BUREAU OF
REVENUE &
TAXATION

Comprehensive Tax Reform: Palau’s Experience

15 OCT 2025

Palau Comprehensive Tax Reform

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- **RPPL 11-11**: Palau Goods and Services Tax Act, *September 2021*
- Effective on **January 1, 2023**

President Whipps signs RPPL 11-11 into law, Sep 2021

Why Reform?

For a tax system that is:

- Fair
- Equitable
- Matches Palau’s economy, shifting towards a fairer distribution of tax burden
- Favorable to small business and start-ups

RPPL 11-11: Palau Goods and Services Tax Act

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Tax Type	Change	Rate
Palau Goods and Services Tax (PGST)	NEW	10% On import and supply of most goods and services
Business Profits Tax (BPT)	NEW	12% on net income (For PGST persons, and banks)
Additional Business License Fee	NEW	$100/yr For business entities grossing less than $50k
Gross Revenue Tax (GRT)	MODIFIED	4% of business gross receipts (For businesses grossing $50k-$300k)
Salary and Wage Tax	REDUCED	0-8,000; 6% 8,001-40,000; ~~12%~~10% 40,001+; 12%
Hotel Room/Vessel Occupancy Tax	REDUCED	~~12%~~10%~~,~~ or ~~$12~~ $10 per night
Import Tax	Zero-rated	~~3% on most goods~~ Now zero-rated

RPPL 11-11: Palau Goods and Services Tax Act

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Tax Type	Change	Rate
Carbon Tax	MODIFIED	~~5¢~~ 2¢ per gallon
International Transportation Tax	NEW	4% on revenues derived from transport of persons, goods, and cargo to outside of Palau
Nonresident Tax (withholding)	NEW	Insurance premiums; 5% Interest, royalties, technical fees, etc.; 10%
Land Transaction Proceeds Fee	NEW	4% on proceeds of lease or transfer of land

RPPL 11-11: Palau Goods and Services Tax Act

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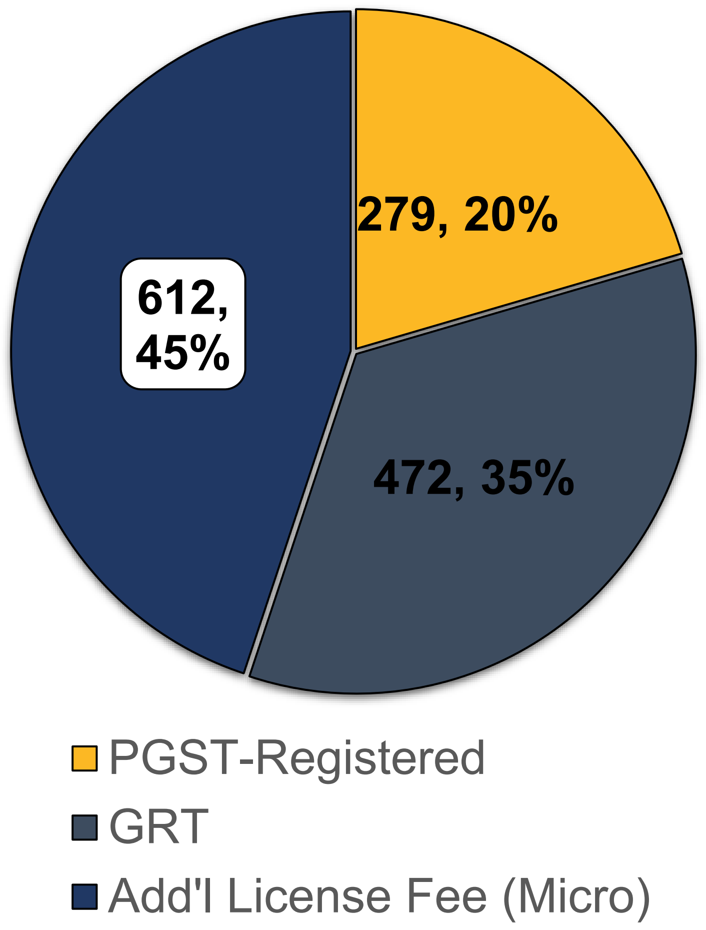
Balancing: Mitigating the Impacts

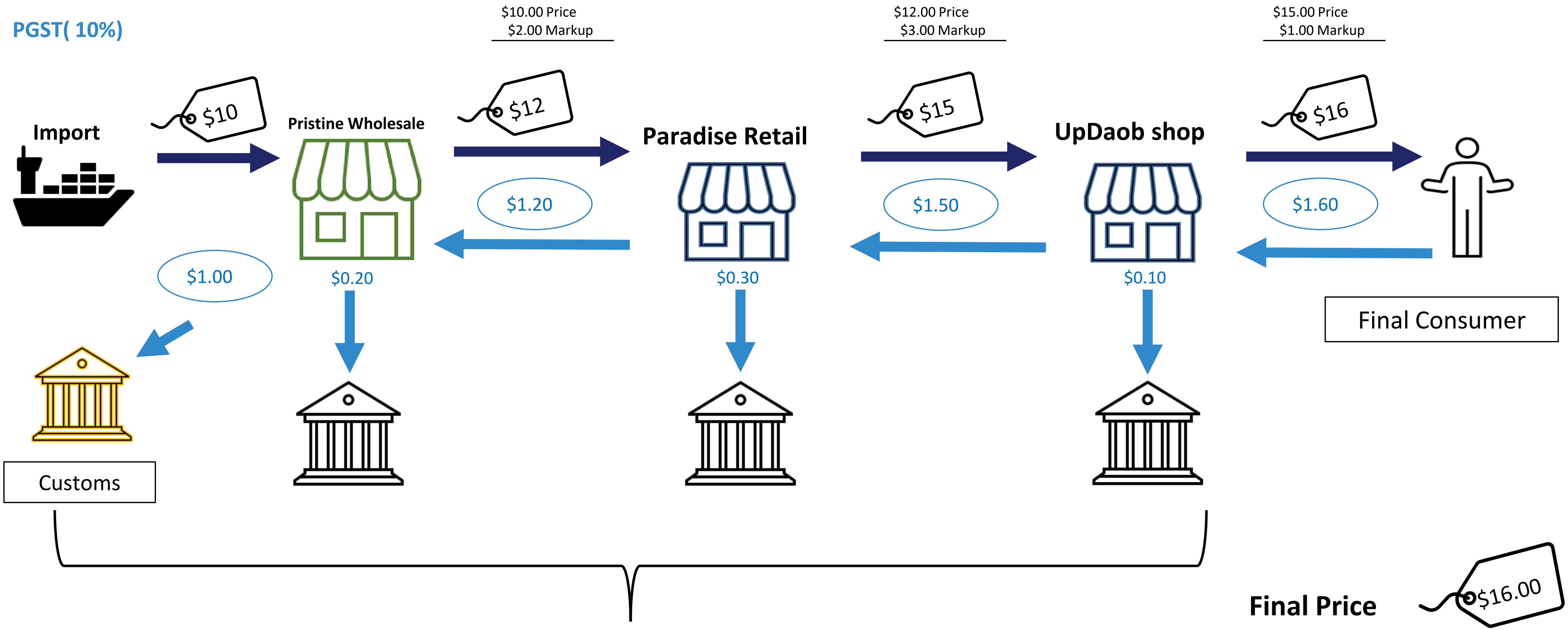
Wages and Salary Tax Refund – Lowest Income Earners	NEW	• 100% refund for Palauan Citizens earning $15k and below • $480 for citizens earning between $15k and $30k
Social Assistance Payments	NEW	4% of informal-market revenue Palauan citizens engaged in sector, making $15k or less
Child Raising Subsidy	NEW	$200 per Palauan child annually

Taxpayer Entities Affected

Compulsory PGST/BPT	• More than $300k in annual taxable supplies • FIAC-Companies
Gross Revenue Tax	Annual gross revenue from 50,001-300,000
Additional Business License Fee (Small Business)	$50k and Below in Annual Gross



PGST(10%)



Taxes paid on Goods: $1.60

Final Price $16.00

Total Taxes Paid **$1.60**

Palau Goods and Services Tax (PGST)

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BUSINESS OUTPUTS *(e.g. Supplies sold or provided)*			
A	Supplies on which 10% PGST collected	1,000.00	100.00
B	Supplies on which Zero Rate (0%) PGST collected		
C	Supplies not subject to PGST *(Exempt Supplies)*		
D	**Total Business Outputs** *A + B + C (column 1)*	1,000.00	

BUSINESS INPUTS *(e.g. Supplies purchased or received)*			
E	Domestic Supplies on which 10% PGST paid	500.00	50.00
F	Domestic Supplies on which Zero Rate (0%) PGST paid		
G	Imported **Goods** on which on which 10% PGST paid	200.00	20.00
H	Supplies not subject to PGST *(Exempt Supplies)*		
I	**Total Business Inputs** *E + F + G + H (column 1)*	1,500.00	

CALCULATE NET PGST PAYABLE/CREDITABLE			
N	PGST collected plus PGST reversed charged on Imported Services	*A + J (column 2)*	100.00
O	PGST Input Tax Credit claimable	*E + G + K (column 2)*	70.00
P	**Net PGST payable/creditable**	*N - O (column 2)*	30.00

Palau Goods and Services Tax (PGST)

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BUSINESS OUTPUTS *(e.g. Supplies sold or provided)*				
A	Supplies on which 10% PGST collected		1,000.00	100.00
B	Supplies on which Zero Rate (0%) PGST collected			
C	Supplies not subject to PGST *(Exempt Supplies)*			
D	**Total Business Outputs**	*A + B + C (column 1)*	1,000.00	

BUSINESS INPUTS *(e.g. Supplies purchased or received)*				
E	Domestic Supplies on which 10% PGST paid		500.00	50.00
F	Domestic Supplies on which Zero Rate (0%) PGST paid			
G	Imported **Goods** on which on which 10% PGST paid		1,000.00	100.00
H	Supplies not subject to PGST *(Exempt Supplies)*			
I	**Total Business Inputs**	*E + F + G + H (column 1)*	1,500.00	

CALCULATE NET PGST PAYABLE/CREDITABLE			
N	PGST collected plus PGST reversed charged on Imported Services	*A + J (column 2)*	100.00
O	PGST Input Tax Credit claimable	*E + G + K (column 2)*	150.00
P	**Net PGST payable/creditable**	*N - O (column 2)*	-50.00

PGST One more time for those in the back

“PGST is 10% on [illegible] on 10%, total of [illegible]0%”

FAKE NEWS!

PGST

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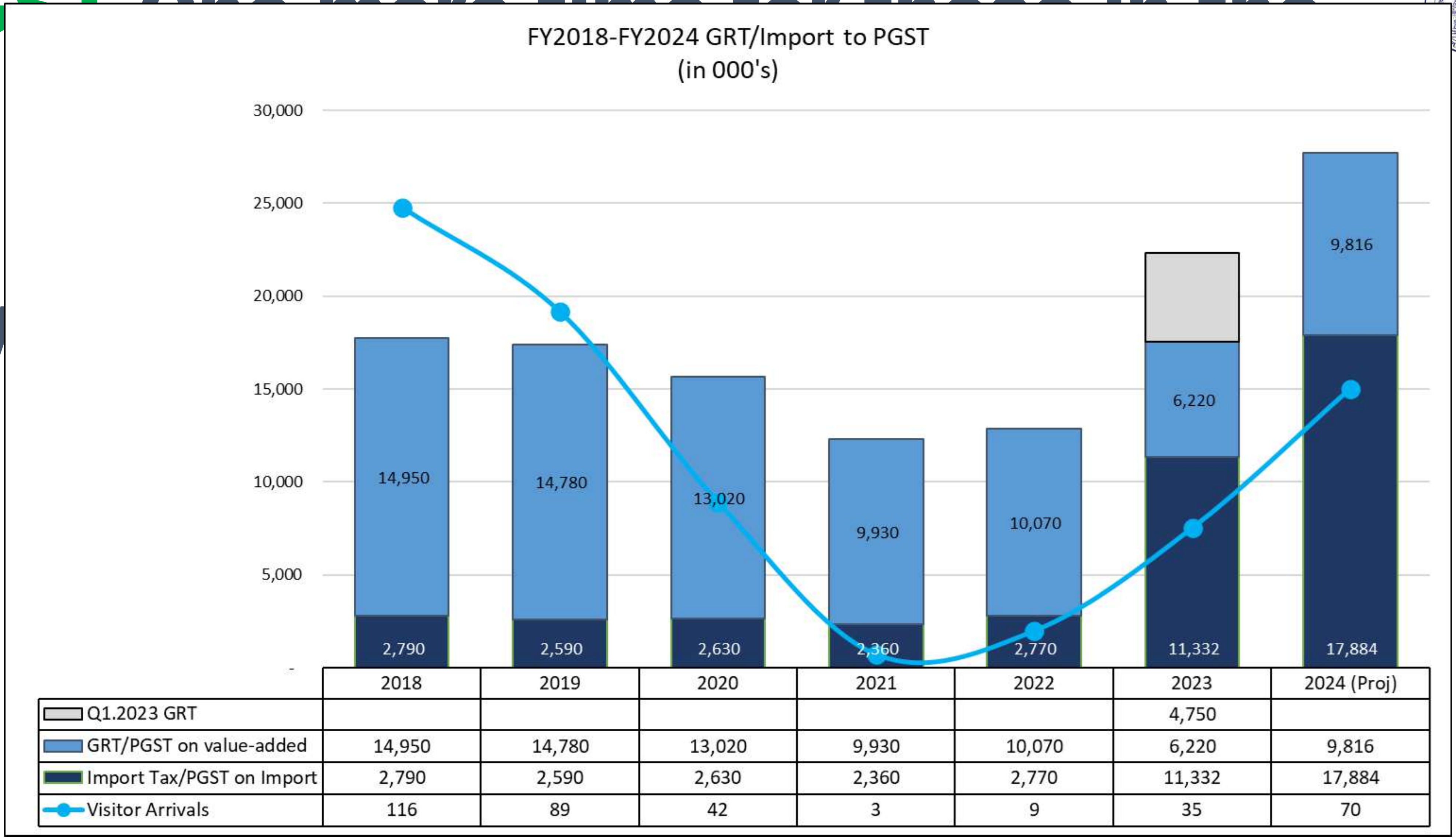

	2018	2019	2020	2021	2022	2023	2024 (Proj)
Q1.2023 GRT						4,750	
GRT/PGST on value-added	14,950	14,780	13,020	9,930	10,070	6,220	9,816
Import Tax/PGST on Import	2,790	2,590	2,630	2,360	2,770	11,332	17,884
Visitor Arrivals	116	89	42	3	9	35	70

Revenue Impacts

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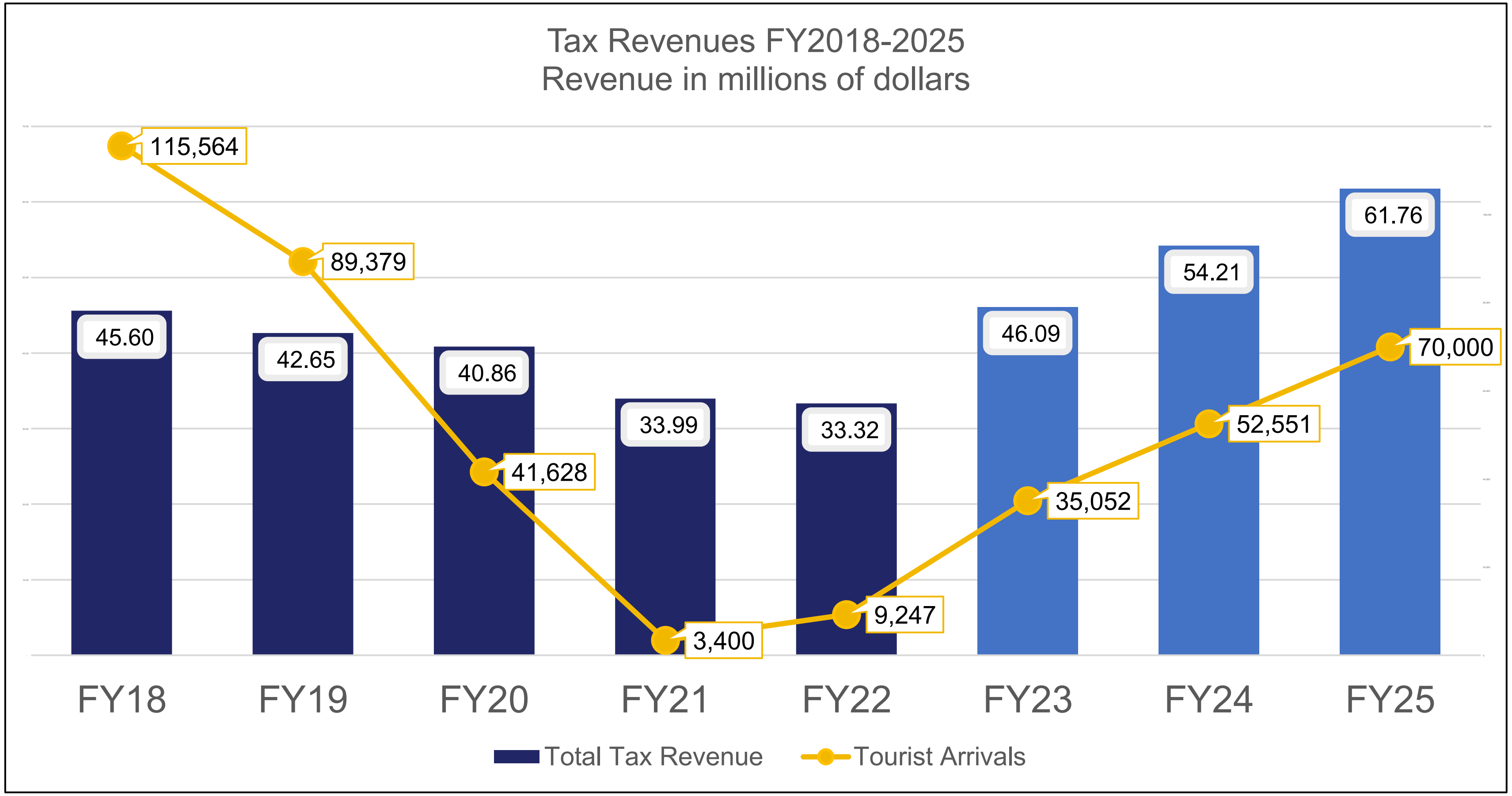
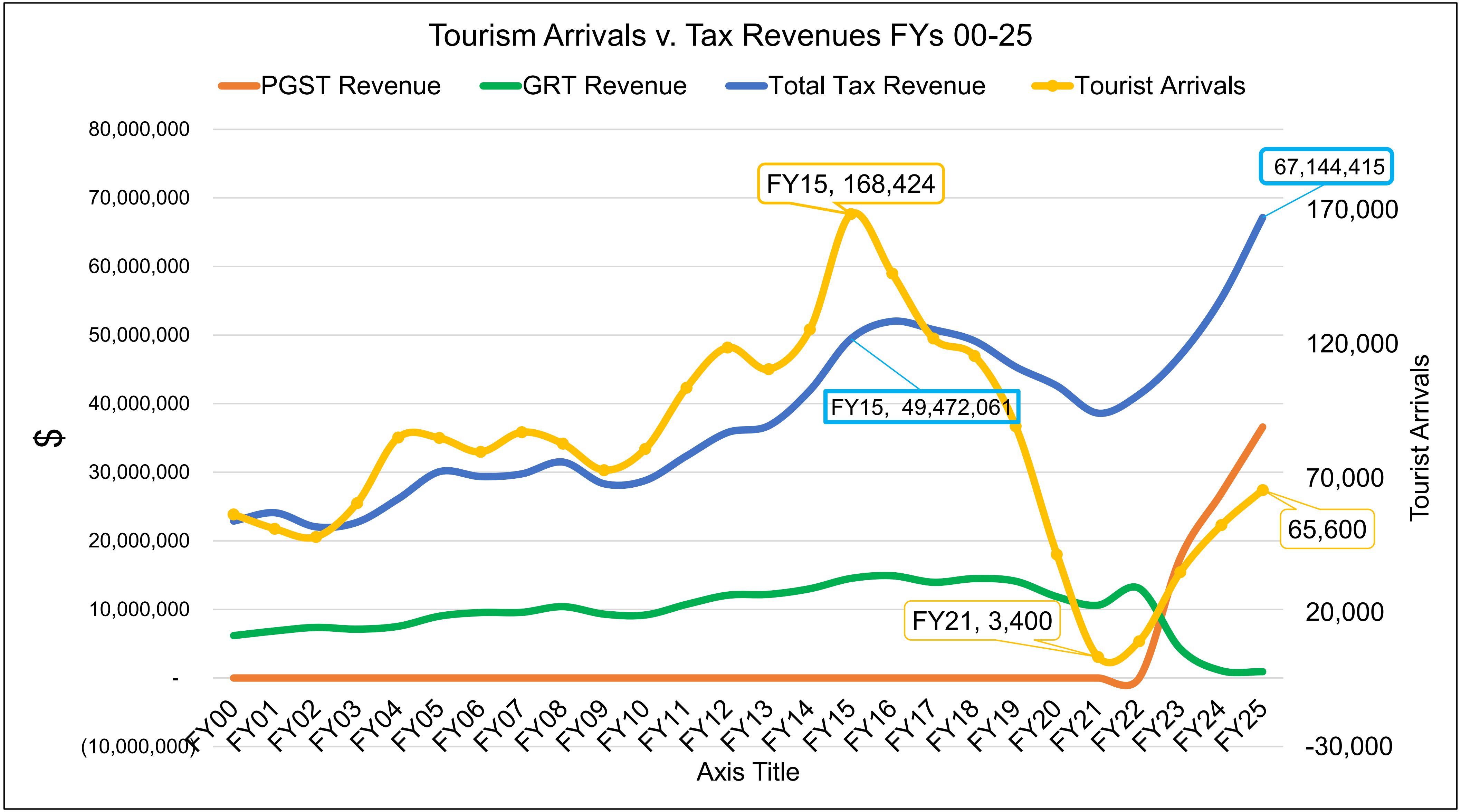
93% average compliance rate on **PGST**

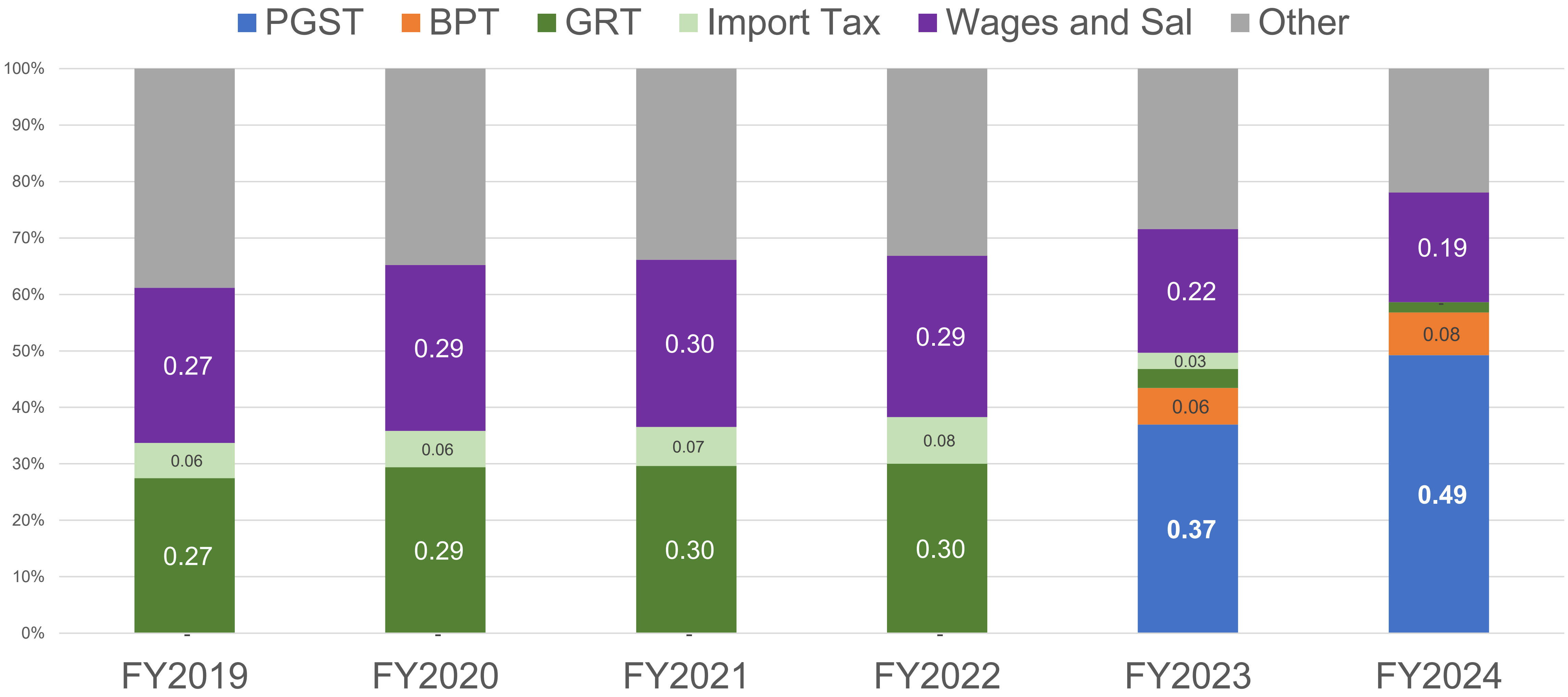
FY2023 Cost per collection ratio went down to 1.9 from 3.2 in 2022



Revenue Impacts - Buoyancy



Tax Revenue Composition (%)



Balancing the Impact through Transfers

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More than $5M with Mitigation Measures:

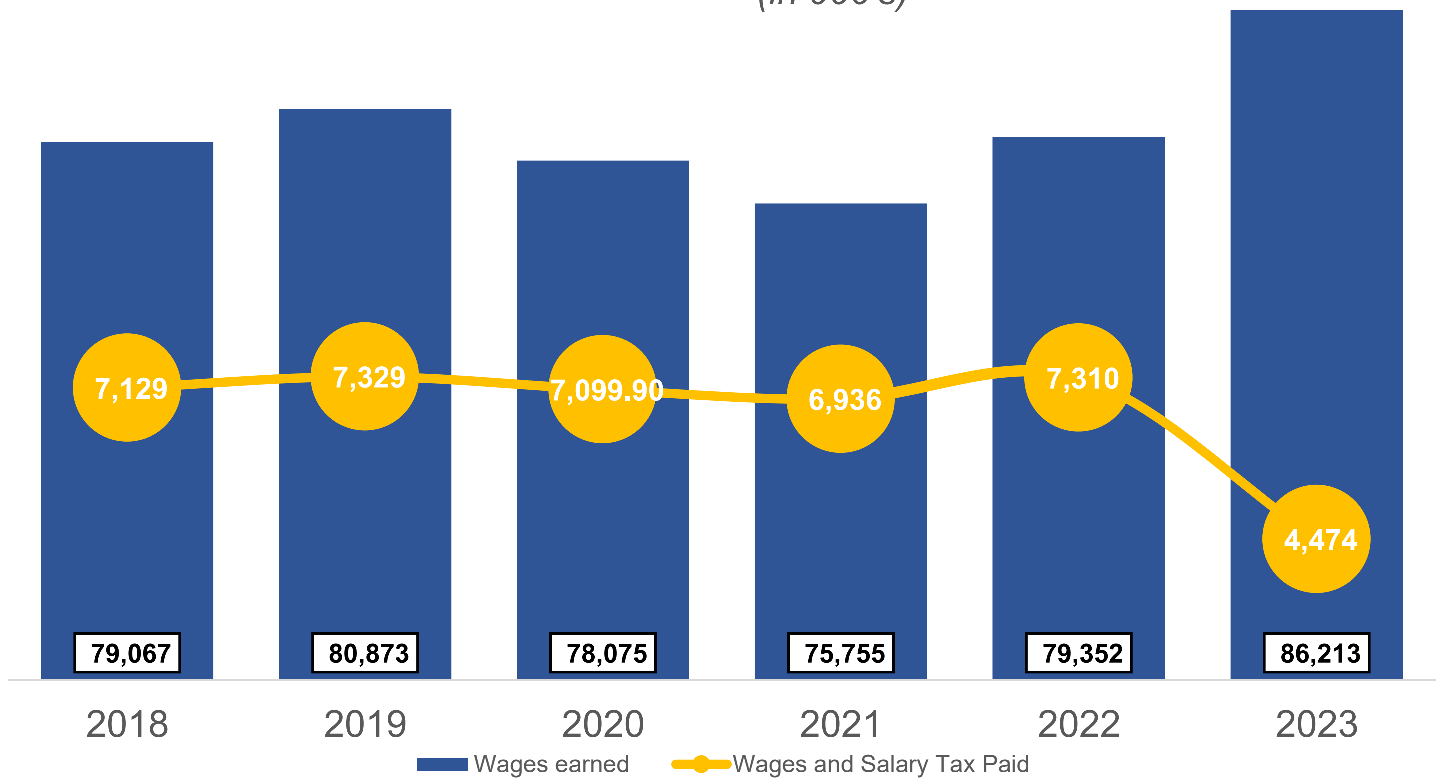
- ✓ Wages and Salary Tax Refunds
- ✓ Social Assistance to Retirees / Informal Sector
- ✓ Child Raising Subsidy to ALL Palauan children

WST Refunds
$3million

Retired Citizens Social Assistance
$1.2M

Child Subsidy Payments
$438K

Wages and Salary Reported v. Tax Paid for PALAUAN CITIZENS
Calendar Years 2018-2023
(in 000's)



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QUESTIONS?

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Thank You Very Much

For More information, visit www.palaugov.pw/taxreform