

Chuuk State Business Regulations and General Business Resources

What every business person should know about operating in Chuuk State

Chuuk Small Business Development Center
PO Box 1143
Weno, Chuuk FM 96942

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In partnership with the PISBDCN and the U.S. Small Business Administration

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Introduction

This guide has been prepared by the Chuuk Small Business Development Center to assist all businesses – both large and small, locally owned or foreign owned – to understand all applicable “rules and regulations” that they must comply with in order to operate a business in the State of Chuuk.

There are three sets of government rules and regulations which apply to all businesses. The Federated States of Micronesia National Government regulates certain areas of business and sets most taxes. The State of Chuuk regulates all businesses operating within the State and collects certain fees and excise charges. In addition, certain Local Government Authorities have their own rules and regulations which apply to businesses operating within their boundaries. It is very important that each business meet all applicable requirements of National, State and Local Governments.

Additionally, this guide also provides a listing of locally available business resources and their contact information. The listing is intended to facilitate the linkages of business owners with local business resources.

If you need further assistance and/or guidance to finding information, contact:

Chuuk Small Business Development Center
P.O. Box 1143
Weno, Chuuk FM 96942

Phone: (691) 330-5846
Fax : 330-5847
Email : CSBDC@mail.fm

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GOVERNMENT REGULATIONS

The following list of requirements is provided to give the business owner a starting point. It is not intended as an interpretation of the laws of the FSM nor the laws of Chuuk State. It is the responsibility of all business owners and managers to contact the appropriate regulatory agencies for information about the laws that may apply to their business.

1. Federated States of Micronesia

- 1.1 Social Security Tax
- 1.2 Employer Identification Number
- 1.3 Worker's Social Security Number
- 1.4 Wage/Withholding Tax
- 1.5 Gross Revenue Tax
- 1.6 Import Tax
- 1.7 FSM Foreign Investment Permit
- 1.8 Entry and Work Permits
- 1.9 Food Import/Export License
- 1.10 Food Handler's License
- 1.11 Fishing License

2. Chuuk State

- 2.1 Chuuk State Foreign Investment Permit
- 2.2 Registration of Corporations & Partnerships
- 2.3 Chuuk State Business License
- 2.4 Sales Tax
- 2.5 Health Certificate – Food Handling
- 2.6 Alcohol License
- 2.7 Hotel Occupancy Tax
- 2.8 Vehicle Rental Tax
- 2.9 Environmental Impact Assessment

1. FEDERATED STATES OF MICRONESIA

1.1 Social Security Tax

The Social Security Act provides that "All employees, whether employed by an employer incorporated or doing business in the FSM, shall be covered unless both the employer and the employee are currently subject to any other recognized social security system." Employers should make reference to the booklet "*Employer's Guide to Social Security Tax in the Federated States of Micronesia*", available from the FSM Social Security Administration, for definitions of an employer and an employee, and details of their obligations under the Act.

All businesses must file the Employer's Quarterly Tax Return reporting the wages of their employees. Any business with at least one employee or which makes in excess of \$10,000 in gross revenue annually must pay the Social Security tax at the end of every quarter. The tax rate is 12% of the salary base of each employee; 6% of which is contributed by the employer and the remaining 6% is contributed by the employee through wage withheld by the employer. There are several forms which must be completed on a quarterly basis and submitted with payments to the FSM Social Security office by the 10th day of the month following the end of a quarter (i.e. April 10th, July 10th", October 10th, and January 10th).

Contact Information: FSM Social Security Administration; Chuuk Office (R S Plaza); PO Box 397, Weno Chuuk FM 96942; Phone: (691) 330-2200; Fax: 330-2647; e-mail: chuukssa@mail.fm

1.2 Employer Identification Number

All employers must register with the FSM Social Security office in Chuuk State. There is a special form "Application for Employer Number" which must be completed and accompanied by the appropriate fee. The FSM Social Security Administration will then assign the applicant an

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Employer Identification Number (EIN). The Employer Identification Number must be entered on the Employer's Quarterly Tax Returns.

Contact Information: FSM Social Security Administration; Chuuk Office (R S Plaza); PO Box 397, Weno Chuuk FM 96942; Phone: (691) 330-2200; Fax: 330-2647; e-mail: chuukssa@mail.fm

1.3 Worker's Social Security Number

Every person that is employed is required to obtain a Social Security Number. There is a special form "Application for a FSM Social Security Number" which must be completed and accompanied by a fee of \$2.00. The applicant must submit documentary evidence of age, identity, and citizenship or legal alien status before the application can be processed. Persons age 18 or over must apply in person for a Social Security card. The FSM Social Security Administration will then assign the applicant a number which must be presented to all employers when the individual is hired. Social Security cards should be shown to employers and every employer should be careful to record each employee's Social Security Number. Social Security Numbers should be accurately reported on the Employer's Quarterly Tax Return.

Contact Information: FSM Social Security Administration; Chuuk Office (R S Plaza); PO Box 397, Weno Chuuk FM 96942; Phone: (691) 330-2200; Fax: 330-2647; e-mail: chuukssa@mail.fm

1.4 Wage Withholding Tax

All employees are required to pay part of their gross pay to the FSM government as a Wage Tax. The current tax rates are 6% for the first \$11,000 earned and 10% on any amount earned thereafter. The wage tax is taken out of the employee's gross wages by the business and held until the proper reporting time. It is the responsibility of the business owner to collect the tax, report the amount(s) due and submit payment at the correct time to the FSM Custom and Tax office. This tax is due by the last day of the month following the end of a quarter (i.e. no later than April 30th, July 31st, October 31st, and January 31st).

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Contact Information: FSM Custom & Tax, Administration; Chuuk Office; P.O. Box 610, Weno, Chuuk FM 96942; Phone: (691) 330-4482; Fax: 330-4136; e-mail: CTAChuuk@mail.fm

1.5 Gross Revenue Tax

All business owners who are engaged in business to make a profit are required to pay Gross Revenue Tax. There are no exceptions based on the type of business being run. The current rate of tax is \$80 for the first \$10,000 in sales and 3% of any amount in excess of the \$10,000. This includes both cash and credit sales. If a business makes less than \$2,000 within a calendar year, they may apply for a refund at the end of the year. The appropriate form must be filed and submitted with payment to the FSM Customs and Tax office by the appropriate time. This tax is due by the last day of the month following the end of a quarter (i.e. no later than April 30, July 31, October 31, and January 31).

Contact Information: FSM Custom & Tax, Administration; Chuuk Office; P.O. Box 610, Weno, Chuuk FM 96942; Phone: (691) 330-4482; Fax: 330-4136; e-mail: CTAChuuk@mail.fm

1.6 Import Tax

All items being imported into the FSM for any reason are subject to FSM Import Taxes. The amount to be charged varies depending on the type of item being imported.

Contact Information: FSM Custom & Tax, Administration; Chuuk Office; P.O. Box 610, Weno, Chuuk FM 96942; Phone: (691) 330-4482; Fax: 330-4136; e-mail: CTAChuuk@mail.fm

1.7 FSM Foreign Investment Permit

Any business which has any foreign ownership interest may be required to obtain an FSM Foreign Investment Permit. If the business is doing anything that can be considered international or interstate or if the business is involved in banking, insurance, telecommunication, interstate/international transportation or fishing inside of the 200-mile EEZ of the FSM, the owner should contact the FSM Secretary of Economic Affairs to obtain the required foreign investment permit.

Contact Information: Department of Economic Affairs; P. O. Box PS-12; Palikir, Pohnpei FM 96941; Phone: (691) 320-5133; Fax: 320-5854; e-mail: fsmrd@mail.fm

1.8 Entry and Work Permits

The Immigration Act provides that no non-citizen, unless specifically exempted, is permitted to enter or otherwise remain in FSM without having been issued an appropriate Entry Permit. Different types of Entry Permits and Work Permits are issued depending on the purpose and length of the non-citizen's stay in FSM.

The FSM Foreign Investment Act provides for Expatriate Worker Authorizations (EWAs) to be issued to foreign investors with valid Foreign Investment Permits (FIPs). Currently, one EWA is issued automatically for a "senior management position" for each FIP. Application can be made for additional EWAs "if a suitably qualified and experienced citizen is not available". FIP holders can also apply for additional expatriate workers under the Protection of Resident Workers Act. Similar conditions apply to holders of Chuuk State FIPs.

If non-FSM citizens are working for your business, each non-citizen employee must have a valid FSM Work Permit and is required to register annually with the FSM Department of Immigration. Further information may be obtained by contacting the local FSM Immigration Office.

Contact Information: FSM Immigration and Labor; Chuuk Office; PO Box 666 , Weno Chuuk FM 96942; Phone: (691) 330-2335; e-mail: YIL@mail.fm

1.9 Food Import/Export License

Any business which imports any kind of food items into the FSM must obtain a Food Import License. Also, any business which exports local food stuffs for commerce outside or to another FSM State must obtain a Food Export License. Businesses involved in the processing and/or selling of Betel Nut, Tuba, and Sakau are exempted from these requirements. Both an application fee and a license fee are required for these licenses. Further information on these licenses can be obtained from the FSM Secretary of Economic Affairs.

Contact Information: Department of Economic Affairs; P. O. Box PS-12; Palikir, Pohnpei FM 96941; Phone: (691) 320-5133; Fax: 320-5854; e-mail: fsmrd@mail.fm

1.10 Food Handler's License

Any facility of a business handling food is required to conform to the appropriate building specifications, a copy of which can be obtained from the Office of Sanitation and Food Safety. Upon inspection before opening the business, a Food Handler's License will be issued with a grading for cleanliness. Inspections may be conducted without prior notice. No fee is charged for this service.

Contact Information: Office of Sanitation and Food Safety; PO Box 400, Weno Chuuk FM 96942; Phone: (691) 330-2395

1.11 Fishing License

Any person or business engaging in commercial fishing activities outside of the State's 12 mile territorial waters and inside of the FSM 200 mile EEZ is required to obtain a Fishing License from the National Oceanic Resources and Maritime Authority. Commercial fishing inside of the State's 12-mile territorial waters by non-citizen individuals or entities is regulated by the State.

Contact Information: National Oceanic Resources and Maritime Authority, P.O. Box PS-122; Palikir, Pohnpei FM 96941; Phone: (691) 320-2700; Fax: 320-2383; e-mail: norma@mail.fm

2. CHUUK STATE

2.1 Chuuk State Foreign Investment Permit

Foreign investment in Chuuk State that is not subject to the FSM Foreign Investment Act is governed by the 2002 Chuuk State Foreign Investment Act and its Foreign Investment Regulations. This Act requires all non-citizens engaging in business, or any business entities having any foreign ownership interest, to obtain a Foreign Investment Permit from the Department of Administrative Services prior to the commencement of business. A permit processing fee of \$250 is required of first-time application, and a renewal fee of \$150 every year when a permit is renewed. The permit period is October 1, to the next September 30, irrespective of the issuance date.

Contact Information: Department of Administrative Services (Commerce & Industry); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2552; Fax: 330-2233

2.2 Registration of Corporations and Partnerships

All businesses operating in the State of Chuuk which are not sole- proprietorships (owned by one individual or married couple) are required to register with the Chuuk State Registrar of Corporations. This includes, but is not limited to Corporations for Profit, Non-Profit Corporations, General Partnerships, Limited Partnerships, and Foreign Corporations wishing to do business within the State. You may wish to contact a Legal Counselor to assist you with this process.

Contact Information: Department of Administrative Services (Commerce & Industry); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2552; Fax: 330-2233

2.3 Chuuk State Business License

All businesses operating in Chuuk other than those mentioned below are subject to the Chuuk State Business License Act and Regulations. Currently, those activities that are deemed to be traditional activities (i.e. agriculture, handicrafts and fishing) and undertaken by citizens are exempted from obtaining a Business License. A license processing fee is levied based on business category or activity. The business license is renewed by July 1st of each calendar year. Business licenses are issued by the Weno Muncipal Office.

Contact Information: Weno Muncipal Office, P.O. Box 639; Weno Chuuk FM 96942; no phone

2.4 Sales Tax

The State of Chuuk assesses sales tax on any goods or services depending on the following categories:

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- General Merchandise...5%
- Softdrink...5 cents/can
- Tobacco...30%
- Cigarettes...50 cents/pack
- Luxury (Perfume, Earrings, & Necklaces)...10%
- Diesel, Kerosene & Jet A-one Kerosene...5 cents/gallon
- Room/House rental...10%
- Vehicle Rental...13%

Contact Information: Department of Administrative Services (Finance); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2552; Fax: 330-2233

2.5 Health Certificate – Food Handling

A Health Certificate must be obtained for any individual handling food in any type of business. A physical examination (given every Wednesday) is required as part of the Certificate process. A fee of \$12.00 is charged for the Certificate. The health certificate must be renewed every year.

Contact Information: Public Health; Chuuk State Hospital, PO Box 400, Weno, Chuuk FM 96942; Phone: (691) 330-4145; Fax: 330-4145; e-mail: chuukhospital@mail.fm

2.6 Alcohol License

An alcohol license must be obtained by any business that sells alcoholic beverages.

Contact Information: Department of Administrative Services (Finance); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2239/2230; Fax: 330-2233

2.7 Hotel Occupancy Tax

Each establishment that provides a rental location for guests which charges on a daily or weekly basis is required to collect a tax of 10% of the amount charged. This tax is to be paid to the Department of Administrative Services each quarter. A list of guests must be submitted at the end of every quarter.

Contact Information: Department of Administrative Services (Finance); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2239/2230; Fax: 330-2233

2.8 Vehicle Rental Tax

Each establishment that provides vehicles for hire without a driver is required to collect a tax of 13% of the amount charged. This tax is to be paid to the Department of Administrative Services each quarter. A copy of all vehicle rental agreements must be submitted at the end of every quarter.

Contact Information: Department of Administrative Services (Finance); P.O. Box 849, Weno, Chuuk FM 96942; Phone: (691) 330-2239/2230; Fax: 330-2233

2.9 Environmental Impact Assessment

Environmental Impact Statements are required of business projects requiring earth moving or whose scope of business can result in altering the balance of the natural environment. The appropriate forms and more detailed information are available by contacting the Environmental Protection Agency.

Contact Information: Chuuk Environmental Protection Agency; PO Box 586, Weno Chuuk FM 96942; Phone: (691) 330-4158; e-mail: chuukpops@mail.fm or cpiccap@mail.fm

GENERAL BUSINESS RESOURCES

The following list of business resources is provided to give the business owner access to a point of contact. It is not an endorsement of any products, opinions or services.

1. Banks

1.1 Bank of the FSM

The Bank of the FSM is U.S. FDIC insured and has all the necessary banking facilities required by businesses.

Contact Information: Manager, Bank of the FSM / Chuuk Branch; PO Box 640 , Weno, Chuuk FM 96942; Phone: (691) 330-2141/2142; Fax: 330-2355; e-mail: bofsmchuuk@mail.fm

1.2 Bank of Guam

The Bank of Guam is U.S. FDIC insured and has all the necessary banking facilities required by businesses.

Contact Information: Manager, Bank of Guam / Chuuk Branch; PO Box 69, Weno, Chuuk FM 96942; Phone: (691) 330-2331/2567; Fax: 330-2640

1.3 FSM Development Bank

The FSM Development Bank is a business development financing institution. It provides business loans on concessionary terms. The bank normally charges a 9% interest rate.

Contact Information: Manager, FSM Development Bank / Chuuk Branch; PO Box 786 , Weno, Chuuk FM 96942; Phone: (691) 330-2760; Fax: 330-4149; e-mail: cfsmdb@mail.fm

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1.4 Other Business Funding Sources

Farm Service Agency

Farm Service Agency is a U.S. federal program. It is a farm loan program aimed at helping existing and beginning farmers establish themselves in financially viable, commercial farming operations. It should be noted that program eligibility is restricted to U.S. and U.S. Pacific Affiliate citizens.

Contact Information: Chuuk Small Business Development Center; PO Box 1143, Weno, Chuuk FM 96942; Phone: (691) 330-5846; Fax: 330-5847; e-mail: CSBDC@mail.fm

2. Power Generation

2.1 Chuuk Public Utilities Commission (CPUC)

Weno, Chuuk has electricity provided by the Chuuk Public Utilities Commission. The electricity rate for businesses is 24 cents per kwh plus a \$100 hookup fee and for residential its 21 cents per kwh with a hookup fee of \$50.

Contact Information: General Manager, Chuuk Public Utilities Commission; PO Box 910 , Weno, Chuuk FM 96942; Phone: (691) 330-2476; Fax: 330-3259

3. Water

3.1 Chuuk Public Utilities Commission (CPUC)

The Chuuk Public Utilities Commission provides water for Weno, Chuuk. The Water rate for a business is \$30 per month plus a \$100 hookup fee and for residential its \$5 per month with a \$50 hookup fee.

*Contact Information: General Manager, Chuuk Public Utilities Commission; PO Box 910 ,
Weno, Chuuk FM 96942; Phone: (691) 330-2476; Fax: 330-3259*

4. Telecommunication

4.1 FSM Telecommunications Corporation

The FSM Telecommunications Corporation provides all necessary telecommunication facilities for all of Weno, Chuuk. It has lines for telephone, fax, telex and the Internet for both local and international uses 24 hours a day. It also provides such features as direct dialing, caller ID and pager. FSMTC also has a cellular phone system network that has both domestic and international calling and messaging capabilities.

*Contact Information: Manager, FSMTC / Chuuk Branch; PO Box 156 , Weno, Chuuk FM 96942;
Phone: (691) 330-2295; Fax: 330-7777*

5. Air Transportation

5.1 Continental Micronesia

U.S.-flagged carrier Continental is the only passenger airline that services Chuuk through its subsidiary Continental Micronesia. The flight schedule is as follows:

**Mon, Wed, Fri ...arrives from Guam then travels to Pohnpei, Kosrae, Kwajellen, Majuro &
Honolulu.*

***Tues, Thur...arrives from Honolulu then travels to Guam.*

****Sat...first flight arrives from Guam then travels to Kosrae, Kwajellen, Majuro and Honolulu
at 10:45 a.m.*

...second flight of the day arrives from Honolulu then travels to Guam at 3:45 p.m.

****Sun ...first flight arrives from Honolulu then travels to Guam at 1 p.m.*

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... Second flight arrives from Guam then travels to Pohnpei at 10 p.m. and returns to Chuuk for 2 a.m. flight to Guam.

Contact Information: Continental Micronesia, Chuuk Office, Weno Chuuk; Phone: (691) 330-2424; Fax: 330-2944

5.2 Caroline Island Air (CIA)

Caroline Island Air (CIA) currently provides flights to Houk, Onoun in the Pattiw Region and Ta in the Mortluks Region. The fare is \$85 one way and \$170 round trip (Ta is \$90/\$180). There is no regular schedule...the CIA plane will only fly if it is full.

Contact Information: Caroline Island Air (CIA), Weno Chuuk 96942; Phone: (691) 330-6332; Fax: 330-6333

6. Sea Transportation

6.1 Philippines, Micronesia and Orient Lines (PM&O)

PM&O, out of Oakland, California calls Chuuk via Pohnpei on its westbound voyages, and via the Philippines on its return eastbound voyages. PM&O comes through Chuuk three times a month; two westbound calls and one eastbound, or vice a versa depending on the time of year.

Contact information on PM&O: Pacific Coast, PO Box 637, Weno Chuuk FM 96942; Phone: (691) 330-2519; Fax: 330-4150; e-mail: ctsitkk@mail.fm

6.2 Kyowa Lines

Kyowa Lines out of Japan calls Chuuk normally on the average of once a month, on its way to the Philippines.

Contact information on Kyowa: Truk Transportation Company, Inc. PO Box 99, Weno Chuuk FM 96942; Phone: (691) 330-2147; Fax: 330-2726; e-mail: transco@mail.fm

6.3 Chief Container Service (CCS)

Chief Container Service (CCS) calls Chuuk every other month originating in Australia.

Contact information on CCS: Truk Transportation Company, Inc. PO Box 99, Weno Chuuk FM 96942; Phone: (691) 330-2147; Fax: 330-2726; e-mail: transco@mail.fm

6.4 Intra-islands Shipping

There is currently no intra-island direct scheduled shipping.

Contact information: Truk Transportation Company, Inc. PO Box 99, Weno Chuuk FM 96942; Phone: (691) 330-2147; Fax: 330-2726; e-mail: transco@mail.fm

6.5 Inter-states Shipping

There is currently no inter-state direct scheduled shipping among the four FSM states. The Caroline Voyager does provide shipping between the states but their is no regular schedule.

Contact information: Truk Transportation Company, Inc. PO Box 99, Weno Chuuk FM 96942; Phone: (691) 330-2147; Fax: 330-2726; e-mail: transco@mail.fm

7. Lawyers

7.1 Private law offices are not currently available.

7.2 Micronesian Legal Services / Chuuk Office

Micronesian Legal Services is part of the U.S. federally-funded Legal Services Corporation. It provides free public legal services to economically disadvantaged U.S. and U.S. Pacific Affiliate citizens, including owners of small businesses having met program eligibility guidelines. It should be noted that service eligibility is restricted to specific program eligibility guidelines.

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Contact Information: Directing Attorney, Micronesian Legal Services Corporation / Chuuk Office; PO Box D , Weno Chuuk FM 96942; Phone: (691) 330-2597; Fax: 330-4445; e-mail: MLSCChuukOffice@mail.fm

8. Accountants

Private accountants for hire are not currently available.

9. Bookkeepers

Private bookkeepers for hire are not currently available.

10. Business Development Assistance

10.1 Genesis

Genesis is an authorized Apple dealer specialize in the sale, installation and maintenance of computer hardware and software. Of specific interest to businesses is its setup of and training on the various business software it sells. In addition, (5) PC's with Intranet are available for use at \$4/hr.

Contact Information: Genesis; PO Box 62 , Weno Chuuk FM 96942; Phone: (691) 330-4374; Fax: 330-2066; e-mail: genesis@mail.fm

10.2 Chuuk Small Business Development Center

The Chuuk Small Business Development Center is a public entity that provides free business development counseling and assistance to clients, and conducts business training workshops. The Center has trained business counselors who provide these services. The Center is an affiliate of the University of Guam Pacific Islands Small Business Development Centers Network. Because the Network receives U.S. federal funding, client counseling may be restricted to U.S. and U.S. Pacific Affiliate citizens.

Contract Information: Director, Chuuk Small Business Development Center; PO Box 1143, Weno Chuuk FM 96942; Phone: (691) 330-5846/6109; Fax: 330-5847; e-mail: CSBDC@mail.fm

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