



# Palau Goods & Services Tax

## Input Tax Credit, Tax Returns, Record-keeping

### Input Tax and Input Tax Credit

Input tax is the PGST paid in respect of a creditable acquisition made by a registered person

A creditable acquisition is:

- Taxable supply made by another PGST registered person
- Supply of imported services made to the person
- Taxable import by the person

Input tax credit for input tax paid by a PGST registered person in respect of a creditable acquisition is allowed when calculating the amount of net PGST payable by a registered person.

### Rules of Input Tax Credit

- Input tax credit is allowed in the PGST period in which the input tax is paid
- If a PGST-registered person has paid input tax but does not have the documentation by the time it finishes its PGST return, the person cannot claim an input tax credit until the first PGST period in which the documentation is held.
- Input tax incurred by an end consumer is not creditable because PGST is a tax on consumption and the burden of the tax is intended to fall on the end consumer.

### Documentation requirements are:

- PGST Invoice
- Customs documentations evidencing PGST paid on an import
- For imported services: a recipient created PGST invoice for the supply
- Debit or credit note if applicable

## **Tax Returns**

A PGST registered person conducts a self-assessment of their liability for the month and lodge a return for a month (tax period) by the 30th day of the following month.

Note: If a PGST registered person fails to file a return the Director of the Bureau of Revenue & Taxation can make a default assessment of the person's liability. Penalties apply for late filing and payment of taxes.

### ***Calculating PGST Returns***

Net PGST payable/refundable for a period is calculated via the formula:  $(A+B)-C$

A= Total output tax received from PGST registered person

B= Total PGST that the PGST registered person is liable for in the PGST period in respect of supplies of imported services.

C=Sum of credits for input tax allowable for the PGST registered person

## **Record Keeping**

A PGST registered person is required to maintain the following documents:

- Original or copies of all PGST invoices, credit notes, debit notes, received by the person
- Copies of all PGST invoices, credit notes and debit notes issues by the person
- \*The documents are to be maintained in chronological order for audit purposes\*
- All customs documentation relating to imports and exports of goods by the person
- Recipients created PGST invoices in respect of a supply of imported services made to any person.
- These tax records must be kept for at least 3 years from the date of the transaction to which they relate.