



Pacific Rim  
Registry Specialists

<News Letter>  
Emergency Regulation Has Been Issued

MRA Advisors Inc.  
February 21, 2024

An Emergency Regulation confirming the treatment of decimals and fractions in corporate income tax calculation (as attached) was issued and promulgated by the FSM government on January 19, 2024.

This Emergency Regulation confirms that any decimals and fractions in corporate income tax filing calculations should always be rounded up, not down, to the nearest whole number (therefore, this is not a new rule). Existing FSM corporate income tax law and regulation do not mention the treatment of decimals and fractions, but this Emergency Regulation clarifies it.

(Numerical Example)

Taxable income: JPY 123,456,789  
Corporate income tax liability:  $123,456,789 \times 21\% = 25,925,925.69$   
→ (rounded up to the nearest whole number) JPY 25,925,926

If the functional currency is USD and cents are entered in the tax return, the tax liability should be rounded up to the nearest whole number like below.

Taxable income: USD 1,234,567.89  
Corporate income tax liability:  $1,234,567.89 \times 21\% = 259,259.2569$   
→ (rounded up to the nearest whole number) USD 259,260.00  
(Not USD 259,259.26)

The Emergency Regulation also confirms that the FSM tax authority will accept amendment corporate income tax returns and additional tax payment of JPY 1 or some cents if the taxpayer would like to rectify past corporate income tax returns where decimals or fractions were not rounded up.

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**MRA Advisors Inc.**

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EMERGENCY REGULATION CONFIRMING THE  
TREATMENT OF DECIMALS AND FRACTIONS IN FSM  
CORPORATE INCOME TAX RETURNS

This Emergency Regulation is proposed and to be posted according to Section 370(2) of Title 54 of the Code of the Federated States of Micronesia (Annotated), which gives power to adopt regulations to implement Chapter 3 of Title 54 of the FSM Code.

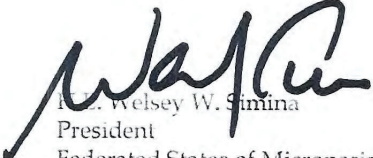
This Emergency Regulation shall take effect immediately upon signature by the President as an emergency regulation and shall be replaced by a Permanent Regulation on the fortieth day from the date of the posting of the proposed permanent regulation. Persons affected should assume that the proposed Permanent Regulation became effective on that date unless they learn otherwise. The actual date of effectiveness will be noted on the certified copy of the Permanent Regulation to be filed pursuant to 17 FSMC 103(1).

Extra copies of the Emergency Regulation can be obtained from the Secretary of Finance and Administration with address below. Any person interested in commenting may do so by written submission to:

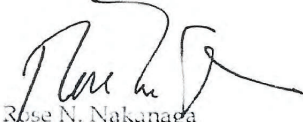
Secretary Rose N. Nakanaga  
Department of Finance and Administration  
Palikir, Pohnpei FSM

Approved:

Date: January 19, 2024

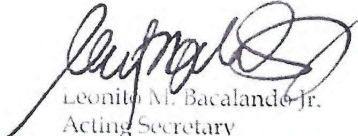
  
Welsey W. Simina  
President  
Federated States of Micronesia

Date: 1/19/24

  
Rose N. Nakanaga  
Secretary  
Department of Finance & Administration  
Federated States of Micronesia

Approved as to legal sufficiency:

Date: 1/19/24

  
Leonilo M. Bacalando Jr.  
Acting Secretary  
FSM Department of Justice

EMERGENCY REGULATION AND PROPOSED PERMANENT REGULATION

CONFIRMING THE

TREATMENT OF DECIMALS AND FRACTIONS IN FSM

CORPORATE INCOME TAX RETURNS

- I. Authority
  - a. The President of the Federated States of Micronesia is issuing this Regulation in accordance with Section 102(2) of Title 17 of the FSM Code (Annotated) as he finds that the public interest so requires.
  - b. It is also issued under authority of the Secretary of Finance & Administration under Section 370 of Title 54 of the FSM Code (Annotated).
  - c. Once promulgated according to the Administrative Procedure Act, Title 17 of the FSM Code (Annotated), this Regulation shall have the force and effect of law and become permanent. This Regulation takes effect immediately upon signature by the President.
- II. Policy Considerations. This Regulation is issued because it is in the public interest of the FSM, especially at a time of fiscal and budgetary uncertainty, to preserve and protect the revenues the FSM derives from corporate income taxes paid by FSM Major Corporations and captive insurance companies.
- III. Confirming the Treatment of Decimals and Fractions
  - a. This Regulation confirms that the existing policy of the Secretary of Finance and Administration is that any decimals or fractions in corporate income tax filing calculations should always be rounded UP, not down, to the nearest whole number.
- IV. Confirming Acceptance of Adjusted Corporate Income Tax Returns and Payments
  - a. This Regulation confirms that the Secretary of Finance and Administration will accept adjusted corporate income tax returns where the taxpayer pays a *de minimis* amount to rectify any past incidents where decimals or fractions were not rounded up.