

The tax reform bill signed by President Panuelo

On July 5th 2019, The President of FSM, Mr. David W. Panuelo, signed the tax reform bill introducing the gradual tax system on corporate income.

The new tax system is outlined as follows:

<u>Taxable income:</u>	<u>Tax rate</u>
USD 300 million	21%
USD 300 m - 500m	25%
More than USD 500m	30%

In case of taxable income in amount of US\$600million, the following computation scheme is applied for the amount of tax payable:

Tax to be paid for first USD 300million :

$$\text{USD 63 million} = \text{USD 300 m} \times 21\%$$

Tax to be paid for next USD 200 million (USD 300 m to USD 500m):

$$\text{USD 50 million} = \text{USD 200 m} \times 25\%$$

Tax to be paid for USD 100 million (USD 100 million on top of USD 500m):

$$\text{USD 30 million} = \text{USD 100m} \times 30\%$$

Total amount of tax to be charged on taxable income in amount of USD 600 million:

$$\text{USD 143 million} = \text{USD 63 m} + \text{USD 50 m} + \text{USD 30 m}$$

This new corporate tax system shall be applied to the company whose closing date is March 30th 2020.