

An aerial photograph of a tropical island, likely in Palau, showing lush green vegetation and clear blue water. The island is surrounded by a shallow lagoon with white sandbars and small islets. The sky is bright blue with some white clouds.

# **Ministry of Finance Republic of Palau**

## **an Introduction to Tax and Business Incentives in Palau**

# Republic of Palau – General Overview



- Area – 188 square miles, about 2.5 times the size of Washington, DC
- Population – 20,579 (July 2006 est.)
- Languages: Palauan and English
- Government-type – Constitutional government in free association with the US; COFA entered into force on 01 October 1994
- Chief of State/Head of Government – President Tommy E. Remengesau, Jr.



# Economic Indicators



- GDP (purchasing power parity) - \$124.5 million (includes US subsidy)
- GDP (official exchange rate) - \$145 million
- GDP – real growth rate – 5.5% (2005 est.)
- GDP – per capita - \$7,600 (2005 est.)
- Labor force: 9,777 (2005)
- Unemployment rate: 4.2% (2005 est.)
- Inflation rate – 2.7% (2005 est.)

# Republic of Palau – Tourism



- Total available accommodation rooms – 1,253
- Visitor arrivals
  - 2003 – 63,328
  - 2004 – 89,161
  - 2005 – 80,578
  - 2006 – 82,397



# Getting Started – Filing Paperwork



- File with Registry of Corporations at the Attorney General's Office;
- Apply for FIAC License at Foreign Investment Board;
- Apply for Business License at Division of Revenue and Taxation;
- Apply for Business ID at Social Security Office;

*All above documents and licenses must be submitted to Division of Revenue and Taxation for processing of Business License*

# Types of Taxes

## Imposed in Palau



### Gross Revenue 4% GRT

- Wages and Salary 6% on first \$8K earned; excess 12%
- Hotel Room 10% on net room rate
- Vessel Cabin 10% of the charge or \$10 per day
- Net Income 6% on net income
- Traveler's Head \$10 per citizen/\$20 per non-citizen
- Fish Export 0.25 per kg.
- Road Use
  - \$50 – up to 2,000 lbs.
  - \$75 – 2,000-4,000 lbs.
  - \$150 – above 4,000 lbs.
- Foreign Water Vessel \$50 upon entry; additional \$25 if present in ROP for more than a year
- Amusement Device \$500 for card games; \$200 for others
- Import Tax 3% on all products except food and medicine

# Import Tax



Cigarettes	\$20 per every 20 cigarettes (Exemption 1crt./10 packs/200 cigarettes w/out taxation;
Tobacco Products	150% of ad valorem (Exemption 1bx of cigars (50 or fewer cigars), 1oz of pipe tobacco and/or 1pckg. of chewing tobacco not to exceed 5oz;
Carbonated Soft Drinks	\$0.10 per 12 fl oz;
Beer	\$0.03 per oz;
Liquor	\$0.30 per oz. (2L, tax exempt);
Wine	\$0.20 per fl. oz., rounded to the next oz. (2L tax exempt)
Wine Coolers & cooking wine w/recognized alcohol contents	\$0.05 per fl. oz;
Liquid fuel	\$0.05 per gallon;
Bottled water except bottled distilled water	25% ad valorem;
Vehicle(s) or chassis including partial vehicle constituting > than 25% of vehicle composition:	5% ad valorem plus \$250.

# Business License Fees



Wholesaler	\$ 300
Importer	\$ 200
Professional	\$ 300
Massage Parlor Operator	\$ 500
Solicitor/ Attorney	\$ 500
Peddler	\$ 20
Other, general	\$ 50



# We Welcome You To Palau!

for further Tax Information

Visit us at [www.palau.gov.net](http://www.palau.gov.net)

(Ministry of Finance – Bureau of Revenue, Customs and Taxation)