



# REPUBLIC OF PALAU

## OFFICE OF THE PRESIDENT

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Office of the President  
Republic of Palau

### **New tax program doesn't equal excessive price increases**

President of Palau Surangel S. Whipps, Jr. reminds the community that the new Palau Goods and Services Tax is effective Jan. 1, 2023 and its implementation will ensure a fair and equitable tax system.

"Cost of goods should not increase by 10%," President Whipps said during a recent media briefing, reiterating that the PGST replaces the current import tax and that excessive price increases would be illegal.

The PGST is part of the larger tax reform. Republic of Palau Public Law 11-11 was passed by the Olbiil Era Kelulau and signed by President Whipps in September 2021. Business Profits Tax (BPT) will replace Gross Revenue Tax (GRT) for those who register for PGST. Businesses are required to register for PGST if they meet any of the following:

- you have an average annual taxable supply of more than \$300,000. (See PGST registration guide at for more information: [palaugov.pw/taxreform/pgst-registration](http://palaugov.pw/taxreform/pgst-registration).)
- you hold a Foreign Investment Approval Certificate (FIAC), even if you are below the registration threshold amount
- you are one of the following State-owned enterprises:
  - Palau Public Utilities Corporation
  - Palau National Communications Corporation
  - Belau Submarine Cable Corporation.



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Under the PGST is a special rules section that provides for the monitoring of prices. It is intended to ensure there is no unjustified and excessive increase in prices in Palau during the transition to PGST.

These rules apply to the supply of goods and services in the period July 1, 2022 to Dec. 31, 2023. These supplies are referred to as a "regulated supply", according to the government website.

Bureau of Revenue & Taxation Director Elway Ikeda has noted that businesses "must be careful to make any price changes taking into account the overall impact of the tax changes."

"We'll be watching," Ikeda said.

The penalty for making a regulated supply for an excessive price is a fine not exceeding \$10,000 for the first breach of this subsection and a fine not exceeding \$20,000 for the second and each subsequent breach.

For more information, you can visit the Ministry of Finance office in Koror or see the website online at <https://www.palau.gov.pw/taxreform>, or call 488-2702.

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