

AN ACT

To reform and unify the national tax law of the Republic of Palau, to repeal all existing tax laws, and for related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

CHAPTER I

GENERAL PROVISIONS

1 Section 101. Short Title. This Act shall be known as
2 the "Unified Tax Code."

3 Section 102. Definitions. As used in this Code unless
4 content requires otherwise:

5 (a) "Alcoholic Beverage" means any beverage intended
6 for human consumption which contains at least one percent (1%)
7 alcohol by volume. Alcoholic beverage includes, but is not
8 limited to, those beverages commonly known as beer, wine, and
9 liquor, but it does not include any substance which is issued
10 pursuant to an order made by a licensed doctor, nurse or health
11 worker for the treatment of an illness.

12 (b) "Beer" means any beverage which contains not more
13 than fifteen percent (15%) alcohol by volume and which is made
14 by a process of a alcohol fermentation of grains, hops or malts.

15 (c) "Bureau" means the Bureau of the National Treasury
16 in the Ministry of Administration.

17 (d) "Business" means any commercial activity carried on
18 by sole proprietors, partnerships, corporations, trusts, joint
19 ventures, whether continuous or short term. The Director,
20 however, may exclude by regulation, casual sales from the
21 definitions of "business". One who qualifies as an employee
22 under this Section shall not be considered a business.
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1 (e) "Coin-activated amusement device" means any game or
2 machine which may be activated by the insertion of a coin, or
3 which was originally designed to be so activated, and which is
4 used for amusement purposes.

5 (f) "Commercial activity" means any form of activity
6 carried on for the purpose, in whole or in part, of economic
7 gain, including, but not limited to manufacturing, processing,
8 hotel keeping, retailing, boardering, selling, transporting,
9 the practice of a profession or trade, the exercise of a skill
10 and the exploitation of personal assets. "Commercial activity"
11 does not include the exercise of ones status as an employee.

12 (g) "Deficiency" means the excess of the amount of tax
13 imposed by this Code over the sum of the tax payments for the
14 year of the deficiency and refunds due the taxpayer.

15 (h) "Director" means the Director of the Bureau of the
16 National Treasury in the Ministry of Administration or his
17 designate.

18 (i) "Employee" means any individual who, under the
19 usual common law rules applicable in determining the employer-
20 employee relationship, has the status of an employee.

21 (j) "Employer" means any person who pays another in
22 consideration for the rendition of personal services unless the
23 payor is able to demonstrate to the satisfaction of the Director
24 that each such person who was paid for services was an
25 independent contractor. The term "employer" also includes the
26 national and state governments as well as all departments and
27 agencies thereof.

28 (k) "Financial institution" means any bank, trust
29 company, savings bank, industrial bank, land bank, savings and
30 loan association, cooperative bank, safe deposit company,
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1 private bank, small loan company, sales finance company, or
2 investment company, except the National Development Bank and
3 all credit unions.

4 (l) "Gallon" means 128 fluid ounces.

5 (m) "Gross revenue" means the total sums of all receipts
6 from sources within the Republic whether in the form of cash
7 or property derived from business, from the exploitation of
8 capital whether in the form of receipts from the disposition of
9 capital assets, interest, dividends, royalties, rentals, fees
10 or otherwise, however, such receipts may be labelled without
11 deduction or offset of any kind or nature. Every taxpayer shall
12 be presumed to be dealing on a cash basis. "Gross revenue"
13 does not include:

14 (1) Refunds, rebates, and returns;

15 (2) Monies held in a fiduciary capacity;

16 (3) Gross receipts from the sale of bonds
17 or other evidence of indebtedness or stocks, or
18 from the sale of land;

19 (4) Income in the form of wages and salaries.

20 (n) "Guest" means an individual who has registered in
21 a hotel and to whom a room has been assigned and who is a
22 transient occupant of a room.

23 (o) "Hotel" means a building or other structure or
24 group of structures under the same management that is kept,
25 used, maintained, advertised or held out to the public to be a
26 place where sleeping accommodations are furnished for pay to
27 guests, whether with or without meals.

28 (p) "Hotelkeeper" means any person, firm corporation,
29 partnership, joint venture, sole proprietor or enterprise
30 devoted to profit in the administration of a hotel.

1 (q) "Import" means any article of tangible personal
2 property manufactured, grown, produced or created without the
3 Republic and brought to the Republic excluding, however, all
4 personal items carried by transients which will be withdrawn
5 from the Republic when the transient terminates his stay in the
6 Republic or which will be consumed in the Republic by him
7 during his visit.

8 (r) "Liquor" means and includes all distilled or
9 rectified spirits, alcohol, brandy, cordial, (whether the base
10 therefore be wine or liquor) whiskey, rum, gin, and all other
11 distilled alcoholic beverages, including all dilutions and
12 mixtures of one or more of the foregoing.

13 (s) "Liquid fuel" means and includes all liquids
14 ordinarily, practically, and commercially usable in internal
15 combustion engines for the generation of power and includes
16 liquefied petroleum gases, all distillates and condensates from
17 petroleum, natural gas, coal, coal tar, and vegetable ferments,
18 such distillates and condensates being ordinarily designated as
19 a gasoline, diesel fuel, naphtha, kerosene, benzol, benzine, and
20 alcohols so usable but not restricted to such designation. All
21 aviation fuel which is sold for, used in or used for airplanes
22 is deemed "liquid fuel" whether or not coming within the
23 definition contained in the foregoing sentence.

24 (t) "Net room charge" means the total sum charged to a
25 guest by a hotel for the use of one or more of its rooms,
26 excluding charges for food, beverages, gratuities and other
27 incidental charges.

28 (u) "Non-profit corporation" means as incorporated
29 under Republic of Palau law with no part of its income, either
30 directly or indirectly, distributable to its members, directors,
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1 or officers and operated exclusively for one or more of the
2 following purposes: (a) religious, (b) charitable, (c) scien-
3 tific, (d) educational, (e) prevention of cruelty to the
4 elderly or children, (f) prevention of cruelty to animals, or
5 (g) to foster national or international sports. The Director
6 may, in his discretion, determine that a corporation is not a
7 non-profit corporation for the purpose of this Code.

8 (v) "Person" means any individual, firm, partnership,
9 joint venture, corporation, estate, trust, or other association,
10 however organized.

11 (w) "Net income" means the gross revenue of such tax-
12 payer received from all sources less the following deductions
13 therefrom:

14 (1) Salaries or bonuses paid and other
15 compensation for personal services;

16 (2) Interest or discount paid;

17 (3) Rents paid;

18 (4) Ordinary operating expenses such as
19 supplies; utility services, insurance premiums,
20 other than for life insurance provided that any
21 deductible insurance expenses shall be allowable
22 only to the extent that such a premium is
23 applicable to the tax period against which it
24 is claimed.

25 (5) Loans or obligations charged off the
26 books of the bank as losses unless charged
27 against reserves then in existence.

28 (6) Losses other than loan losses, such
29 as those occasioned by fire or other casualty,
30 theft, embezzlement, and the like, but only to
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1 the extent not covered by insurance proceeds
2 collected.

3 (7) Transfer from earnings to reserve for
4 bad debts or other contingencies provided for.

5 (8) Miscellaneous direct expenses such as
6 legal, advertising, auditing, and the like.

7 (9) Loss on property sold and depreciation
8 on property owned.

9 (x) "Profession" means the capability to exercise a
10 skill or art including, but not limited to, dentistry, medicine,
11 law, pharmacy, accounting, architecture, psychology, and
12 engineering.

13 (y) "Republic" means the Republic of Palau.

14 (z) "Retail" means the transfer of property to one who
15 is buying for consumption and not resale.

16 (aa) "Resident" Means every individual
17 domiciled in the Republic, and every other
18 individual whether domiciled in the Republic
19 or not, who resides in the Republic. To
20 "reside" in the Republic means to be in the
21 Republic for other than a temporary or
22 transitory purpose. Every individual who is
23 in the Republic for more than 60 days of the
24 taxable year in the aggregate shall be presumed
25 to be a resident of the Republic. The Director
26 may, in his discretion, determine that an
27 individual, regardless of the number of days he
28 is in the Republic, is a resident for the purposes
29 of this Code depending upon the nature of the
30 individuals profession or work in the Republic.

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1 (bb) "Tax year" means the calendar year.
2 (cc) "Wages" or "salaries" means any
3 compensation paid to an employee who is a
4 resident in his capacity as such for the rendi-
5 tion of personal services by him irrespective
6 of whether paid in cash or property and
7 irrespective of whether such compensation is
8 paid evenly, sporadically or in a lump sum.
9 This includes commissions, fees, compensation,
10 emoluments, bonuses, and all other kinds of
11 compensation paid for, credited or attributable
12 to personal services performed by an individual,
13 which services have been performed by such person
14 as an employee. "Wages" and "salaries" shall not
15 include:

16 (1) Any payment on account of
17 sickness or accident disability, or any
18 payment of medical or hospitalization
19 expenses, made by an employer to or on
20 behalf of an employee; provided, that
21 normal wages or salaries paid to an
22 employee on a period of time during
23 which he is excused from work because
24 of sickness shall not be excluded from
25 wages or salaries under this subsection.

26 (2) Remuneration paid for casual or
27 intermittent labor not performed in the
28 ordinary course of the employer's trade
29 or business and for not more than one
30 week in each calendar month.

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1 (3) Any payment in the form of
2 scholarship, fellowship, or stipend made
3 to any individual to defray the costs of
4 full-time study at a bona fide educational
5 institution.

6 (dd) "Wholesaler" means a person making sales
7 at wholesale. The following are sales at wholesale:

8 (1) Sales to a retail merchant,
9 jobber, or other licensed seller for
10 purposes of resale;

11 (2) Sales to a manufacturer of
12 material or commodities which are to be
13 incorporated by the manufacturer into a
14 finished or saleable product (including
15 the container or package in which the
16 product is contained) during the course
17 of its preservation, manufacture, or
18 processing, including preparation for
19 market, and which will remain in such
20 finished or saleable product form as to
21 be perceptible to the senses, which
22 finished or saleable product is to be
23 sold and not otherwise used by the
24 manufacturer; or

25 (3) Sales to a contractor of material
26 or commodities which are to be incorporated
27 by the contractor into the finished work or
28 project required by the contract and which
29 will remain in such finished work or project
30 form as to be perceptible to the senses.

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CHAPTER II

WAGES AND SALARY TAX

Section 201. Taxes on Wages and Salaries. There shall be assessed, levied, collected, and paid a tax of 6 percent upon the first \$8,000 and 12 percent upon the amount over the first \$8,000 of all wages and salaries received by every employee. Employees with wages and salary for the tax year of \$2,000 or less shall not pay any tax under this Section. Employees with wages and salary for the tax year of over \$2,000 shall pay tax on the full amount of their wages and salary earned.

Section 202. Withholding by Employer; Pay Over. The tax imposed by this Chapter shall be collected by the employer by deducting and withholding the tax imposed on any wages and salaries as and when paid or credited to the employee. Every employer required to deduct and withhold the tax imposed shall be liable for the payment to the Director and shall pay over such tax to the Director within 30 days immediately after making disbursement of wages and salaries to the employee. Any employer who violates any of the provisions of this Section shall be subject to the penalties prescribed in this Code.

(a) The employer shall, within 30 days following the close of each quarter make a full, true and correct return showing all wages and salaries covered by Section 201 of this Chapter paid by him during the preceding quarter, and showing the tax due, withheld and paid over thereon, which return shall be filed with the Director and shall include such other information as shall be required or prescribed by the Director. With respect to salaries and wages paid out of public monies, the Director at his discretion may prescribe special forms for,

1 and different procedures and times for, the filing of such
2 returns by employers paying such compensation, or may, upon
3 such conditions and subject to such rules as he may prescribe
4 from time to time, waive the filing of any such returns. The
5 Director may require more frequent returns and payments as he
6 in his discretion deems advisable. The Director, for good
7 cause, may extend the time for making returns and payments not
8 in excess of 45 days. Every employer shall keep a payroll
9 ledger for each employee showing the employee's name, rate of
10 pay, hours worked, gross amount earned, taxes withheld
11 (including social security taxes), net wages received, sales
12 credits for employee's credit purchases, other deductions from
13 his gross amount earned, and such other documentation as the
14 Director may require.

15 (b) Every employer required to deduct and withhold any
16 tax on the salaries and wages of any employee shall furnish to
17 each such employee on or before January 31, of the succeeding
18 year (or, if his employment is terminated before the close of
19 such calendar year, on the day on which the last payment of
20 compensation is made) a written statement showing the wages or
21 salaries paid by the employer to such employee during the
22 preceding year and the amount of the tax deducted and withheld
23 or paid with respect to such compensation. Such employer shall
24 include with his final return for the calendar year, or shall
25 file on or before January 31, a duplicate copy of each such
26 statement with the Director. The Director may grant to any
27 employer a reasonable extension of time not in excess of 60
28 days, with respect to any statement required by this subsection
29 to be furnished to any employee or to be filed, and may by
30 regulation provide for the furnishing or filing of statements
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1 at such other times and containing such other information as
2 may be required for the administration of this Chapter.

3 (c) Any employer who violates any of the provisions of
4 this Section shall be subject to penalties prescribed in this
5 Code.

6 (d) Any employee who receives wages or a salary from an
7 employer that does not have a place of business in the Republic
8 or that does not have an agent in the Republic responsible for
9 withholding and paying over taxes, shall file such returns and
10 pay such taxes as would his employer if he were in the Republic.
11 An individual who is paid or credited wages from the United
12 States or any instrumentality thereof, or from any other foreign
13 nation, shall be under the same duty as an individual who is
14 paid by an employer who does have a place of business within
15 the Republic.

16 Section 203. Taxes Withheld by Employer Held in Trust.
17 All taxes withheld by any employer under this Chapter shall be
18 held in trust by such employer for the government and for pay-
19 ment to the Director in the manner and at the time required by
20 this Chapter. Any employer may recover from an employee any
21 amount which he should have withheld but did not withhold from
22 such employee's wages and salaries, if he has been required to
23 pay and has paid the amount to the government out of his own
24 funds pursuant to this Section.

25 Section 204. Refunds; Contributions to Non-profit
26 Corporations. If it is shown upon application by an employee
27 that there has been withheld from his wages or salary any tax
28 not due thereon, then the Director shall refund the amount over-
29 paid within 30 days from the date of application. If an
30 employee files with the Director a verified receipt indicating
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1 money paid for pre-school, elementary, secondary or post
2 secondary school tuition for his own children or those under
3 his guardianship, and/or financial contributions made by such
4 employee to non-profit corporations during the tax year, the
5 Director shall refund such amounts within 90 days after the
6 end of the tax year; provided that the amount of such a refund
7 shall not exceed ten percent (10%) of the income taxes paid by
8 that employee in that tax year.

9 **CHAPTER III**

10 **GROSS REVENUE AND NET INCOME TAX**

11 Section 301. Imposition of Tax on Retail and Wholesale
12 Businesses. Every person engaging in the retail or wholesale
13 business shall be assessed and levied and shall pay a tax of 4
14 percent of the gross revenues of the business; provided that
15 the amount paid in salaries to the employees of the business
16 shall be subtracted from the gross revenues before assessing
17 the tax under this Section.

18 Section 302. Imposition of Tax on Professions. Every
19 person engaging in a profession shall be assessed and levied
20 and shall pay a tax of 4 percent of the gross revenues of the
21 profession; provided that the amount paid in salaries to the
22 employees of the profession shall be subtracted from the gross
23 revenues before assessing the tax under this Section.

24 Section 303. Imposition of Tax on Financial Institutions.
25 Every person engaging or continuing within the Republic in the
26 business of operating a financial institution shall be assessed
27 and levied and shall pay a tax of 4 percent of the net income
28 of the financial institution.

29 Section 304. Imposition of Tax on Other Business. Every
30 person engaging in any business, trade, activity, or calling not
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1 specifically included in this Chapter shall be assessed and
2 levied and shall pay a tax of 4 percent of the gross revenue
3 of the business, activity or calling; provided that the amount
4 paid in salaries to the employees of the business shall be
5 subtracted from the gross revenues before assessing the tax
6 under this Section.

7 Section 305. Quarterly Returns. Each taxpayer under
8 this Chapter, shall make and file, on or before the 30th day
9 following the close of each quarter a return to the Director
10 based on its revenues of the previous quarter. A remittance
11 covering the full amount of tax liability as evidenced by the
12 quarterly return shall accompany the return.

13 Section 306. Refund; Business Contributions to Non-
14 profit Corporations. If a business files with the Director a
15 verified receipt indicating financial contributions made by
16 such business to non-profit corporations during the tax year,
17 the Director shall refund such amounts within 90 days after the
18 end of the tax year; provided that the amount of such refund
19 shall not exceed ten percent (10%) of the gross revenue or net
20 income taxes paid by that business in that tax year.

21 **CHAPTER IV**

22 **IMPORT TAX**

23 Section 401. Imposition of Import Tax. Every person
24 who imports products into the Republic of Palau, for resale
25 shall be assessed and levied and shall pay taxes thereon at the
26 following rates:

27 (a) Cigarettes: 14 cents per every 20 cigarettes;

28 (b) Tobacco products, other than cigarettes: 60 percent
29 ad valorem;

30 (c) Perfumery, cosmetics and toiletries, including
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1 cologne and other toilet waters, articles of perfumery, and all
2 preparations used as applications to the hair and skin, except
3 soap, toothpaste, shampoo and the like, lipsticks, pomades,
4 powders and other toilet preparations not having medicinal
5 properties: 25 percent ad valorem;

6 (d) Carbonated soft-drinks: 10 cents per 12 fluid
7 ounces or fractional part thereof;

8 (e) Beer: 15 cents per 12 ounces or fractional part
9 thereof;

10 (f) Liquor: \$3.00 per one-fifth gallon or 10 cents per
11 ounce on quantities other than one-fifth gallon;

12 (g) Wine: \$2.00 per one-fifth gallon or 8 cents per
13 ounce on quantities other than one-fifth gallon;

14 (h) Liquid fuel: 5 cents per gallon;

15 (i) All other imported products except foodstuff,
16 medicines, and medical supplies: 3 percent ad valorem.

17 Section 402. Refund. Any person who imports products
18 into the Republic and then exports such products shall be
19 entitled to a refund of any import taxes actually paid on such
20 products. In lieu of a refund, such person may claim and shall
21 then be entitled to an offset of such taxes against any import
22 taxes then due or owing on other imported products. For the
23 purposes of this section, products shall be deemed exported if
24 delivered to the buyer at a point or points within the Republic
25 in a manner whereby such products may not reenter the Republic
26 without customs examination and control.

27 Section 403. Entry of Imports. Except as otherwise
28 provided, the consignee of imported merchandise shall make
29 entry therefor, either in person or by an agent authorized by
30 him at the office of the Director within 48 hours, exclusive of
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1 weekends and holidays after the entry of the importing vessel
2 or plane.

3 Section 404. Entry Documents.

4 (a) Entry may be made upon presentation to the Director
5 of a non-negotiable copy of the bill of lading and vendors'
6 invoices covering all merchandise arriving on one vessel and
7 consigned to one consignee. If proper documents are not avail-
8 able within 48 hours after arrival of the merchandise, the
9 estimated import tax shall be paid subject to adjustment when
10 documents arrive.

11 (b) In addition to the non-negotiable copy of the bill
12 of lading and vendors' invoices, each importer shall sign an
13 Entry Certificate stating that, under penalty of perjury, that
14 the vendors' invoices are true and correct and that no altera-
15 tions or changes have been made thereto. The Entry Certificate
16 shall be obtained from the Director and signed at the time of
17 the entry.

18 (c) All cargo, including ship's stores, carried on the
19 vessel or aircraft entering the Republic must be included on
20 the manifest and related bills of lading. Wilful failure to
21 so include such cargo or the presentation of a willfully falsi-
22 fied manifest shall be deemed to be a violation of this Chapter.

23 (d) Within four hours after arrival, the master of a
24 vessel or aircraft shall deliver to the Director two copies of
25 the manifest and bills of lading and he shall also deliver a
26 true and correct copy of any correction of such manifest and
27 bills of lading filed on entry of his vessel or aircraft.

28 (e) Cargo shall be retained at the place of unloading
29 until the impost tax has been paid. Any cargo not released
30 shall remain in the physical possession of the terminal operator
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1 at the expense of the consignee, but under technical customs
2 custody until entry is made and the import tax paid.

3 (f) No carrier, agent, or terminal operator shall
4 release or turn over to a consignee any merchandise being
5 imported into the Republic without prior official written
6 permission of the Director.

7 (g) The Director may board and examine any vessel or
8 aircraft bringing merchandise into the Republic when in his
9 opinion it is necessary to carry out the provisions of this
10 Chapter.

11 (h) The Director may detain, open, and examine any
12 package mailed to an address within the Republic from without
13 the Republic when he deems such acts necessary to carry out the
14 provisions of this Chapter, provided that he does not act
15 inconsistently with the provisions of Republic of Palau Public
16 Law No. 1-39, the Palau National Postal Organization Act.

17 **CHAPTER V**

18 **OTHER TAXES**

19 Section 501. Hotel Room Tax.

20 (a) An excise tax is hereby levied which shall be
21 assessed and collected monthly, against guests of a room or
22 rooms in a hotel, lodging house or similar facility, located in
23 the Republic, of 10 percent of the net room charge for such
24 accommodation. Every hotelkeeper doing business in the Republic
25 shall pay to the Director on or before the 15th day of each
26 month, all hotel room taxes collected at the rate of 10 percent
27 of his net room rate.

28 (b) The hotelkeeper shall indicate the amount of the
29 room tax as a separate item on the statement of charges to each
30 hotel guest and shall pay over the tax collected to the Director
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1 with his gross revenue tax return.

2 Section 502. Amusement Device Tax. Every person who,
3 at any time during the tax year, owns a coin-activated amuse-
4 ment device shall, within 30 days from the effective date of
5 this Code or within 30 days of its purchase, and thereafter on
6 an annual basis payable on or before the thirty-first day of
7 January, pay to the Director a tax of \$500 for each device that
8 simulates the playing of any card game such as poker or black
9 jack. For all other types of coin-activated amusement devices,
10 a tax of \$200.00 shall be payable on the same basis. All such
11 devices shall have affixed thereto stamps issued by the Director
12 verifying payment of the tax. If no such stamp is affixed to
13 a device the Director shall have the authority to confiscate
14 said device pursuant to the procedures established under Chapter
15 VII and subject to the penalties and interest which may be
16 levied under Chapter VIII of this Code.

17 Section 503. Traveler's Head Tax.

18 (a) Every person over the age of sixteen years departing
19 from the Republic of Palau shall be levied and assessed and
20 shall pay a tax of \$3 upon each departure to the Director,
21 provided, however, that pilots and other crew members of any
22 vessel or aircraft lawfully operating as a common carrier are
23 exempted from any levy, assessment and payment under this
24 Section.

25 (b) The Director, Bureau of National Treasury, shall be
26 responsible for collecting the departure tax from persons
27 departing the Republic and may promulgate such regulations as
28 may be necessary to implement the collection of this tax.

29 Section 504. Road Use Tax. There is hereby assessed
30 and levied an annual road use tax on all motor vehicles. The
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1 Road Use Tax shall be payable on or before the thirty-first day
2 of January of each year as follows:

3 (a) All motor vehicles weighing 2,000 pounds or less--
4 \$10.

5 (b) All motor vehicles weighing between 2,000 and 4,000
6 pounds--\$25.

7 (c) All motor vehicles weighing 4,000 pounds or more--
8 \$35.

9 Section 505. Foreign Water Vessel Tax: Annual Levy.

10 There is hereby assessed and levied a tax of \$50 to be paid for
11 every water vessel entering the territorial waters of the
12 Republic of Palau. A water vessel present in the Republic for
13 more than one year is assessed and levied an annual tax of \$250
14 to be paid on or before the thirty-first day of January each
15 year. "Water vessel" for purposes of this Section means every
16 description of watercraft owned or operated by a nonresident
17 and used or capable of being used as a means of transportation
18 on water, irrespective of whether the water vessel is a pleasure
19 boat or yacht, or to be leased or sold. Water vessels lawfully
20 operating as common carriers are exempted from levy, assessment
21 and payment of the tax imposed under this Section.

22 **CHAPTER VI**

23 **BUSINESS LICENSES**

24 Section 601. Licenses Required; Fees. Any person
25 engaging in business in the Republic of Palau shall, as a
26 condition precedent to engaging or continuing to engage in
27 business, obtain from the Director a license to engage in busi-
28 ness and pay an annual fee according to the following schedule:

29 Wholesaler	\$300
30 Person engaging in a profession	\$300

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1	Importer	\$200
2	Other, General	\$50

3 Section 602. Transfer; Term. A license issued under
 4 this Chapter shall not be transferable and shall expire on the
 5 thirty-first day of December, regardless of when issued.

6 Section 603. Multiple Locations; Display. Any person
 7 who operates two or more business in the Republic of Palau shall
 8 obtain a separate license for each business. Each business
 9 shall display its license to operate in a conspicuous place so
 10 all who enter into commercial activity with the business will
 11 know it is licensed.

12 Section 604. Identification of Business. Any person
 13 engaging in business in the Republic shall register his business
 14 with the Revenue and Tax Office and shall obtain an identifica-
 15 tion number. Every state government issuing retail or other
 16 state business licenses shall submit a list of the said
 17 businesses to the Director within 30 days of the issuance of its
 18 license.

19 Section 605. Revocation or Suspension. The Director
 20 may revoke or suspend any license issued under this Chapter upon
 21 a finding that a taxpayer has not paid taxes due or otherwise
 22 violated any provision of this Code or regulations issued
 23 pursuant to this Code.

CHAPTER VII

COLLECTION AND APPEALS

26 Section 701. Records of Transactions. Every person,
 27 firm, corporation or association engaging in any transaction
 28 subject to a tax, fee or charge levied or imposed under this
 29 Code shall keep a full and accurate record of each such trans-
 30 action engaged in by him and such record shall be available for
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1 examination by the Director or his authorized representative
2 for at least three years after the date of such transaction.
3 Every business shall keep the following:

4 (a) a daily record of all cash receipts showing the
5 date, total cash receipts, cash sales, payments on accounts
6 receivable and miscellaneous receipts. Supporting documents
7 comprised of cash register tapes, sales, slips, receipts, and
8 other documents relating to cash received shall be retained in
9 chronological sequence for examination.

10 (b) a daily record of credit sales showing, date, name
11 of purchaser, invoice/receipt number, amount, and discount (if
12 applicable). Supporting documents consisting of sales invoices
13 or receipts shall be retained in chronological sequence for
14 examination.

15 (c) a daily record of each disbursements showing date,
16 payee, invoice number, amount discount (if applicable), and
17 purpose of payment. Supporting documents consisting of cancelled
18 checks, receipts, invoices, or other evidence of cash disbursed
19 shall be maintained in chronological sequence for examination.

20 (d) such other records as the Director may require.

21 Section 702. Assessment by Director. Upon the failure of
22 any taxpayer to make and file a return required by this Code
23 within the time and in the manner and form prescribed, or upon
24 failure to pay or pay over an amount due, the Director may demand
25 that the taxpayer comply with this Code. If the taxpayer refuses
26 within 30 days after demand to comply with the demand, the
27 Director may make a return for the taxpayer from any information
28 and records obtainable, levy and assess the appropriate amount
29 of tax, and shall notify the taxpayer of such assessment which
30 shall be presumed to be correct unless the contrary is expressly
31 shown.

1 Section 703. Informal Hearing. The taxpayer shall have
2 the right within 15 days of notice of the assessment required
3 under Section 702 or of any other decision made by the Director
4 to request from the Director an informal hearing on the
5 assessment or decision and at that time the taxpayer may submit
6 such data as may be relevant. After receiving a request for a
7 hearing, the Director shall notify the taxpayer of the time
8 and place of such hearing in writing. The decision of the
9 Director after the informal hearing shall be given within 15
10 days from the date of the hearing to the taxpayer.

11 Section 704. Adjustment. If the Director after informal
12 hearing decides that the tax assessment or his decision was
13 incorrect, he shall make such adjustments as are necessary to
14 correct the assessment or decision, including the issuance of
15 a refund.

16 Section 705. Review. If the Director's decision is
17 adverse to the taxpayer, in whole or in part, the taxpayer shall
18 have the right to institute an action for review, within one
19 year from the date of the decision, in the Trial Division of the
20 Supreme Court. In cases involving an assessment such action
21 shall be commenced by first paying the tax as assessed and then
22 by filing a petition setting forth assignments of errors
23 alleged to have been committed by the Director in determining
24 the assessment, facts relied upon to sustain such assignment
25 of errors, and a prayer for appropriate relief. The Director
26 shall be the respondent in such an action. The action shall be
27 tried by the court without a jury and the petitioner shall have
28 the burden of proof.

29 Section 706. Collection. The Director shall have avail-
30 able for the enforcement of any delinquent tax assessment the
31 following remedies:

1 (a) Suit. The Director may require the Ministry of
2 Justice to take such legal action as he shall deem proper in
3 the name of the Republic of Palau. In a suit for the collec-
4 tion of delinquent taxes, a statement by the Director as to the
5 amount due and the fact it remains unpaid shall be sufficient
6 evidence of these matters, unless the defendant taxpayer
7 expressly shows the contrary. In any civil suit, a written
8 statement of the Director as to the amount of tax due, the fact
9 that it is unpaid, and the person who is authorized to collect
10 it, shall be sufficient evidence of these matters unless the
11 contrary is expressly shown by the taxpayer. The Director,
12 before submitting a case to the Ministry of Justice, shall:

13 (1) Deliver a written notice of the assessment
14 to the taxpayer setting forth the date it was
15 originally due, the amount of the tax due, and the
16 amount of penalties and interest due. Such notice
17 shall be delivered to the taxpayer at the address
18 listed by him on his business license, or if he
19 has none, to this last known address;

20 (2) Certify that at least 30 days have
21 elapsed since the notice was delivered;

22 (3) Certify that the taxpayer has not, within
23 those 30 days, paid the assessment, including penal-
24 ties and interest, in full or made an agreement for
25 the payment of the same.

26 (b) Injunction. The Director may request the Ministry
27 of Justice to seek, in a court of competent jurisdiction, an
28 injunction to restrain any person who is delinquent in the pay-
29 ment of any tax liability from continuing to carry on his
30 business until such delinquent liability is paid, provided the
31

1 conditions set forth in subsection (a) are first complied with.
2 The Director shall first revoke the business license of the
3 delinquent taxpayer.

4 Section 707. Tax Liens. Any taxes imposed or authorized
5 under this Code upon property shall be a lien upon the property
6 and may be collected by levy upon it in the same manner as the
7 levy of an execution.

8 Section 708. Suit for Refund. A taxpayer, within one
9 year from the end of the tax year, may file an action in the
10 Trial Division of the Supreme Court for the refund of any tax
11 imposed and collected by the Director, if he alleges it was
12 erroneously or illegally assessed and collected. The action
13 shall be tried by the Court without a jury and petitioner shall
14 have the burden of proof. The Ministry of Justice shall
15 represent the Director.

16 **CHAPTER VIII**

17 **PENALTIES AND INTEREST**

18 Section 801. Penalties. The following penalties are
19 hereby levied and shall be assessed and collected by the
20 Director:

21 (a) Failure to timely file return, pay or pay over a tax.
22 If any taxpayer, required by this Code to file a return, pay or
23 pay over any tax, fee or charge levied or imposed under this
24 Code, fails to do so on or before the date set, unless it is
25 shown that such failure is due to reasonable causes, he shall
26 be assessed 10 percent of the amount for each 30 days or frac-
27 tion thereof elapsing between the due date of the return and the
28 date on which it is actually filed, paid or paid over in addition
29 to the amount due.

30 (b) Failure to file return after demand. If any taxpayer,
31

1 required by this Code to file a return, upon notice and demand
2 by the Director fails or refuses within 30 days after receipt
3 of said notice and demand to make and file a return, the
4 Director may estimate the tax assessment and assess a penalty
5 thereon of 25 percent of the tax assessed, in addition to any
6 other penalty that may be assessed under this Chapter.

7 (c) False and fraudulent returns. Any person who files
8 a return containing false information with the intent to evade
9 a tax, or any portion thereof shall upon conviction, be
10 imprisoned for not more than 3 years, fined not more than
11 \$10,000, or both, and be subject to any other penalties that
12 may be assessed under this Chapter. In addition, such a person
13 shall be assessed a civil penalty of 50 percent of the tax owed.

14 (d) Failure to file employer statement. Any employer
15 required to file a written statement under Section 203(b) of
16 this Code, who fails to file such statement on the date pre-
17 scribed therefor, except with regard to any extension of time
18 for filing, shall be subject to a \$50 penalty for each state-
19 ment not filed.

20 Section 802. Interest. In any tax or penalty imposed
21 by this Code is not paid on or before the date prescribed for
22 such payment, there shall be assessed and collected, in addition
23 to such tax liability at the rate of 3 percent per month from
24 its due date until the date it is paid.

25 Section 803. Business License Revocation. The Director
26 in his discretion may suspend or revoke any business license
27 upon a taxpayer's failure to comply with this Code or regulations
28 issued hereunder. The Director, under this Section, is not
29 subject to the provisions of Republic of Palau Public Law No.
30 1-53, the Administrative Procedure Act.

1 Section 804. General Penalty. Any person who willfully
2 violates any of the provisions of this Code for which there is
3 no other designated penalty, or any rule or regulations issued
4 hereunder, shall, upon conviction, be imprisoned for a period
5 of not more than one year, fined not more than \$1,000, or both.

6 **CHAPTER IX**

7 **ADMINISTRATION**

8 Section 901. Powers and Duties of the Director. The
9 Director shall have the following powers and duties:

10 (a) the power to designate from among the employees of
11 the Bureau and to hire such collectors and auditors as may be
12 required to carry out the provisions of this Code pursuant to
13 Republic of Palau Public Law No. 1-37, the National Service
14 System Act;

15 (b) the duty to make all assessments of taxes levied by
16 this Code and to collect all taxes levied by this Code;

17 (c) the duty to enforce this Code and to collect all
18 taxes levied by this Code;

19 (d) the power to inspect and examine the records, books
20 of account, bank statements, and any other pertinent data of
21 any person for the purpose of enabling him to obtain the
22 information necessary to enforce the provisions of this Code;

23 (e) the power to issue such rules, regulations and
24 rulings as the Director deems necessary or appropriate to carry
25 out the provisions of this Code;

26 (f) the duty to prescribe tax return forms and other
27 forms necessary for the administration and collection of all
28 taxes levied by this Code;

29 (g) the power, with approval of the Minister of Adminis-
30 tration, to compromise claims, penalties and interest arising
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1 out of any levy in the case of any such compromise he shall
2 place on file for public inspection a statement setting forth:

3 (1) the amount of the tax assessed or which
4 could have been assessed by or in accordance with
5 this Code;

6 (2) the amount of penalties and interest
7 imposed, or which could have been imposed in
8 accordance with this Code;

9 (3) the reasons for the compromise; and

10 (4) the approval of the Minister of
11 Administration.

12 (h) the power to enter binding agreements for the install-
13 ment liquidation of any tax liability due the Bureau of National
14 Treasury as he may deem necessary;

15 (i) the power to approve any reasonable extension of time
16 for the filing of a return or the paying of a tax liability as
17 he may deem necessary;

18 (j) the power, with the approval of the Minister of
19 Administration, to make refunds or any overpayment of tax made
20 by a taxpayer or any assessment erroneously made and collected;

21 (k) the duty to give written notice of a tax liability
22 and make a written demand for the payment of the same whenever
23 any return or remittance required by this Code is not made
24 within the time allotted for such return or remittance. Such
25 notice or demand shall be delivered to the taxpayer's dwelling
26 or place of business or to his last address;

27 (l) the power to subpoena records, including records of
28 financial institutions and other third parties. Any person
29 failing to comply with a subpoena shall be subject to the
30 penalties provided in Section 804 of this Code.

1 Section 902. Exchange of Tax Information. Notwith-
2 standing any other provisions of law, the Director may make
3 available to the properly authorized tax officials of any state,
4 information contained in tax returns or any audit of a taxpayer,
5 provided such state grants a like privilege to the national
6 government.

7 Section 903. Inspection of Returns. Tax returns and
8 other information required to be filed or furnished by any
9 person shall not be divulged by employees of the Bureau or a
10 state to any person other than employees of the Bureau of
11 National Treasury or authorized tax officials of states as
12 provided in Section 902.

13 Section 904. Prohibited Employment. The Director and
14 every employee of the Bureau of National Treasury while in such
15 employment shall not act as a tax accountant or consultant for
16 a fee or accept employment from any person preparing tax
17 returns required by this Code.

18 **CHAPTER X**

19 **REPEALER; EFFECTIVE DATE**

20 Section 1001. Repealer. The following laws or sections
21 thereof are repealed in their entirety:

22 (a) Section 51(1)(c) of Title 4 of the Trust Territory
23 Code;

24 (b) Chapters 1, 2, 3, 4, 5, 6, 7, and 8 of Title 77 of
25 the Trust Territory Code;

26 (c) Section 605 of the Palau District Code;

27 (d) Section 606 of the Palau District Code as amended; and

28 (e) Palau Public Law No. 5-3-6, 5-4-14, 6-2-3, 6-3-9,
29 6-4S-1, 6-8-60, and 7-3-20.

30 (f) Section 9(4)(d)(iv) of RPPL No. 1-37.
31

1 Section 1002. Transition. Any tax liability, penalty,
2 interest or other assessment incurred under any law or regula-
3 tion that is repealed by this Code shall not be abated,
4 extinguished or reduced and shall have full force and effect
5 for transactions and activities occurring before the effective
6 date of this Code. All rules and regulations currently in
7 effect, shall remain in force and effect, to the extent that
8 they are not inconsistent with the provisions of this Code.

9 Section 1003. Effective Date. This Act shall take
10 effect on October 1, 1984, upon its approval by the President
11 of the Republic of Palau, or upon its becoming law without such
12 approval, except as otherwise provided by law; provided, that if
13 the High Commissioner of the Trust Territory of the Pacific
14 Islands exercises her authority to suspend any provisions of
15 this Act the entire Act shall be immediately void.

16

17 PASSED: May 3, 1984

/s/ _____
Carlos H. Salii, Speaker
House of Delegates

/s/ _____
Kaleb Udui, President
The Senate

Approved this 9th day of May, 1984.

/s/ _____
Haruo I. Remeliik, President
Republic of Palau