

INSTRUCTIONS FOR FEDERATED STATES OF MICRONESIA CORPORATION INCOME TAX FORM

ACCOUNTING METHOD

The taxable income of a major corporation shall be computed under the method of accounting which the major corporation regularly computes its income. To the extent permitted by GAAP, a major corporation may compute its taxable income under any of the following methods of accounting:

- (1) the cash receipts and disbursements method;
- (2) an accrual method;
- (3) any combination of the foregoing methods or any other method selected by the major corporation.

CORPORATION INCOME TAX FORM

“Employer Identification Number” is the number assigned by the Federated States of Micronesia Social Security Administration.

“Initial Return” means the first tax return ever submitted by a corporation.

“Last Return” means the last tax return for a corporation after it has been dissolved.

“Name Change” means that the corporation has changed its official name

“Estimated Return” means the return that is due within 30 days of the end of the corporation’s fiscal year and is submitted with the corporation’s estimate tax payment.

“Final Return” means the return that is submitted with the corporation’s audited financial statement within 6 months of the corporation’s fiscal year and includes any tax payment necessary to fully pay its tax obligation (plus interest if needed).

Line 1. Show total sales in the first box, any returns or discounts granted in the second box and the net sales in the final box.

Line 2. Show cost of goods sold based upon the accounting method as discussed above.

Line 4. Show dividends received from portfolio investments.

Line 8. Show all gains on portfolio and other capital assets in the first box, and all losses on portfolio and other capital assets in the second box and the net amount (that may be a negative number) in the third box.

SCHEDULE 1 BALANCE SHEET

Do not include any asset or any liability of a subsidiary in this schedule. Only include assets and liabilities of the parent corporation.

Line 5 Loans to subsidiaries. Include all loans (both short-term and long-term) from all subsidiaries throughout the world.

Line 6 Investments in subsidiaries.

Line 7 Investments in other securities. Include all portfolio investments. Do not include any securities of subsidiaries that are included in Line 5 or Line 6.

Line 18 only includes corporation income tax owed to the Federated States of Micronesia.

SCHEDULE 2 RETAINED EARNINGS

Part 1

The schedule asks for information on up to three appropriations of retained earnings. If there are more than three appropriations of retained earnings, attach a separate schedule showing the requested information for each appropriation. If there are no appropriations of retained earnings, leave lines 1 to 18 blank.

Part 2

Line 24, 25 and 26. For each distribution show date that Board approved the distribution in a Board meeting

SCHEDULE 3

The purpose of this schedule is to show the taxable income of each subsidiary, and to calculate any foreign tax credit for income tax accrued or paid in other countries. It also calculates any foreign corporation income tax that may be carried forward to future years. Remember that the tax paid to the Federated States of Micronesia is based upon the parent's share of the taxable income of the subsidiary. The payment of dividends does not affect this calculation.

SCHEDULE 4

This schedule calculates the beginning and ending foreign tax credit carry forward and shows credits used during the current year and those that are added to the carry forward for future years.

SCHEDULE 5

This schedule provides basic information on each subsidiary. For each subsidiary show the principal (main) business of the subsidiary such as "manufacturer of bikes" or "consulting".