



**BUREAU OF  
REVENUE &  
TAXATION**

**TAX CIRCULAR – Administrative Guidance on the Application, Treatment and Assessment of Additional Business License Fee**

**ISSUED: October 31, 2023**

**Ref No. TC 2023-03**

**Notice:** Tax Circulars provide the public with information on the Bureau’s interpretation of the tax laws it administers. They are the Director’s interpretation of the law and indicate how the law would be applied by the Bureau in similar circumstances. Refer to TC – 2022-1 for details on how taxpayers may rely on advice given in a Tax Circular.

**Introduction**

On January 01, 2023, the implementation of the new tax law introduced the Additional Business License (ABL) Fee for all taxpayers with gross revenue of \$50,000 and below of \$100 per year to be reported and paid in quarterly installments of \$25 per quarter.

Recognizing that taxpayers initially registered under the ABL Fee based on projected annual gross revenue at or below \$50,000 by year-end, this document serves to provide guidance for taxpayers currently under the ABL Fee. It outlines the necessary steps to take when their gross revenue exceeds \$50,000 before the calendar year's end or when they anticipate surpassing this threshold. The guidance offered here ensures that taxpayers can accurately fulfill their tax obligations and discusses the Bureau of Revenue & Taxation's approach in cases where a taxpayer’ gross revenue exceeds the ABL Fee threshold.

The ABL is only available to taxpayers with a gross revenue of \$50,000 during a calendar year. If a taxpayer’s gross revenue exceeds this amount, they are subject to Gross Revenue Tax (GRT) or may register for Palau Goods & Services Tax (PGST). Accordingly, it is important that taxpayers monitor their actual gross revenue to ensuring the change in tax status once they exceed the threshold.

**Key Information**

- Taxpayers currently registered under ABL Fee, who receive gross revenue over \$50,000 in the year ended December 31, 2023 will no longer be subject to the ABL Fee and will instead be subject to Gross Revenue Tax (GRT) and be required to pay 4% on the total gross revenue they received during the year

**Explanation**

As per Title 40 PNC subsection 1298, individuals engaging in business activities with an annual gross income exceeding \$50,000 who are not registered under PGST will incur a 4% GRT. Consequently, taxpayers presently registered under the ABL Fee with reported gross revenue exceeding \$50,000 for the calendar year will no longer be subject to the ABL Fee and will be subject to BGRT.

Affected taxpayers will be charged a 4% GRT on their gross revenue for the calendar year, including previously reported amounts under the ABL Fee. In light of this change in tax status, taxpayers have until January 30, 2023, to file and settle the 4% GRT on the reported gross revenue previously subject to the ABL Fee. The Bureau of Revenue & Taxation will subsequently refund the amounts paid under the ABL Fee.

## Process

When a taxpayer registered under the ABL Fee earn \$50,000 in gross revenue during the calendar year, the Bureau of Revenue & Taxation will notify them of the requirement to change their tax status. Taxpayers who expect to exceed the threshold may also contact the Bureau to change their status to GRT.

The Bureau will then proceed to register them under GRT by completing the Tax 001H form to reflect the change in tax status. After this change is processed, the taxpayer can file their Tax 200 Gross Revenue Tax Return, which should account for amounts previously declared under the ABL Fee until the change in tax status. As mentioned earlier, taxpayers have until **January 30, 2024**, to settle the tax due for this period.

Taxpayers who do not have employees may file a single Tax 200 BRT return covering the period from January 1, 2023 until the end of the quarter in which they changed their tax status. A taxpayer with employees, shall file separate quarterly Tax 200 BGRT Return to claim appropriate allowable deductions such as wages and salary.

## Example

1.1 Merii is currently registered under Tax 101 ABL Fee since January 01, 2023 with no employees. During the 1st Quarter (January - March), Merii reported in her Tax 101 ABL Quarterly Tax Report \$24,500 in gross revenue, then in the 2nd Quarter, she reported \$27,322 in gross revenue. Therefore, her total gross revenue in the year's 1st and 2nd quarter periods is \$51,822 before year-end.

- Merii's tax status will be changed from Tax 101 Additional Business License Fee to Tax 200 Business Gross Revenue Tax.
- Merii will file her Tax 200 GRT Quarterly Tax Returns for the period January 1 2023 after the change in her tax status.
- Merii has until December 29, 2023, to pay 4% GRT on the amounts reported during the quarters she was registered for Tax 101 ABL Fee of \$2,072.88 by December 29, 2023.
- BRT will issue Merii a \$50 refund for the fees paid in the previous quarters while she was still liable for Tax 101 Additional Business License Fee.

1.2 Sam is currently registered under ABL Fee since January 01, 2023. During the 1st Quarter (January - March), he reported in his ABL Quarterly Tax Report \$15,500 in gross revenue; in the 2nd Quarter (April - June), he reported \$14,650 in gross revenue. With only two quarters

remaining, Sam anticipates he will exceed \$50,000 by the end of the year, as he will be collecting a \$40,000 payment for completing his housing project in November.

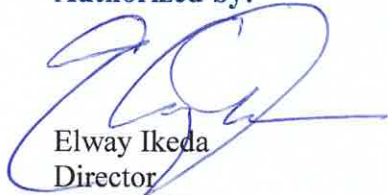
However, Sam did not notify the BRT that he expects to exceed \$50,000 in gross revenue and then continued to file under the ABL Fee. In filing his last Tax 101 ABL Fee for the 4th Quarter, staff from the BRT discovered that his gross revenue for the entire calendar year is \$70,150.

- Sam will be levied and assessed 4% GRT on her gross revenue throughout the year and pay an amount of \$2,806.
- BRT will refund \$75 of Tax 101 ABL Fees to Sam.

### **Application of this Tax Circular**

This Tax Circular shall remain in effect until nullified.

#### **Authorized by:**



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Director  
Bureau of Revenue & Taxation