and the due date for  
18 payment.

19 (4) A person liable to pay a penalty may apply, in  
20 writing, to the CEO for remission of the penalty  
21 payable.

22 (5) The CEO may, upon application under subsection  
23 (4) of this section or on the CEO's own motion, remit,  
24 in whole or in part, any penalty payable by a person."

25 Section 65. Chapter 8 of title 54 of the Code of the

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1 Federated States of Micronesia (Annotated), as amended, is hereby  
2 amended by designating sections 873 to 883 as subchapter XI  
3 entitled "Taxation Offenses".

4 Section 66. Title 54 of the Code of the Federated States of  
5 Micronesia (Annotated), as amended, is hereby amended by enacting  
6 a new section 873 to read as follows:

7 "Section 873. Offense for failure to file tax return.

8 (1) A taxpayer who, without reasonable excuse, fails  
9 to file a tax return by the due date is guilty of an  
10 offense.

11 (2) Penalty. A person convicted of an offense under  
12 this section shall be subject to a fine not exceeding  
13 \$500 or, if a natural person, imprisoned for not more  
14 than six months, or both."

15 Section 67. Title 54 of the Code of the Federated States of  
16 Micronesia (Annotated), as amended, is hereby amended by enacting  
17 a new section 874 to read as follows:

18 "Section 974. Offense for failure to comply with  
19 obligations under this chapter.

20 (1) A person is guilty of an offense:

21 (a) who, without reasonable cause, fails to:

22 (i) comply with section 826 of this  
23 chapter;

24 (ii) comply with a notice served on the  
25 person under section 827 of this chapter;

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1                    (iii) provide security as required under  
2                    section 829 of this chapter;

3                    (iv) provide facilities and assistance as  
4                    required by section 843(4) of this chapter; or

5                    (v) comply with a notice under section 844  
6                    of this chapter; or

7                    (b) who, knowing that a certificate has been  
8                    issued under section 830(2) of this title, leaves or  
9                    attempts to leave the FSM without paying the tax due or  
10                   making an arrangement satisfactory to the CEO for  
11                   payment.

12                   (2) Penalty. A person convicted of an offense under  
13                   this section shall be subject to a fine not exceeding  
14                   \$500 or, if a natural person, imprisoned for not more  
15                   than six months, or both.

16                   Section 68. Title 54 of the Code of the Federated States of  
17 Micronesia (Annotated), as amended, is hereby amended by enacting  
18 a new section 875 to read as follows:

19                   "Section 875. Offense for failure to maintain proper  
20                   records.

21                   (1) A taxpayer who knowingly or recklessly fails to  
22                   maintain accounts, documents, or records as required  
23                   under a revenue law is guilty of an offense.

24                   (2) Penalty. A taxpayer convicted of an offense  
25                   under subsection (1) of this section shall be subject to



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1           a fine not exceeding \$1,000, or, if a natural person,  
2           imprisoned for not more than one year, or both.

3           (3) A taxpayer convicted of an offense under  
4           subsection (1) of this section is subject to the  
5           immediate revocation of any existing license to do  
6           business in the FSM that has been issued to the  
7           taxpayer."

8           Section 69. Title 54 of the Code of the Federated States of  
9 Micronesia (Annotated), as amended, is hereby amended by enacting  
10 a new section 876 to read as follows:

11           "Section 876. Offenses for improper use of Taxpayer  
12           Identification Number.

13           (1) A person who uses a false Taxpayer Identification  
14           Number on any tax return or document prescribed or used  
15           for the purposes of a revenue law is guilty of an  
16           offense.

17           (2) Penalty. A person convicted of an offense under  
18           subsection (1) of this section shall be subject to a  
19           fine not exceeding \$1,000 or, if a natural person,  
20           imprisoned for not more than one year, or both.

21           (3) A person who uses the Taxpayer Identification  
22           Number of another person is treated as having used a  
23           false Taxpayer Identification Number, unless the  
24           Taxpayer Identification Number has been used with the  
25           permission of that other person on a document relating

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1           to the tax affairs of that other person.

2           (4) A person who fails to apply for cancellation of  
3           the person's Taxpayer Identification Number as required  
4           under section 847 of this title is guilty of an offense.

5           (5) Penalty. A person convicted of an offense under  
6           subsection (4) of this section shall be subject to a  
7           fine not exceeding \$500."

8           Section 70. Title 54 of the Code of the Federated States of  
9           Micronesia (Annotated), as amended, is hereby amended by enacting  
10          a new section 877 to read as follows:

11          "Section 877. Offense for making false or misleading  
12          statement.

13          (1) A person is guilty of an offense if the person  
14          knowingly or recklessly:

15                  (a) makes a statement to a revenue officer that  
16                  is false or misleading in a material particular; or

17                  (b) omits from a statement made to a revenue  
18                  officer any matter or thing without which the statement  
19                  is false or misleading in a material particular.

20          (2) Penalty. A person convicted of an offense under  
21          this section shall be subject to a fine not exceeding  
22          \$50,000 or, if a natural person, imprisoned for not more  
23          than one year, or both.

24          (3) Section 869(5) of this title applies in  
25          determining whether a person has made a statement to a

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1           revenue officer."

2           Section 71. Title 54 of the Code of the Federated States of  
3 Micronesia, (Annotated), as amended, is hereby amended by enacting  
4 a new section 878 to read as follows:

5           "Section 878. Offense for obstruction of revenue  
6           officer.

7           (1) A person who obstructs a revenue officer in the  
8           performance of duties under any revenue law is guilty of  
9           an offense.

10          (2) Penalty. A person convicted of an offense under  
11          this section shall be subject to a fine not exceeding  
12          \$1,000 or, if a natural person, imprisoned for not more  
13          than one year, or both."

14          Section 72. Title 54 of the Code of the Federated States of  
15 Micronesia (Annotated), as amended, is hereby amended by enacting  
16 a new section 879 to read as follows:

17          "Section 879. Offense for aiding or abetting a taxation  
18          offense.

19          A person who aids, abets, assists, incites, or induces  
20          another person to commit an offense under a revenue law  
21          (referred to as the "principal offense") is guilty of an  
22          offense and is liable for the same penalty as imposed  
23          for the principal offense."

24          Section 73. Title 54 of the Code of the Federated States of  
25 Micronesia (Annotated), as amended, is hereby amended by enacting

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1 a new section to read as follows:

2 "Section 880. Offense relating to seized goods or  
3 temporarily closed premises.

4 (1) A person is guilty of an offence if the person:

5 (a) takes any goods that have been seized under  
6 section 828 of this chapter or that are the subject of a  
7 warrant under subchapter VI of this chapter or that are  
8 in premises the subject of an order under section 831 of  
9 this chapter; or

10 (b) before, at, or after, any seizure of goods  
11 under section 828 of this chapter or proceedings under  
12 subchapter VI of this chapter, staves, breaks or  
13 destroys any goods, or documents relating to any goods,  
14 to prevent:

15 (i) the seizure or the securing of the  
16 goods; or

17 (ii) the proof of an offence; or

18 (c) enters premises the subject of an order  
19 under section 831 of this title without the permission  
20 of the CEO.

21 (2) *Penalty.* A person convicted of an offense under  
22 this section shall be subject to a fine not exceeding  
23 \$1,000 or, if a natural person, imprisoned for not more  
24 than one year, or both."

25 Section 74. Title 54 of the Code of the Federated States of

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1 Micronesia (Annotated), as amended, is hereby amended by enacting  
2 a new section 881 to read as follows:

3 "Section 881. Offenses by revenue officers.

4 (1) A revenue officer who directly or indirectly asks  
5 for, or takes in connection with any of the officer's  
6 duties, any payment or reward whatsoever, whether  
7 pecuniary or otherwise, or promise or security for any  
8 such payment or reward, not being a payment or reward  
9 that the officer was lawfully entitled to receive is  
10 guilty of an offense.

11 (2) Penalty. A person convicted of an offense under  
12 subsection (1) of this section shall be subject to a  
13 fine not exceeding \$50,000, or imprisoned for not more  
14 than one year, or both.

15 (3) A revenue officer who enters into or acquiesces  
16 in any agreement to do any act or thing, abstain from  
17 doing any act or thing, permit or connive in the doing  
18 of any act or thing, or conceal any act or thing,  
19 whereby the National or a State Government is or may be  
20 defrauded of revenue, or that is contrary to the  
21 provisions of a revenue law or to the proper execution  
22 of the officer's duty is guilty of an offense.

23 (4) Penalty. A person convicted of an offense under  
24 subsection (3) of this section shall be subject to a  
25 fine not exceeding \$50,000, or imprisoned for not more

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1           than one year, or both.

2           (5) A person who directly or indirectly offers or  
3           gives to a revenue officer any payment or reward  
4           whatsoever, whether pecuniary or otherwise, or any  
5           promise or security for any payment or reward, not being  
6           a payment or reward that the officer was lawfully  
7           entitled to receive, is guilty of an offense.

8           (6) Penalty. A person convicted of an offense under  
9           subsection (5) of this section shall be subject to a  
10          fine not exceeding \$50,000, or, if a natural person,  
11          imprisoned for not more than one year, or both.

12          (7) A person who proposes or enters into any  
13          agreement with a revenue officer in order to induce the  
14          officer to do any act or thing, abstain from doing any  
15          act or thing, permit or connive in the doing of any act  
16          or thing, or conceal any act or thing, whereby the  
17          National or a State Government is or may be defrauded of  
18          revenue, or that is contrary to the provisions of a  
19          revenue law or to the proper execution of the officer's  
20          duty is guilty of an offense.

21          (8) Penalty. A person convicted of an offense under  
22          subsection (7) of this section shall be subject to a  
23          fine not exceeding \$50,000 or, if a natural person,  
24          imprisoned for not more than one year, or both.

25          (9) For the purposes of this section, a revenue

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1           officer includes any person employed or engaged by the  
2           Authority in any capacity and includes a director or  
3           former director of the Board, a member or former member  
4           of a committee of the Board, a person invited to a Board  
5           or committee meeting, or a former officer or employee of  
6           the Authority."

7           Section 75. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting  
9 a new section 882 to read as follows:

10           "Section 882. Offenses by companies.

11           (1) If an offense under a revenue law is committed by  
12           a company, the offense is treated as having been  
13           committed by every person who at the time the offense  
14           was committed was:

15                   (a) the chief executive officer, public officer,  
16                   managing director, a director, company secretary, or  
17                   other similar officer of the company; or

18                   (b) acting or purporting to act in that  
19                   capacity.

20           (2) Subsection (1) of this section does not apply to  
21           a person if:

22                   (a) the offense was committed without that  
23                   person's consent or knowledge; and

24                   (b) the person, having regard to the nature of  
25                   the person's functions and all the circumstances, has

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1           exercised reasonable diligence to prevent the commission  
2           of the offense.”

3           Section 76. Title 54 of the Code of the Federated States of  
4 Micronesia (Annotated), as amended, is hereby amended by enacting  
5 a new section 883 to read as follows:

6           “Section 883. Failure to comply with a Court Order.  
7           Upon conviction of a person of an offense under this  
8           subchapter, and the failure of the person to comply with  
9           a court order, the person shall be subject to the  
10          provisions and penalties of section 119 of title 4 of  
11          this code.”

12          Section 77. Chapter 8 of title 54 of the Code of the  
13 Federated States of Micronesia (Annotated), as amended, is hereby  
14 amended by designating sections 886 to 890 as subchapter XII  
15 entitled “Forms and Notices”.

16          Section 78. Title 54 of the Code of the Federated States of  
17 Micronesia, (Annotated), as amended, is hereby amended by enacting  
18 a new section 886 to read as follows:

19          “Section 886. Forms and notices; authentication of  
20          documents.

21           (1) A form, notice, tax return, statement, table, or  
22           any other document prescribed or published by the CEO  
23           for the purposes of any revenue law may be in such form  
24           as the CEO determines for the efficient administration  
25           of the revenue laws.



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1           (2) The CEO must make the documents referred to in  
2           subsection (1) of this section available to the public  
3           at the offices of the Authority and at such other  
4           locations, or by mail or such other means, as the CEO  
5           may determine.

6           (3) A notice or other document issued, served, or  
7           given by the CEO under a revenue law is sufficiently  
8           authenticated if the name or title of the CEO, or  
9           authorized officer, is printed, stamped, or written on  
10          the document."

11          Section 79. Title 54 of the Code of the Federated States of  
12 Micronesia (Annotated), as amended, is hereby amended by enacting  
13 a new section 887 to read as follows:

14          "Section 887. Manner of lodging documents.  
15          Except as provided in section 889 of this chapter, a tax  
16          return, application, notice, or other document to be  
17          filed with the CEO under the revenue law must be  
18          delivered by personal delivery or registered post to an  
19          office of the Authority."

20          Section 80. Title 54 of the Code of the Federated States of  
21 Micronesia (Annotated), as amended, is hereby amended by enacting  
22 a new section 888 to read as follows:

23          "Section 888. Service of notices.

24          (1) Subject to section 889 of this title and except  
25          as otherwise provided in a revenue law, a notice or

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1           other document required to be served by the CEO on a  
2           person for the purposes of a revenue law is treated as  
3           properly served on the person if:

4                     (a) personally served on the person;

5                     (b) left at the person's usual or last known  
6           place of abode or business in the FSM; or

7                     (c) sent by registered post to the person's  
8           usual or last known address in the FSM.

9           (2) If a notice or other document is served by  
10          registered post, service is, in the absence of proof to  
11          the contrary, deemed to have been effected at the time  
12          at which the notice or other document would be delivered  
13          in the ordinary course of post, and in proving such  
14          service it is sufficient to prove that the envelope  
15          containing the notice or other document was properly  
16          addressed and was posted.

17          (3) If the person to whom a notice or other document  
18          has been sent by registered post is informed of the fact  
19          that there is a registered letter awaiting the person at  
20          a post office, and the person refuses or fails to take  
21          delivery of the letter, and the letter consists of the  
22          notice or other document, service of the notice or other  
23          document is deemed to have been effected.

24          (4) The validity of service of a notice under a  
25          revenue law cannot be challenged after the notice has

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1           been wholly or partly complied with.

2           (5) The reference to "person" in this section  
3           includes the representative of the person."

4           Section 81. Title 54 of the Code of the Federated States of  
5 Micronesia (Annotated), as amended, is hereby amended by enacting  
6 a new section 889 to read as follows:

7           "Section 889. Electronic returns and notices.

8           (1) The CEO may establish and operate a procedure  
9           (referred to as the "electronic notice system") for  
10           electronic filing of tax returns or other documents to  
11           the CEO and electronic service of notices and other  
12           documents by the CEO and, for this purpose, the CEO may  
13           provide written conditions for:

14                   (a) the registration of taxpayers to participate  
15                   in the electronic notice system (referred to as  
16                   "registered users");

17                   (b) the issuing and cancellation of  
18                   authentication codes to registered users;

19                   (c) the tax returns and other documents that may  
20                   be transmitted through the electronic notice system,  
21                   including the form and manner in which they are to be  
22                   transmitted;

23                   (d) the correction of errors in or amendments to  
24                   electronic returns or other documents;

25                   (e) the use of the electronic notice system,

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1           including the procedure applicable if there is a  
2           breakdown or interruption in the system;

3                   (f) the use in any electronic transmission of  
4           symbols, codes, abbreviations, or other notations to  
5           represent any particulars or information required under  
6           a revenue law; and

7                   (g) any other matters for the better provision  
8           of the electronic notice system.

9                   (2) A registered user may, in accordance with the  
10          conditions set by the CEO under subsection (1) of this  
11          section, file a tax return or other document to the  
12          computer account of the CEO.

13                  (3) The CEO may, in accordance with the conditions  
14          set by the CEO under subsection (1) of this section,  
15          serve a notice or other document to the computer account  
16          of a registered user.

17                  (4) If a tax return or other document of a registered  
18          user has been transmitted to the computer account of the  
19          CEO using the authentication code assigned to the  
20          registered user either with or without the authority of  
21          the registered user, and before the registered user has  
22          applied to the CEO for cancellation of the  
23          authentication code, the return or other document is,  
24          for the purposes of the revenue law under which it has  
25          been filed, presumed to be filed by the registered user

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1           unless the registered user proves to the contrary.

2           (5) For the purposes of a revenue law, an electronic  
3           tax return, notice, or other document, or a copy  
4           thereof, shall not be ruled inadmissible in evidence  
5           merely on the basis that it was filed or served without  
6           the filing or delivery of any equivalent document or  
7           counterpart in paper form.

8           (6) If an electronic tax return, notice, or other  
9           document is admissible under subsection (5) of this  
10          section, it is presumed that, until the contrary is  
11          proved, the contents of the electronic return, notice,  
12          or other document have been accurately transmitted.

13          (7) Section 815 of this chapter shall apply to:

14                 (a) an electronic tax assessment served by the  
15                 CEO on the basis that the reference in section 815(1)(b)  
16                 of this chapter to a copy of a notice of a tax  
17                 assessment includes a certificate under the hand of the  
18                 CEO identifying the tax assessment, and stating the  
19                 authentication code of the registered user and the  
20                 device involved in the production and transmission of  
21                 the electronic tax assessment; and

22                 (b) an electronic tax return furnished by a  
23                 registered user on the basis that the reference in  
24                 section 815(1)(c) of this chapter to a copy of a tax  
25                 return includes a certificate under the hand of the CEO

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1           identifying the tax return, and stating the  
2           authentication code of the registered user and the  
3           device (if known) involved in the production and  
4           transmission of the electronic tax return.

5           (8) A person furnishing an electronic tax return or  
6           other document on behalf of another person must not  
7           divulge or disclose the contents of the return or  
8           document, or a copy thereof, without the prior written  
9           consent of the CEO.

10           (9) A person who fails to comply with subsection (8) of this  
11           section is guilty of an offense.

12           (10) *Penalty.* A person convicted of an offense under  
13           subsection (8) of this section shall be subject to a  
14           fine not exceeding \$500, or imprisoned for not more than  
15           six months, or both."

16           Section 82. Title 54 of the Code of the Federated States of  
17 Micronesia (Annotated), as amended, is hereby amended by enacting  
18 a new section 890 to read as follows:

19           "Section 890. Due date for documents and tax payments.

20           (1) If the due date for the following is a Saturday,  
21           Sunday, or public holiday, the due date is the next  
22           following business day:

23                   (a) filing a tax return, application, notice, or  
24           other document;

25                   (b) the payment of tax; or

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1 (c) taking any other action under a revenue law.

2 (2) [Reserved]"

3 Section 83. Chapter 8 of title 54 of the Code of the  
4 Federated States of Micronesia (Annotated), as amended, is hereby  
5 amended by designating sections 893 to 896 as subchapter XIII  
6 "Final Provisions".

7 Section 84. Title 54 of the Code of the Federated States of  
8 Micronesia (Annotated), as amended, is hereby amended by enacting a  
9 new section 893 to read as follows:

10 "Section 931. Regulations.

11 (1) The Secretary shall, subject to approval of the  
12 President, prescribe such regulations necessary for the  
13 enforcement of this chapter, and such regulations shall  
14 have the force and effect of law if they are not in  
15 conflict with the express provisions of this chapter or  
16 other laws of the FSM.

17 (2) Such regulations shall be promulgated pursuant to  
18 chapter 1 of title 17 of this code."

19 Section 85. Title 54 of the Code of the Federated States of  
20 Micronesia (Annotated), as amended, is hereby amended by enacting  
21 a new section 894 to read as follows:

22 "Section 894. Transition.

23 (1) Subject to this section, this chapter applies to  
24 any act or omission occurring, or any taxation  
25 assessment made, before this chapter came into force.

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1           (2) Any appeal or prosecution commenced before this  
2           chapter came into force shall be continued and disposed  
3           of as if this chapter had not come into force.

4           (3) If the period for any application, appeal, or  
5           prosecution had expired before this chapter came into  
6           force, nothing in this chapter shall be construed as  
7           enabling the application, appeal, or prosecution to be  
8           made under this chapter by reason only of the fact that  
9           a longer period is specified in this chapter.

10           (4) Any tax liability that arose before this chapter  
11           came into force may be recovered under this chapter, but  
12           without prejudice to any action already taken for the  
13           recovery of the tax."

14           Section 86. Title 54 of the Code of the Federated States of  
15 Micronesia (Annotated), as amended, is hereby amended by enacting  
16 a new section 895 to read as follows:

17           "Section 895. Commencement of administration.  
18           Administration of this Act shall commence on the  
19           commencement of administration of the Unified Revenue  
20           Authority act as determined by section 769 of this  
21           title."

22           Section 87. Title 54 of the Code of the Federated States of  
23 Micronesia (Annotated), as amended, is hereby amended by enacting  
24 a new section 896 to read as follows:

25           "Section 896. If any of the four states of the



1           Federated States of Micronesia have not passed into law  
2           value added tax legislation as of midnight April 19,  
3           2020, this act is null and void.”

4           Section 88. 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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8 Date: 11/14/19

Introduced by: /s/ Isaac V. Figir  
Isaac V. Figir

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