



# Palau Goods & Services Tax Supplies

## Supply of Goods

Supply of goods is defined to mean a sale, exchange, or other transaction involving the transfer of the right to dispose of goods as the owner.

Note: In order for a supply to be considered a supply of goods there must be a transfer of ownership in the goods.

### ***Example of the "supply of goods"***

- Sale of goods (most common example)
- Exchange of goods by way of barter, gift or donation
- Installment sale (the word "sale" in the supply of goods definition covers all forms of sale)
- Pledge

### ***Example of what is not a "supply of goods"***

Lease

## Supply of Services

Supply of services is anything that is not a supply of goods or money. In broad terms, the intention of the definition is that anything that adds value that is not a supply of goods is a supply of services.

### ***Example of the supply of services***

- *Provision of services (the most common example)*
- *Provision of utilities such as electricity, water, sewage and gas*
- *Telecommunications such as phone, internet and digital downloads*
- *Grant, assignment or surrender of any right to use property by way of lease or license (thus the lease of real or personal property is a supply of services)*

## **Supply of Imported Services**

Supply of imported services is supply of service that satisfies the following conditions:

- Supply is made to a registered person
- Supply is made by a person who either not a registered person or is a registered person without a fixed place of business in the Republic of Palau
- Supply would have been a taxable supply if it had been made in the Republic of Palau.

*Example*

*An example of imported services is where a PGST-registered person engages an overseas entity to provide payroll, management or accounting services.*

## **Taxable Supply**

Definition of taxable supplies means a supply of goods or services other than an exempt supply, made in the Republic by a person in the course or furthering a business conducted by a person.

Note: Not all supplies are subject to PGST so it must be a taxable supply to be subject to PGST.

### ***Criteria of a taxable supply***

1. Must be a supply of goods or service
2. Supply must made in Palau, therefore only domestic supplies are taxable supplies.
3. Made in the course or furtherance of a business
4. Must not be an exempt supply.
5. supplies deemed by the law as taxable supplies

## **Zero-Rated Supply**

Definition of zero-rated supply means a taxable supply is subject to 0% PGST tax rate.

Note: Although it is subject to a 0% PGST, persons or businesses can claim input tax credit in respect to the supplies.

***The following are classified as a zero-rated supply:***

- Goods for export
- Aircraft or ship stores, including the fishing vessel for use or consumption outside Palau
- Goods supplied to repair temporary imports
- Services connected with temporary imports
- Exported services
- International transport services (i.e transport of goods or passengers by sea or air)
- International telecommunication services
- Transfer of a business as a going concern

**Exempt Supply**

Only financial services are the only exempt supply specified in the law (RPPL 11-11 subsection 1213 Exempt Supplies).

Characteristics of an exempted supplies:

- No PGST is charged on an exempt supply
- No input tax credit can be claimed by the supplier of an exempted supply
- Suppliers of only exempt supplies do file a PGST tax return and do not need to register.

***List of financial services***

- *Loans*
- *Deposits*
- *Investments deriving interest through financial instruments*
- *Securities*
- *Managed funds*
- *Insurance*
- *Retirement Savings*
- *Credit under an installment sale agreement*
- *Guarantee, indemnity and security*
- *Arranging for any other service*