

GUAM USA

YOUR BUSINESS
SMART
DESTINATION

Guam Foreign Investment Equity Act

Under the U.S. Internal Revenue Code, there is a standard 30 percent state income tax rate for foreign investors in the United States. It is common feature of tax treaties negotiated by the U.S. to provide for lower tax rates on the investment income derived from treaty countries investments in the U.S.

Since Guam's territorial tax law mirrors the rates established under the U.S. Code, the territorial income tax rate for foreign investors in Guam is 30 percent. Foreign investors fund 75 percent of Guam's commercial development and the passage of the Guam Foreign Investment Equity Act is an important economic incentive to Guam.

The Guam Foreign Investment Equity Act, Public Law 107-212 was signed into law by President George Bush on August 21, 2002 and amends the Organic Act of Guam to provide the government of Guam with the authority to tax foreign investors, at the same rates that the 50 U.S. states currently are able to access relative to existing tax treaties with certain foreign nations.

As an example, under a treaty with Japan, the rate at which states may tax Japanese investors is 10 percent. That means that a Japanese investor's income would also be taxed at a rate of 10 percent in Guam as in any of the fifty U.S. states.

Excerpts of Public Law 107-212 as it pertains to the Guam Foreign Investment Equity Act:

- (a) SHORT TITLE - This section may be cited as the 'Guam Foreign Investment Equity Act'.
- (b) IN GENERAL - Subsection (d) of section 31 of the Organic Act of Guam (48 U.S.C. 1421i) is amended by adding at the end the following new paragraph:
- '(3) In applying as the Guam Territorial income tax the income-tax laws in force in Guam pursuant to subsection (a) of this section, the rate of tax under sections 871, 881, 884, 1441, 1442, 1443, 1445, and 1446 of the Internal Revenue Code of 1986 on any item of income from sources within Guam shall be the same as the rate which would apply with respect to such item were Guam treated as part of the United States for purposes of the treaty obligations of the United States. The preceding sentence shall not apply to determine the rate of tax on any item of income received from a Guam payor if, for any taxable year, the taxes of the Guam payor were rebated under Guam law. For purposes of this subsection, the term 'Guam payor' means the person from whom the item of income would be deemed to be received for purposes of claiming treaty benefits were Guam treated as part of the United States.'

**For more information, please contact:
The Guam Economic Development and Commerce Authority**

ITC Building, Suite 511
590 South Marine Corps Drive
Tamuning, Guam 96913



Tel: (671) 647-4332
Fax: (671) 649-4146
e-mail: help@investguam.com
or visit www.investguam.com

Table 1. Withholding Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties—For Withholding in 2004

Income code number		1	2	3	6		7	9	10	11		12	13	14
Country of residence of payee		Interest paid by U.S. obligors General ¹	Interest on real property mortgages ²	Interest paid to controlling foreign corporations ³	Paid by U.S. corporations—general ⁴	Qualifying for direct dividend rate ⁵	Capital Gains ⁶	Includ- ing ⁷ Royalties ⁸	Copyright royalties ⁹		Real Property Income and Natural Resources Royalties ¹⁰	Pensions and Annuities		
Name	Code								Motion Picture and Television	Other				
Australia	AS	0	0	0	0	0	0	0	0	0	0	0	0	
Austria	AU	0	0	0	0	0	0	0	0	0	0	0	0	
Barbados	BB	0	0	0	0	0	0	0	0	0	0	0	0	
Belgium	BE	0	0	0	0	0	0	0	0	0	0	0	0	
Canada	CA	0	0	0	0	0	0	0	0	0	0	0	0	
China, People's Republic of	CH	0	0	0	0	0	0	0	0	0	0	0	0	
Commonwealth of Independent States	III	0	0	0	0	0	0	0	0	0	0	0	0	
Cyprus	CY	0	0	0	0	0	0	0	0	0	0	0	0	
Czech Republic	EZ	0	0	0	0	0	0	0	0	0	0	0	0	
Denmark	DA	0	0	0	0	0	0	0	0	0	0	0	0	
Egypt	EG	0	0	0	0	0	0	0	0	0	0	0	0	
Estonia	EN	0	0	0	0	0	0	0	0	0	0	0	0	
Finland	FI	0	0	0	0	0	0	0	0	0	0	0	0	
France	FR	0	0	0	0	0	0	0	0	0	0	0	0	
Germany	GM	0	0	0	0	0	0	0	0	0	0	0	0	
Greece	GR	0	0	0	0	0	0	0	0	0	0	0	0	
Hungary	HJ	0	0	0	0	0	0	0	0	0	0	0	0	
Iceland	IC	0	0	0	0	0	0	0	0	0	0	0	0	
India	IN	0	0	0	0	0	0	0	0	0	0	0	0	
Indonesia	ID	0	0	0	0	0	0	0	0	0	0	0	0	
Ireland	IE	0	0	0	0	0	0	0	0	0	0	0	0	
Israel	IS	0	0	0	0	0	0	0	0	0	0	0	0	
Italy	IT	0	0	0	0	0	0	0	0	0	0	0	0	
Jamaica	JM	0	0	0	0	0	0	0	0	0	0	0	0	
Japan	JA	0	0	0	0	0	0	0	0	0	0	0	0	
Kazakhstan	KZ	0	0	0	0	0	0	0	0	0	0	0	0	
Korea, Rep. of	KS	0	0	0	0	0	0	0	0	0	0	0	0	
Latvia	LG	0	0	0	0	0	0	0	0	0	0	0	0	
Lithuania	LH	0	0	0	0	0	0	0	0	0	0	0	0	
Luxembourg	LU	0	0	0	0	0	0	0	0	0	0	0	0	
Mexico	MX	0	0	0	0	0	0	0	0	0	0	0	0	
Morocco	MO	0	0	0	0	0	0	0	0	0	0	0	0	
Netherlands	NL	0	0	0	0	0	0	0	0	0	0	0	0	
New Zealand	NZ	0	0	0	0	0	0	0	0	0	0	0	0	
Norway	NO	0	0	0	0	0	0	0	0	0	0	0	0	

Table 1. Withholding Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties—For Withholding in 2004 (Continued)

Income code number		1	2	3	6	7	9	10	11	12	13	14
Country of residence of payee		Interest paid by U.S. obligors General ^{aa}	Interest on real property mortgages ^{aa}	Interest paid to controlling foreign corporations ^{aa}	Paid by U.S. corporations—general ^{aa}	Dividends	Capital Gains ^{aa,aa}	Industrial Royalties ^{aa}	Motion Pictures and Television ^{aa}	Copyright royalties ^{aa}	Real Property Income and Natural Resources Royalties ^a	Pensions and Annuities
Name	Code					Qualifying for direct dividend rate ^{aa}				Other		
Pakistan	PK	30	30	30	30	3/15	30	0	30	0	30	0
Philippines	RP	15	15	15	25	2/20	0	0	15	15	30	0
Poland	PL	0	0	0	15	3/5	0	10	10	10	30	30
Portugal	PO	10	10	10	15	3/5	0	10	10	10	30	0
Romania	RO	10	10	10	10	1/10	0	15	10	10	30	0
Russia	RS	0	0	0	10	3/5	0	0	0	0	30	0
Slovak Republic	LO	0	0	0	15	3/5	0	10	0	0	30	0
Slovenia	SI	5	5	5	15	3/5	0	5	5	5	30	0
South Africa	SF	0	0	0	15	0	0	0	0	0	30	15
Spain	SP	10	10	10	15	3/10	0	18	18	15	30	0
Sweden	SW	0	0	0	15	3/5	0	0	0	0	30	0
Switzerland	SZ	10	10	10	15	0	0	0	0	0	30	0
Thailand	TH	15	15	15	15	1/10	30	18	15	15	30	0
Trinidad & Tobago	TD	30	30	30	30	30	30	15	30	0	30	0
Tunisia	TS	15	15	15	20	3/14	0	10	15	15	30	0
Turkey	TU	15	15	15	20	1/15	0	15	10	10	30	0
Ukraine	UP	0	0	0	15	3/5	0	10	10	10	30	0
United Kingdom	UK	10	10	10	15	0	0	10	10	10	30	0
Venezuela	VE	10	10	10	15	3/5	0	15	10	10	30	0
Other countries		30	30	30	30	30	30	30	30	30	30	30

I Contains a Business Profits article.

II See Article III of the treaty for treatment of business profits.

III See Article IV of the treaty for treatment of business profits.