

# INSTRUCTIONS FOR FEDERATED STATES OF MICRONESIA CORPORATION INCOME TAX FORM

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## General Instructions

Every major corporation ("corporation") must file an income tax return together with a copy of the corporation's financial statements (including the balance sheet and income statement) and any other required information or documents as prescribed by the Secretary of the Department of Finance.

Use this form for corporations with taxable year ending on or after March 31, 2020.

The corporate tax form and instructions can be obtained from the following address:

<http://www.mra.fm/forms.php>

## When to File

Generally, a corporation must file its income tax return by the last business day of the sixth (6th) month period following the last day of the corporation's taxable year.

## Who Must Sign

The return must be signed and dated by the employer, business or other person liable to prepare the return, or by someone authorized to do so in behalf of such employer, business, or other person. Every return must be signed by a natural person.

Anyone who is paid to prepare the return must complete the paid preparer information.

## Where to File

If mailing the return, the return must be filed with the Department of Finance and Administration using the following address:

ATTN: ASSISTANT SECRETARY OF THE  
DIVISION OF CUSTOMS AND TAX  
ADMINISTRATION  
PO BOX PS54, Palikir, Pohnpei, FM 96941

If filing directly in person, returns must be filed with the Assistant Secretary of the Division of Customs and Tax Administration.

## Order of Filing

The tax return must be assembled in the following order:

1. Schedule 1
2. Schedule 1-2
3. Schedule 2
4. Schedule 3-1
5. Schedule 3-2
6. Schedule 3-3
7. Schedule 3-4
8. Schedule 4
9. Deposit Form
10. Tax Refund Request Form
11. Financial Statements
12. Additional supporting statements and attachments

Only completed schedules and forms are required to be filed. On the bottom of Schedule 1, check all documents that are being filed with the tax return and specify any additional attachments.

### **Tax Due Date and Payments**

Tax shown on the return must be paid by the last business day of the sixth month period following the last day of the corporation's fiscal year. Tax can be paid by direct bank deposit or by check.

### **Direct Bank Deposit**

Tax payment in Japanese Yen must be deposited to the below bank account:

Name of Bank: Mizuho Bank, Ltd  
Account #: 146-1212405  
Account Name: FSM National Government  
(Corporate Tax)

Tax payment in functional currency other than Japanese Yen must be deposited to the below bank account:

Name of Bank: Bank of the Federated States of Micronesia, Pohnpei Branch  
Address of Bank: PO Box 98 Kolonia, Pohnpei, FM 96941  
Account #: 6044197629  
Account Name: FSM Saving Corporate Tax  
Account Holder: Federated States of Micronesia National Government  
Holder's address: PO Box PS54, Palikir, Pohnpei, FM 96941

### **Intermediary Bank Information:**

Bank Name: First Hawaiian Bank  
Bank Address: PO BOX 999, Bishop Street, Honolulu, Hawaii 96813  
Service #: 8185018  
Routing #: 121301015  
Swift #: FHBKUS77XXX

All taxpayers making tax payment by direct bank deposit must submit a proof of deposit along with the Deposit Form to the Secretary of the Division of Customs and Tax Administration to the following email address:

[citinfo2012@gmail.com](mailto:citinfo2012@gmail.com)

### **Check**

Check must be written payable to "Treasurer of the Federated States of Micronesia".

### **Penalty and Interest**

#### **Penalty on Late Payment of Tax**

Any amount less than the tax due as indicated on the tax return are subject to an underpayment penalty. The corporation must pay interest on the delinquent tax balance of one half of one percent (0.5%) for each full month until the full amount is paid.

#### **Failure to File Return on Time**

A corporation that fails to file a return on time, unless applied for and received an extension for reasonable cause, may be penalized one percent (1%) of the tax for each 30 days or fraction of the

month the return is late, up to a maximum of twenty five percent (25%) of the tax due. Minimum penalty is five dollars.

Corporation that fails to file a return after demand may be penalized ten percent (10%) of the tax due in addition to the penalties mentioned above.

Other penalties can be charged for false and fraudulent returns.

Interest can be imposed on the unpaid balance of the tax principal at the rate of six percent (6%) per annum from the tax due date until the date it is paid.

#### **Tax Refunds**

Overpayment of tax by a corporation may be refunded, applied to any tax liability owed by the corporation, or credited to the following tax year.

A corporation may complete the Tax Refund Request Form to apply for a refund at the time of filing.

#### **Accounting Methods**

The taxable income of a corporation must be computed under the method of accounting which the corporation regularly computes its income. To the extent permitted by GAAP, a corporation may compute its taxable income under any of the following methods of accounting:

- (1) the cash receipts and disbursements method;
- (2) an accrual method;
- (3) any combination of the foregoing methods or

any other method selected by the major corporation.

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## **Specific Instructions**

### **Schedule 1**

#### **Reporting Period**

Fill in the tax year space the beginning date of your tax year and the ending date. For a short tax year return, enter the date of incorporation as the beginning date.

#### **Initial Return, Final Return, Name Change or Address Change**

"Initial Return" means the first tax return ever submitted by a corporation.

"Final Return" means the last tax return for a corporation after it has been dissolved.

"Name Change" means that the corporation has changed its official name since it last filed a return.

"Address Change" means that the corporation has changed its address since it last filed a return.

#### **Name and Address**

"Name" means the corporation's true name set forth in the Certificate of Incorporation.

"Address" means the address of the corporation's principal office.

"Phone" means the phone number of the contact person.

"Email" means the email address of the contact person.

"Fax" means the fax number of the contact person.

"Website" means the website address of the corporation, if any.

"Incorporation Number" means the number assigned by the Federated States of Micronesia Registrar of Corporations.

"Date of Incorporation" means the date the corporation was incorporated as set forth in the Certificate of Incorporation.

"Principal Business Activity" means the main object of the company as declared in the Articles of Incorporation.

"Functional Currency" means the currency of the primary economic environment in which the corporation operates.

Line 1. Show net profit or loss as shown in the corporation's books and records.

Line 19. Show net operating loss from Schedule 2 line 8b.

Line 21. Show current year corporate income tax from Schedule 1-2, line 14.

Line 22. Show foreign tax credit from Schedule 3-1, line 8.

Line 24. Show tax overpayment brought forward from prior years from Deposit Form, line 1.

Line 27. Complete Tax Refund Request Form if this line is entered.

### **Schedule 1-2 List of Addition and Subtraction Items and Calculation of Tax Liability**

#### **Part I**

Show all the temporary difference items among additions and subtraction items on Schedule 1. A temporary difference is the difference derived from the difference between the income for accounting

purposes and income for tax purposes and will be eliminated in the future. For example, if the depreciation expense of an asset on the income statement is 100 and the limitation of depreciation expense for tax purposes is 80, there is a temporary difference of 20. When this asset is disposed of in the future, the capital gain for accounting purposes will be higher by 20 than the gain for tax purposes and this 20 will be a subtraction item then.

#### **Part II**

##### **Example:**

If total taxable income is USD 600,000,000, enter 300,000,000 in line 11e, 200,000,000 in line 12 e and 100,000,000 in line 13e. Then line 11g, 12 g and 13 g will be 63,000,000, 50,000,000 and 30,000,000 respectively. The total in line 14 will be 143,000,000.

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### **Schedule 2 Summary of Net Operating Loss Carried forward**

A corporation can apply the net operating loss (NOL) to reduce its taxable income in another tax year. Corporations can carry forward NOL up to seven years. Complete the schedule to determine the NOL used in the current year and/or to keep record of the NOL carry forward to the next year. NOL cannot be carried back to prior years.

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### **Schedule 3-1 Summary of Foreign Tax Credit**

Taxes paid or accrued on taxable income during the taxable year to a foreign country can be

applied as a credit against the income tax with certain limitations.

Complete the form to calculate the maximum foreign tax credit allowed in the return.

**Schedule 3-2 Summary of Foreign Tax Credit Carried Forward**

Enter the foreign tax to calculate the beginning and ending foreign tax credit carry forward and to show credits used during the current year and those that are added to the carry forward for future years.

**Schedule 3-3 Summary of Direct Foreign Tax Paid**

Enter the tax amount paid and related details for every foreign tax paid.

**Schedule 3-4 Summary of Indirect Foreign Tax Paid**

The amount of foreign income tax on the income of a foreign subsidiary corresponding to dividends from retained earnings, dividends from profits, or distributions from retained earnings of its foreign subsidiary can be used as a credit.

Complete the form to calculate the amount of indirect foreign tax paid.

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**Schedule 4 Listing of Subsidiaries**

Complete the form to provide basic information on each subsidiary.

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**Deposit Form**

Complete the form and enter the amount of tax overpaid as of year to date and enter any tax paid with the tax return.

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**Tax Refund Request Form**

Complete this form if requesting for a tax refund. Enter N/A for any lines that are not applicable for the corporation. Enter any other information required by the corporation's bank for direct deposit.