

AN ACT

Amending Section 11 of TSL No. 5-119, as amended by CSL No. 191-04, repealing Sections 11, 12, 13 and 14 of TSL No. 5-119, as amended by CSL No. 191-04, inserting new Sections 11-A to D; imposing tax on services at a uniform rate of 5%, and for other purposes.

Be it enacted by the Chuuk State Legislature:

1 Section 1. Purpose. This act is to amend TSL No. 5-119, § 11, 12, 13 and 14, as
2 amended by imposing and declaring a uniform tax on all kinds of services or sales of
3 services.

4 Section 2. Service Tax. A Service tax of five (5%) percent of the value of the
5 services price received in relation to and in connection with procuring buying or
6 purchasing of the following services which shall be payable by the person receiving the
7 services, except as specifically provided:

- 8 1) Lease of office dwelling place and land lease and other space,
9 occupancy of a hotel, motel, apartment room, lodging room or
10 occupation lease agreement;
- 11 2) Admission fees imposed by operators of theaters, theaters, cinemas,
12 swimming pools, resorts and other amusement centers;
- 13 3) Video tape, DVD, CD or film rental;
- 14 4) Cruise or tour ships and dive shops;
- 15 5) Air and sea transportation services. Service Tax imposed on air and
16 sea transportation services shall be for outgoing passengers of Chuuk
17 where their final destination of outside of the FSM irrespective of
18 where payment of the service is made;
- 19 6) Professional services;
- 20 7) Motor vehicle rental;
- 21 8) Boat Rental tax;
- 22 9) Construction services;

10) Money sending or receiving companies except banks or banking
institutions and insurance companies; and

Section 3. Amendment. Section of TSL No. 5-119 as amended, is further
amended by providing a new Section 11-A to read as follows:

“Section 11-A. Imposition of services tax. Notwithstanding any provision
to the contrary, the service tax imposed by Section 11 2, shall be paid by this
customer, person, company or entity obtaining the services, which shall be
collected by the person, company or entity providing the services.”

Section 4. Amendment. Section 11 of TSL No. 5-119 as amended, is further
amended by adding a new Section 11-B to read as follows:

“Section 11-B. Payment of service tax. Notwithstanding any provision to
the contrary, payment of service tax imposed by Section 11, shall be made within
the first 15 days of the month following any payment of services.”

Section 5. Amendment. Section 11 of TSL No. 5-119 as amended, is further
amended by adding a new Section 11-C to read as follows:

“Section 11-C. Withholding of services tax by the Chuuk State
Government its agencies authorities, boards, bureaus, and commissions entity
authorized in writing by the Department of Administrative Services.
Notwithstanding and provision to the contrary, services provided to Chuuk State
Government which requires payment of service tax, such tax shall be withheld
and deducted by any payments of the services rendered by the Department of
Administrative Services or its successor.”

Section 6. Repealer. Sections 12, 13, and 14 of TSL No. 5-119, as amended, are
hereby repealed in their entirety.

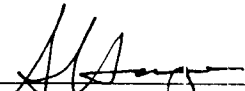
Section 7. Penalties. Taxpayers providing services as imposed by Section 2 of
this Act who knowingly or unlawfully fail to collect the service tax or remit any service
tax collected in accordance with this Act shall upon conviction be imprisoned for a period
of not less than six (6) months but not more than five (5) years or fined an amount of not
less than \$1,000 but not more than \$5,000, or both.

Section 8. Current Contracts or Agreements Excepted. Existing contracts or
agreements between providers of services and users of services as intended under this Act

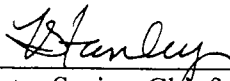
and excepted from the applicability of this Act for the duration of those contracts or agreements. This Act shall apply to such contracts or agreements upon their renewal.

Section 9. Severability. If any provision of this Act, or its application is held unlawful, the remainder of this Act, or the application of the other provisions shall not be affected and to this end this Act is severable.


Section 10. Effective Date. This Act shall take effect upon approval by the Governor, or upon its becoming law without such approval.

Signed by: 
Singkoro Harper, Speaker
House of Representatives
Chuuk State Legislature

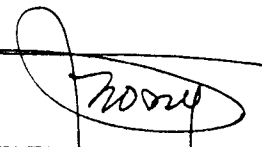
Attested:


Herter Sorim, Chief Clerk
House of Representatives
Chuuk State Legislature

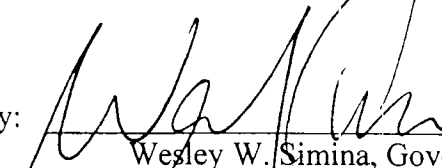
Date: 10/28/09

Signed by: 
Mark Mailo, President
Senate
Chuuk State Legislature

Attested:


Songkinita Bossy, Chief Clerk
Senate
Chuuk State Legislature

Date: Oct. 29, 2009

Approved by: 
Wesley W. Simina, Governor
Chuuk State Government
Chuuk State

Date: Nov. 9, 2009

History : H.B.NO: 10-05-HD1;SD1
: H.S.C.R. NO: None
: S.S.C.R.NO: 10-1R-1S-07