



The President
Palikir, Pohnpei
Federated States of Micronesia

Presidential Order
Establishing the National Tax Reform Commission

WHEREAS, tax reform initiatives were undertaken by previous administrations of the FSM National Government resulting in the introduction and passage of certain tax reform legislation by the FSM Congress and also by the FSM State Legislatures;

WHEREAS, all prior efforts of reforming the tax systems were incomplete and were not fully implemented, which contributed to the fact that FSM taxes currently administered by the National Government are outdated and inadequate;

WHEREAS, taking into consideration the low tax-to-GDP ratio in the FSM, tax reforms are critical in order to effectuate needed structural tax adjustments that will support the long-term budgetary needs of the FSM, as well as the need to encourage investment and business expansions, and for this reason, the national tax reform initiative should be renewed and reconsidered;

WHEREAS, the existing tax system in the FSM does not favor broad sources of revenue and also does not provide strong economic incentives for businesses, hence, maintaining the status quo will impose a heavier burden on future generations unless tax reforms are implemented; and

WHEREAS, while the Federated States of Micronesia needs budgetary support for the delivery of social services, it is also important to implement tax reform measures that are effective, business friendly, fair and equitable.

NOW THEREFORE, I, David W. Panuelo, President of the Federated States of Micronesia, do hereby order as follows:

- (1) The National Task Reform Commission is hereby established composed of the following:
 - (a) Secretary of the Department of Finance and Administration, as chair of the Tax Reform Commission;
 - (b) Secretary of the Department of Justice or designee;
 - (c) Secretary of the Department of Resources and Development or designee;
 - (d) One representative from the FSM Congress as the Speaker of the 22nd FSM Congress may designate;
 - (e) One representative from each of the four States designated by the Governors;
 - (f) Representative from the private sector or the FSM Association of Chamber of Commerce designated by the President; and
 - (g) Representative from the Division of the FSM PIO.
- (2) The Chair shall convene the National Tax Reform Commission as soon as possible to organize itself, appoint appropriate technical and support staff, and to develop a program of action and budget.



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- (3) Subcommittees or ad hoc working groups may be established from time to time to study any specific topic relating to any of the mandates of the Commission and to report back to the Chair.
- (4) The Commission is mandated to carry out the following duties and responsibilities:
 - (a) Conduct study on the existing taxation system in the FSM both at national and state levels with a view towards analyzing and identifying its strengths and weaknesses and also to determine critical opportunities for improvements and adjustments.
 - (b) Conduct consultation in the FSM States and with the private sector regarding tax reform issues and consider inputs and recommendations from the consultation process.
 - (c) Identify options and avenues to reform the tax system, taking into consideration the need to encourage foreign investment and business expansion opportunities.
 - (d) Recommend options to expand the revenue base and to attain or implement equitable sharing of revenue.
 - (e) Report to the President in a timely manner, no later than six months from the issuance of this presidential order, of its findings and recommendations, including legislative proposals for consideration by the FSM Congress and State Legislatures, and any amendments to the existing laws and regulation.
- (5) Previous orders, directives, and issuances relating to tax reforms are hereby superseded and rescinded.

SO ORDERED.


David W. Panuelo
President

Date: July 1st, 2021