

Proposed Corporate Income Tax Regulations

Part 1. General

1.1 General rule

These regulations prescribe the taxpayer, scope of taxable income, method of computing tax amount, return, procedures of payment and refund, and other necessary matters to ensure proper enforcement of tax liability.

1.2 Effective Date

The Corporate Income Tax Regulations shall take effect no sooner than ten days after compliance with section 102(1) of Title 17 of the Code of the Federated States of Micronesia, and shall be effective upon certification of adoption of the Department of Finance and Administration, following approval by the Secretary, the President of the Federated States of Micronesia and the Department of Justice. The Corporate Income Tax Regulations shall apply to all corporate income tax returns filed after the effective date of the regulations.

1.3 Definitions

In these regulations, unless the subject or context otherwise requires”

“Act” means Public Law 13-71, the Corporate Income Tax Act of 2004;

“Domestic” means the Federated States of Micronesia (hereinafter referred as the “FSM”);

“Foreign” means a country other than the FSM;

“Domestic Corporation” means a Major Corporation, incorporated or established in the FSM, as defined by the Act;

“Foreign Corporation” means a corporation incorporated or established in a jurisdiction outside the FSM;

“Shareholder” means a shareholder or a partner of partnership corporation, limited partnership corporation or combined corporation, and other investors of corporations;

"Executive officer" means a director, operation manager, accounting statutory auditor, trustee, comptroller, liquidator, or other persons engaged in management of a corporation;

"Amount of capital" means amount of investment of shareholders to a corporation;

"Amount of retained earnings" means retained amount, out of taxable income of a corporation;

"Net operating loss amount" means excess of gross expense in the accounting period over gross revenue in the accounting period in computing taxable income for each accounting period;

"Final return" means the return (including the return submitted after due date) under Article 2.4;

"Secretary" means the Secretary of Finance and Administration, who shall be responsible for the assessment and collection of tax, shall pay all amounts collected in respect thereof into the General Fund, and may specify the form of any return, claim, statement or notice to be made or given under the Act.

1.4 Taxpayer

Domestic Corporations shall be liable to pay corporation tax pursuant to the Act.

1.5 Scope of taxable income of Domestic Corporation

A Domestic Corporation shall be subject to corporation tax on the income for each accounting period.

1.6 Accounting period

In the Act, the term "accounting period" means a period to be a unit of computation of assets and profit and loss of a corporation, (hereinafter referred to in these Regulations as "accounting term"), which are provided for in laws and regulations or in articles of incorporation, articles of association, rules, agreements or others of this kind of the corporation (hereinafter referred to in these Regulations as "articles of incorporation"). The accounting term shall not exceed 12 months.

1.7 Notification in the case of having changed accounting period

Where a corporation has changed the accounting term stipulated in its articles of incorporation or has newly stipulated the accounting term in its articles of incorporation, it shall without delay notify the Secretary of the accounting term before the change, the accounting term after the change, or the accounting term thus stipulated.

1.8 Place of tax payment of Domestic Corporation

The place of payment of corporation tax of a Domestic Corporation shall be the Department of Finance in Palikir or at any FSM Embassy.

1.9 Tax Forms

The Secretary shall have the full authority to create and, if need be, amend any and all requisite tax forms required.

Part 2. Tax Computation

2.1 Tax base of corporation tax on income for each accounting period

The tax base of corporation tax on income for each accounting period to be imposed on a Domestic Corporation shall be taxable income for each accounting period.

2.2 Computation of taxable income for each accounting period

- (1) Taxable income of a Domestic Corporation for each accounting period shall be the amount obtained by deducting the gross expense in such accounting period from the gross revenue in such accounting period.
- (2) In computing taxable income for each accounting period of a Domestic Corporation, the amount to be included in gross revenue in the accounting period shall, unless otherwise provided, be the amount of revenue in the stated accounting period from sales of assets, gratuitous transfer of assets, or rendering of service, or gratuitous acquisition of assets, any transactions other than capital transactions.
- (3) In computing taxable income for each accounting period of a Domestic Corporation, the amount to be included in gross expense in the accounting period, shall, unless otherwise provided, be the amount prescribed in the following:
 - (i) The amount of cost of sales, cost of completed construction work and other similar costs with regard to revenue in the stated accounting period;
 - (ii) In addition to those prescribed in the preceding item, the amounts of selling expenses, general administrative expenses and other expenses in the said

accounting period (excluding costs other than decline in value that is not definite by the last day of the stated account period);

(iii) The amount of loss in the stated accounting period from transactions other than transactions of capital.

(4) The amount of revenue in the stated accounting period stipulated in the paragraph (2) and the amounts prescribed in the respective items of the preceding paragraph shall be computed in accordance with the standards of generally accepted accounting principals.

(5) Transactions of capital under paragraph (2) or (3) mean transactions which cause an increase or a decrease in the amount of capital and the distribution of profit or surplus carried out by a corporation.

2.3 Corporation tax rate on taxable income for each accounting period

The amount of corporation tax on the income of each accounting period imposed on a Domestic Corporation shall be the amount computed by multiplying taxable income for each accounting period by the tax rate of twenty-five and a half percent (25.5%).

2.4 Final return

A Domestic Corporation shall file with the Secretary a return stating the following matters based on the definite settlement of accounts within six months from the day following the last day of each accounting period:

- (i) The income or the amount of net loss which is the tax base for the accounting period;
- (ii) The amount of corporation tax computed by applying the provisions of the preceding Section (Computation of tax amounts) to the taxable income stated in the preceding item;
- (iii) The documents as prescribed by Department of the Finance, such as the balance sheet and the income statement for the accounting period, shall accompany the final return.

2.5 Tax payment

A Domestic Corporation, which shall file a final return under Article 2.4 (Final return) shall pay its estimated amount of corporation tax within 30 days of the last day of its accounting year, in the case where the Domestic Corporation has the amount prescribed in item (ii) of the stated paragraph. Any additional tax due as shown on the tax return shall be paid by the last business day of the 6 month period following the last day of the Domestic Corporation's tax year. If the additional tax due as indicated on the tax return is more

than 10 % of the estimated tax amount paid, the Domestic Corporation shall also pay interest, compounded monthly and not in advance, on the additional tax due at the rate of two-thirds of one percent per month, or fraction of a month, from the date the estimated tax amount was due to the date the additional tax is paid.

Part 3. Revenues

3.1 Exclusion from gross revenue of appraisal gain of assets

Where a Domestic Corporation has, by carrying out reappraisal of assets owned thereby, increased the book value of the assets, the amount of this part thus increased shall not be included in the amount of gross revenue in computing the amount of income in each accounting period of the Domestic Corporation.

3.2 Inclusion in gross revenue of amount of foreign tax of foreign subsidiary corporation to be credited against amount of corporation tax

Where a Domestic Corporation is subject, with regard to the amount of foreign corporation tax to be levied on income of foreign subsidiary corporation under Article 6.1 (Credit for foreign taxes), to the application of paragraph (4) of the stated Article in each accounting period, the amount computed under the stated paragraph shall be included in gross revenue in computing the taxable income for the accounting period of the Domestic Corporation.

Part 4. Expenses

4.1 Exclusion from gross expense of appraisal loss of assets

Where a Domestic Corporation has carried out revaluation of assets owned by it and decreased the book value, the amount of the part thus decreased shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

4.2 Exclusion from gross expense of salary of executive officers

(1) Out of salaries paid to executive officers of a Domestic Corporation, an amount of salary which is not any of the following salaries, shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation”

- (i) Salary paid for a certain constant period of one month or less and the amount is not fluctuated so much at each time of payment, and similar kinds of remunerations.
- (ii) Salary paid based on a provision that a fixed amount is to be paid at a fixed time for duties of executive officers

(2) A part of unreasonably high amount, out of salaries paid by a Domestic Corporation to its executive officers, shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

(3) The amount of salaries paid to its executive officers by means of concealing facts or intentionally misrepresenting accounts by a Domestic Corporation shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation or economic benefits such as profits due to waiver of debts.

(4) The executive officers having duties as an employee, which are stated in paragraph (1), out of executive officers (excluding president, chairman and similar executive officers), mean those who have a position as director of department, director of division or another position as an employee in the organization and, further, are engaged in duty as an employee on a full time basis.

4.3 Exclusion from gross expense of donations

(1) Any amount of donations paid to FSM charities by a Domestic Corporation exceeding five percent (5%) of gross taxable income in each accounting period, shall not be included in gross expense in computing taxable income for each accounting period of such Domestic Corporation.

(2) Of an amount of donation paid by a corporation in each accounting period, the amount of contribution or donation to a foreign-related person pertaining to the stated corporation shall not be included in gross expense in computation of income of each accounting period of the stated corporation.

4.4 Exclusion of entertainment expense from deductible expenses

(1) Any amount of entertainment that a corporation pays in each accounting period shall not be calculated as expenses in computing income in the accounting period.

(2) The entertainment expenses as prescribed in the paragraph (1) mean the entertainment, reception, secret expenses, and other expenses which are spent by a corporation for the purpose of receiving, entertaining, comforting its customers or suppliers, presenting gifts to them or doing similar conducts except an expense that is any of the following expenses stated below:

- (i) Usual expenses required for athletic games, entertainment, recreation travels, to be held exclusively for comfort of its employees.
- (ii) Usual expenses required for eating and drinking and other similar conducts (excluding expenses spent exclusively for entertainment of executive officers or employees or their families of such corporation), during which the business of corporation is discussed.

4.5 Exclusion from gross expense of amount of corporation tax

The amount of corporation tax paid by a Domestic Corporation shall not be included in gross expense in computing the amount of income in each accounting period of the Domestic Corporation.

4.6 Exclusion from gross expense of amount of foreign tax credited from amount of corporation tax

Where a Domestic Corporation shall, with respect to the amount of foreign corporation tax to be credited under Article 6.1 (Credit for foreign taxes), the amount of the stated foreign corporation tax credited shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

4.7 Inclusion in gross expense of advanced depreciation of vessels

(1) In the case where a corporation has transferred vessels in its possession if, during the accounting period of the transfer, the transferee corporation has acquired vessels and has used or has a prospect to use for the business, within one year from the date of the acquisition, with respect to the replacement, limited to the cases where they have reduced the book value by recognizing as expenses within the limit of amount equivalent to the tax deferral basis of the acquisition, or where they have administered by the method of accumulating as a reserve the amount not more than the tax deferral basis in the final settlement of accounts for such accounting period in place of deducting the book value, the amount of depreciation that has been deducted or administered up to the time of the transfer shall be counted as expense in computation of income of the accounting period.

(2) In the provision of paragraph (1), if the corporation has acquired the vessels within one year (the period shall be three years in the event that it usually takes one year or more to construct and any other unavoidable circumstances) prior to the beginning date of the accounting period which includes the date of transfer of the vessels in possession, and that within one year from the acquisition has used the acquired assets for business of the corporation (excluding the event that the acquired assets have ceased to be used for the

business by which ever earlier day, the last day of the accounting period or the day of lapse of one year from the date of the acquisition) or has a prospect of use, the vessels may be subject to the provisions of paragraph (1) through being deemed as the replaced assets.

(3) Where a corporation has transferred vessels in its possession if, within the period from the next day of the end of the accounting period which includes the date of the transfer to the date of lapse of one year (in the case where it is difficult to acquire the replaced vessels within the accounting period of the transfer because of unavoidable circumstances, the acquisition of the vessels is deemed to be possible and the period shall be within two years after the starting day), the corporation has a prospect of acquisition of vessels and it has a prospect of using such acquired vessels, within one year from the date of such acquisition, for the business of the corporation, provided that the corporation has administered by setting up a special account (including the method of accumulating as a reserve through disposition of surplus by the date of approval of the settlement of accounts for such accounting period) in the final settlement of accounts for the accounting period including the date of such transfer, the amount calculated in multiplying the amount to be spent on the acquisition of vessels among the consideration of the transfer of the transferred vessels by gross profit ratio, the amount administered in the special account shall be included in gross expense in computation of the income of the accounting period.

4.8 Exclusion from gross expense of expenses relating to illegal acts

(1) Where a Domestic Corporation, by means of concealing or disguising the whole or part of facts to be a basis computation of an amount of its taxable income or deficits or corporation tax (hereinafter referred to in this paragraph and the next paragraph as the "concealment or disguise"), decreases or tries to decrease the burden of corporation tax, the amount of expenses spent for such concealment or disguise or the amount of losses incurred as a result of such concealment or disguise shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

(2) Amounts of penalty, fine (including those equivalent to penalty or fine due to notification procedures and those equivalent to penalty or fine imposed in a foreign country or a body of similar nature) and civil fine, which a Domestic Corporation pays, shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

(3) An amount of expenses or losses equivalent to the total of an amount of money, value of assets other than money and an amount of fringe benefits, which are provided by a

Domestic Corporation and are bribed or improper benefits to domestic or foreign public servants, shall not be included in gross expense in computing taxable income for each accounting period of the Domestic Corporation.

Part 5. Net Operating Loss

5.1 Net operating loss carry forward

Where there is an amount of net operating loss (excluding that having been included in gross expense in computing taxable income for the accounting periods preceding the each accounting period pursuant to this paragraph and that having become the basis of computation of the amount to be refunded) having arisen in the accounting periods beginning within 7 years before the first day of each accounting period of a Domestic Corporation filing final returns, the amount equivalent to the net operating loss shall be included in gross expense in computing taxable income for each accounting period.

Part 6. Foreign taxes

6.1 Credit for foreign taxes

(1) Where a Domestic Corporation is, in each accounting period, to pay a foreign corporation tax (including a corporation tax of a Domestic Corporation imposed on taxable income outside the FSM), the amount of the foreign corporation tax shall, within the limit of the amount computed as the amount corresponding to the income which source is outside the FSM (hereinafter an "amount of creditable limit" in this Article), be credited against the amount of corporation tax on the income for the accounting period.

(2) Where the foreign corporation tax amount to be paid by a Domestic Corporation in each accounting period exceeds the amount of creditable limit for foreign taxes, for the accounting period, and if there exists the amount to be carried over to the accounting period out of the amount of creditable limit for each accounting period within the preceding 7 years (meaning each accounting period that began within 7 years before the first day of the accounting period), the excess amount shall, within the amount of creditable limit carried over, be credited against the amount of corporation tax on the income of the accounting period.

(3) Where the creditable foreign corporation tax amount to be paid by a Domestic Corporation in each accounting period is less than the amount of creditable limit for the accounting period, and if there exists the amount to be carried over to the accounting period out of the creditable foreign corporation tax amount which has become payable in each accounting period within the preceding 7 years, the creditable foreign corporation tax amount carried over shall, within the limit of the balance obtained after deducting the creditable foreign corporation tax amount to be paid in the accounting period from the amount of creditable limit, be credited against the amount of corporation tax on the taxable income for the accounting period.

(4) Where a Domestic Corporation has amounts of dividends of surplus (limited to dividends concerning stocks and investments) or dividends of profits or distribution of surplus (limited to distribution concerning investments) to be received from its foreign subsidiary corporation (meaning a foreign corporation that satisfies requirements such as the requirement that the number or amount of stocks or investments held by such Domestic Corporation is the number or amount equivalent to 25/100 or more of the total number or the total amount of issued stocks and investments), the amount of foreign corporation tax computed as corresponding to such amounts of dividend, out of the amount of foreign corporation tax imposed on the income of such foreign subsidiary corporation shall be deemed as the creditable foreign corporation tax amount to be paid by such Domestic Corporation, and the provisions of paragraphs (1) to (3) shall apply to such amount.

(5) Where a Domestic Corporation has the amount of dividend received from foreign subsidiary corporation prescribed in paragraph (4) (referred to in this paragraph as the "1st tier foreign subsidiary corporation") and where such 1st tier foreign subsidiary corporation has the amount of dividends of surplus (limited to dividends concerning stocks and investments) or dividends of profits, or distribution of surplus (limited to distribution concerning investments) (hereinafter referred to in this paragraph as an "amount of dividends from a 2nd tier foreign subsidiary corporation") received from a 2nd tier foreign subsidiary corporation (meaning a foreign corporation that satisfies requirements such as the requirement that the number or amount of stocks or investments indirectly held by such Domestic Corporation through such 1st tier foreign subsidiary corporation is the number or amount equivalent to 25/100 or more of the total number or the total amount of issued stocks investments), the amount of dividends from such 2nd tier foreign subsidiary corporation out of the amount of foreign corporation tax imposed on the income of such 2nd

tier foreign subsidiary corporation shall be deemed as the amount of foreign corporation tax imposed on such 1st tier foreign subsidiary corporation, and the provision of paragraph (4) shall apply.

(6) At any occasion, credit for foreign taxes shall not be refunded.

Part 7. Advance Rulings

7.1 General provisions

(1) Subject to the provisions of this Part, on an application made by a Domestic Corporation in accordance with this Part, the Secretary shall make a ruling on how any provision of the Act or its regulations applies, or would apply, to the corporation and to the arrangement for which the ruling is sought.

(2) The Secretary may make a ruling on how any provision of the Act or its regulations applies to the arrangement described in an application whether or not reference was made to that provision in the application.

(3) The Secretary shall not make a ruling on a provision of the Act or its regulations that authorizes or requires the Secretary to —

(i) impose or remit a penalty;

(ii) inquire into the correctness of any return or other information supplied by any corporation;

(iii) prosecute any corporation; or

(iv) recover any debt owing by any corporation.

(4) An application for a ruling —

(i) shall be made in such form as the Secretary may determine; and

(ii) shall comply with the disclosure requirements listed in this Part.

(5) An applicant for a ruling may at any time withdraw the application by notice in writing to the Secretary.

7.2 Reasons to decline request

The Secretary may decline to make a ruling if —

- (i) the application for the ruling would require the Secretary to determine any question of fact;
- (ii) the Secretary considers that the correctness of the ruling would depend on the making of assumptions, whether in respect of a future event or any other matter;
- (iii) the matter on which the ruling is sought is subject to an objection or appeal, whether in relation to the applicant or any other corporation;
- (iv) the applicant has outstanding debts relating to earlier ruling applications; or
- (v) the matter on which the ruling is sought is the subject of a return which has been or is due to be lodged under the Act.

7.3 Reasons to not make ruling

The Secretary shall not make a ruling if —

- (i) at the time the application is made or at any time before the ruling is issued, the Secretary considers that the corporation to whom the ruling is to apply is not seriously contemplating the arrangement for which the ruling is sought;
- (ii) the application is frivolous or vexatious;
- (iii) the matter on which the ruling is sought —
 - (a) concerns tax (excluding estimated tax) that is due and payable, unless the application is received before the tax is due and payable;
 - (b) involves the interpretation of any foreign law; or
 - (c) is being dealt with, or in the Secretary's opinion should be dealt with, by one or both competent authorities of the parties to an agreement to avoid double taxation;
- (iv) a ruling already exists on how the relevant provision of the Act applies to the

corporation and the arrangement, and the proposed ruling would apply to a period or a year of assessment to which the existing ruling applies;

(v) an assessment (other than an assessment of any estimated tax) relating to the corporation, the arrangement, and a year of assessment to which the proposed ruling would apply has been made, unless the application is received by the Secretary before the date the assessment is made;

(vi) the Secretary is undertaking an audit or investigation on how any provision of the Act applies to the applicant, or to an arrangement similar to the arrangement which is the subject of the application, during any period for which the proposed ruling would apply were the ruling to be made;

(vii) in the Secretary's opinion, the applicant has not provided sufficient information in relation to the application after the Secretary has requested further information;

(viii) in the Secretary's opinion, it would be unreasonable to make a ruling in view of the resources available to the Secretary; or

(ix) the application for the ruling would require the Secretary to form an opinion as to a generally accepted accounting principle or to form an opinion as to a commercially acceptable practice.

7.4 Notification

The Secretary shall, where he has declined to make a ruling, notify the applicant in writing of his decision and the reasons therefore.

7.5 Effect of Ruling

Where the Secretary has made a ruling to a corporation on the application of any provision of the Act or its regulations in relation to an arrangement, and —

(i) the ruling applies in relation to the arrangement during the whole or any part of the period specified in the ruling; and

(ii) the corporation has disclosed in the return provided under the Act or its regulations that it has relied on the ruling in preparing and providing the return,

The Secretary shall apply the provision in relation to the corporation and the arrangement in respect of the whole of the period or the part of the period, as the case may be, in accordance with the ruling.

7.6 Use of ruling

A ruling shall apply in relation to an arrangement as a ruling on a provision of the Act or its regulations —

- (i) only if the provision is expressly referred to in the ruling; and
- (ii) only for the period for which the ruling applies.

7.7 Change

A ruling shall not apply to a corporation in relation to an arrangement if —

- (i) the arrangement is materially different from the arrangement identified in the ruling;
- (ii) there was a material omission or misrepresentation in, or in connection with, the application for the ruling;
- (iii) the Secretary makes an assumption about a future event or another matter that is material to the ruling, and the assumption subsequently proves to be incorrect; or
- (iv) the Secretary stipulates a condition that is not satisfied.

7.8 New companies

(1) A corporation, an individual or a partnership, in his own right or on behalf of a corporation who is yet to come into legal existence, may apply to the Secretary for a ruling on how a provision of the Act or its regulations applies, or would apply, to —

- (i) the corporation making the application or the prospective corporation, as the case may be; and
- (ii) an arrangement.

(2) Two or more companies may jointly apply, or a corporation on behalf of two or more companies who are yet to come into legal existence may apply, to the Secretary for a ruling on how a provision of the Act or its regulations applies, or would apply, to each corporation and to an arrangement.

7.9 Requirements for application

(1) An application for a ruling shall —

- (i) identify the applicant;
- (ii) disclose all relevant facts (including the reasons for the arrangement, if applicable) and documents relating to the arrangement in respect of which the ruling is sought;
- (iii) state the provision of the Act or its regulations in respect of which the ruling is sought;
- (iv) state the proposition of law (if any) which is relevant to the issues raised in the application;
- (v) state whether a previous application has been made on the same or any similar arrangement by the applicant and the result of any such application; and
- (vi) provide a draft ruling.

(2) If the Secretary considers that it would be unreasonable to require the applicant to comply with any of the requirements in sub-Section (1) (iii) to (vi), the Secretary may waive those requirements.

(3) Any document provided by any corporation under this Part shall be retained by the Secretary.

7.10 Additional information

The Secretary may at any time request further relevant information from an applicant for a ruling.

7.11 Assumptions

(1) If the Secretary considers that the correctness of a ruling would depend on assumptions being made about a future event or other matter, the Secretary may make the assumptions that he considers to be most appropriate.

(2) The Secretary may not make assumptions about information which the applicant can provide.

7.12 Requirements

(1) A ruling made by the Secretary shall state —

(i) that it is a ruling made under this Part;

(ii) the identity of the corporation, the provision of the Act or its regulations, and the arrangement (which may be identified by reference to the arrangement in the application) to which the ruling applies;

(iii) how the provision of the Act or its regulations applies to the arrangement and to the corporation;

(iv) the period or year of assessment for which the ruling applies;

(v) the material assumptions about future events or other matters made by the Secretary; and

(vi) the conditions (if any) stipulated by the Secretary.

(2) The Secretary shall notify the making of a ruling by sending a copy of the ruling to the corporation or companies who applied for it.

7.13 Withdrawal of ruling

(1) The Secretary may at any time withdraw a ruling by notifying the corporation to whom the ruling applies in writing of the withdrawal and the reasons therefore.

(2) The ruling is withdrawn from the date specified in the notice of withdrawal.

(3) The date referred to in sub-Section (2) may not be earlier from the date on which the corporation could reasonably be expected to receive the notice of withdrawal.

(4) If the Secretary withdraws a ruling —

(i) the ruling does not apply to any arrangement entered into or effected on after the date of withdrawal; but

(ii) the ruling shall continue to apply in relation to any arrangement for the remainder of the period specified in the ruling if the arrangement has been entered into or effected before the date of withdrawal.

7.14 Minor errors

(1) The Secretary does not have to withdraw and reissue a new ruling to correct a typographical or a minor error if the correction does not change the meaning of the ruling.

(2) A ruling that is not withdrawn and reissued remains valid.

7.15 Repeal of provision

A ruling does not apply from the date a provision of the Act or its regulations is repealed or amended to the extent that the repeal or amendment changes the way the provision applies in the ruling.

7.16 Corporation's obligations

The fact that there has been an application for a ruling does not affect a corporation's obligation to provide any return, make any payment, or do any other act, or the Secretary's power to make or amend any assessment.

7.17 Use of ruling

Where —

(i) a corporation has obtained a ruling;

(ii) the corporation is required to provide a return under the Act or its regulations; but

(iii) in preparing the return the corporation is required to take into account the way in which a provision of the Act or its regulations applies to the arrangement

identified in the ruling,

the corporation shall disclose in the return —

- (a) the existence of the ruling;
- (b) whether or not the corporation has relied on the ruling in preparing and providing the return; and
- (c) any material changes to the arrangement identified in the ruling.

7.18 Fees

The fees specified in respect of an application for a ruling made in accordance with this Part are as follows:

- (i) a non-refundable application fee of \$750 which must accompany the application;
- (ii) a further fee, calculated at \$150 per hour (or part hour), beyond the first 4 hours, spent in consideration of the application by the Secretary, including any time spent by the Secretary in consulting with the applicant;
- (iii) an additional fee, of up to 2 times the aggregate fee under sub-Sections (i) and (ii), for the Secretary to give priority to the application and to expedite his consideration thereof; and
- (iv) reimbursement fees in respect of —
 - (a) any fees paid by the Secretary to any corporation, individual or partnership, if the Secretary requires external advice in relation to the ruling and the applicant agrees to the Secretary seeking such external advice; and
 - (b) any costs and reasonable disbursements incurred by the Secretary in relation to the ruling.

7.19 Withdrawal of application

If an application for a ruling is withdrawn, the applicant is liable to pay all fees incurred before the Secretary received notice of the withdrawal.

7.20 Minimize fees

The Secretary must ensure as far as is reasonably practicable that every effort is made to minimize the fees to which an applicant is liable in respect of an application for a ruling.