



## Contractors Doing Business with the Federal Government

On behalf of the people of Guam, we would like to congratulate you on your successful bid for a contract on Guam with the Federal Government. Below are the Government of Guam's requirements you must be aware of prior to starting your project. Also, a listing of the necessary applications and forms you will need to fulfill these requirements are provided below. If you are a domestic contractor, you should be familiar with these requirements.

### I. Registration and Business License Requirements:

Generally, all contractors doing business on Guam are required to be licensed with the Guam Contractors License Board. An exception to this general rule is permitted in the case of a foreign or an off-island contractor doing work exclusively on military installations. The Guam Attorney General's opinion CLB 93-0543, dated June 17, 1993 states that with the exception of domestic contractors, contractors with contracts exclusively on military installations are not required to obtain a contractor's license with the Guam Contractors License Board. However, if you are a foreign or off-island corporation (whether or not you will be performing work exclusively on military installations), you will be required to first **register** or apply for a **Certificate of Authority** with the Department of Revenue and Taxation's (DRT) General Licensing and Registration Branch. If you are a contractor who is not required to obtain a contractor's license under the above exception, you are required to obtain a business license from DRT's General Licensing Branch before you begin your project. Please note that if you later decide to expand your contracting business to the local community (outside military installations), you would then be required to obtain a contractor's license from the Guam Contractors License Board.

### II. Business Privilege Tax Requirements:

Section 26201, Article 2, Chapter 26 of Title 11, of the Guam Code Annotated (GCA), states there is hereby levied and shall be assessed and collected monthly privilege taxes against the persons on account of their businesses and other activities in Guam measured by the application of rates against values, gross proceeds of sales or gross income as the case may be. Under this local law, you are required to file a monthly or a quarterly Gross Receipts Tax Return based on the period the income was received or accrued (depending on your accounting method).

The method of reporting and the applicable percentage has changed in recent years:

From **October 01, 1997 to March 31, 2003**, the tax rate was four percent (4%). The filing requirement was changed to a quarterly basis, with the return (Form BRQ) due at the last day of the month following the end of the quarter. For example, the return for the fourth quarter (October, November, and December) of 1997 was due on January 31, 1998. Deposits of the tax, however, were required monthly. For example, a deposit for October 1997 was due November 15, 1997.

From **April 04, 2003 to March 31, 2004**, the tax rate was increased to six percent (6%). The return (Form BRQ) was still required to be filed quarterly and the deposits made monthly (same requirements as above).

From **April 01, 2004 to Present**, the tax rate decreased to four percent (4%). The filing requirements also changed. The return (Form GRT) is required to be filed on a monthly basis and is due on the twentieth (20<sup>th</sup>) day of the following month. The payment of the tax is also due on the twentieth (20<sup>th</sup>) of the following month. For example, the return and the payment of tax for the month of April 2004 will be due on May 20, 2004.

For more details, please refer to the "IMPORTANT INFORMATION AND INSTRUCTION" section of Form BRQ and Form GRT (whichever is applicable).

For purposes of computing the Gross Receipts Tax as a contractor, amounts paid to a subcontractor may be deducted from gross income in determining the Gross Receipts Tax liability. Section 26202(e), Article 2, Chapter 26, Division 2, Title 11 of the GCA (**Tax on Contractors**) was repealed and reenacted to state that there shall be levied, assessed and collected a tax rate of four percent (4%) measured against the gross income of any contractor; *provided*, that there shall be deducted from the gross income of the taxpayer so much thereof as has been included in the measure of tax levied under this Subsection on another taxpayer who is a contractor, as defined in §26101(b); *provided*, that any person claiming a deduction under this Subsection shall be required to show in the person's return either the name and contractor's license number or the registration number for a professional engineer, architect or land surveyor or the Certificate of Authorization (COA) number for a business authorized to provide engineering, architecture or land surveying services by the Guam Board of Registration for Professional Engineers, Architects, Land Surveyors of the person paying the tax on the amount deducted by the person.

The Business Privilege Tax laws also provide for other exemptions for purposes of computing the taxable amount of income for Gross Receipts Taxes purposes. For more information on **“Exemptions”** please refer to §26203, Article 2, Chapter 26, Division 2, Title 11 of the GCA.

III. **Use Tax Requirements:**

Contractors may also be responsible for paying a Use Tax. Guam's Use Tax Laws may be applicable if you import any tangible personal property (i.e. equipment) to be used or consumed by you in the performance of your contract or brought for the exclusive use on the military installation. As per §28103, Chapter 28, Title 11 of the GCA, there is hereby a levy and shall be paid and collected at the times, and by the persons, hereinafter provided an excise tax upon the use or consumption of all property in Guam unless said equipment is to be exported upon completion of the project. The Use Tax is payable upon the importation of any property not held for resale.

IV. **Payroll Tax Requirements:**

Contractors are also required to file a quarterly return, Form W-1, “Employer’s Quarterly Guam Tax Return” to report salary and wage withholding taxes on Guam to DRT, and are required to deposit the withholding taxes monthly using Form 500, “Guam Depository Receipt” with the Government of Guam. Pursuant to the United States Internal Revenue Code Section 7651, the income tax laws in effect in the United States are the same as the income tax laws in Guam. Therefore, Income Taxes and Wage and Withholding on Guam earned income will be paid to the Treasurer of Guam. **However, Social Security Taxes/FICA Taxes (Form 941) will be paid to the Treasury of the United States.**

V. **Corporate Income Tax Requirements:**

Guam has its own territorial income tax system based on the Internal Revenue Code, except that the words “United States” are replaced with “Guam” where appropriate. This mirror system of taxation remains in effect until an implementation agreement between Guam and the United States goes into force. As a contractor doing business on Guam, you are required report and file a Guam Territorial Income tax Return. If you are a (domestic) corporation incorporated under the laws of the Territory of Guam, you are required to file Form 1120. If you are Foreign (not incorporated under Guam laws) corporation registered with DRT, you are required to file Form 1120F to report your Guam-sourced income and expenses.

VI. **Reporting Cash Payments of Over \$10,000 Requirement:**

Title 26 and Title 31 of the Guam Territorial Income Tax Code require that you file Form 8300, “Report of Cash Payments Over \$10,000 Received in a Trade or Business”, if your business receives more than \$10,000 in cash from one buyer as a result of a single transaction or two or more related transactions. Dual reporting of this information will now be made to both DRT and the U.S. Treasury Department’s Financial Crimes Enforcement Network (FinCEN). For more information regarding Form 8300, visit the IRS website at [www.irs.gov](http://www.irs.gov).

VII. **BOS Contractor Requirements:**

Public Law 27-103, the "Guam Competitiveness Act of 2004" aims to increase the competitiveness of Guam-based businesses when they bid for contracts and subcontracts driven by the A-76 effort to outsource major functions on Guam military bases. The law offers tax incentives to Base Operating Service (BOS) contractors and subcontractors to help them obtain price competitiveness when bidding against larger off-island companies for military contracts.

Specifically, the law provides:

1. Rebates of up to one-hundred percent (100%) of income taxes paid to the government of Guam, on income received exclusively from BOS contract operations, for the period covered under the BOS contract or such independent contract as the entity may have.
2. An abatement of one-hundred percent (100%) of Business Privilege (Gross Receipts) Taxes assessed on amounts received by businesses operating as BOS contractors or subcontractors for the period covered under the BOS contract or such independent contract as the entity may have.

The law however, requires the Guam Economic Development and Commerce Authority (GEDCA) to verify the following when considering any application for Qualifying Certificate (Q.C.) benefits by a Contractor or Subcontractor:

1. The Contractor/Subcontractor give first consideration for employment to former civil service employees employed in those activities taken over by the BOS Contractor, and that their salaries shall be consistent with the United States wages in the same positions;
2. The Contractor/Subcontractor avoid utilizing extraneous capacity in competition with Guam businesses or with Guam public utilities;
3. The Contractor/Subcontractor require all employees and persons working on the project, including its subcontractors and their employees, to be U.S. citizens or resident aliens; and
4. The Contractor/Subcontractor require at least seventy-five percent (75%) of the BOS Contractor and its Subcontractors to be former civil service employees employed in full-time positions in those activities taken over by the BOS Contractor.

In addition to the abovementioned conditions, the Q.C. Law requires that, to be deemed eligible, beneficiaries must create new jobs, and one or more of the following:

1. Replacement of imports
2. Reduction of consumer prices; or
3. Creation of affordable housing or vitally needed facilities; or
4. Creation of economic activity of value to the territory

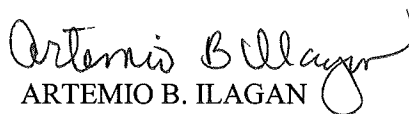
The next step in this process is to submit an application for Qualifying Certificate, along with the application fee of \$750 to GEDCA. In addition to the required forms, the application should include a market analysis and a comprehensive business plan that details your company's contracting efforts, employee information, and other relevant company information. The subsequent underwriting process, performed by GEDCA's Industry Development Division, will include a staff review of your application packet, statutorily required notices and public hearing, and reporting on their review to the GEDCA Board of Directors. Should the GEDCA Board of Directors recommend approval of your request, the Q.C. document will be forwarded to the Governor for approval and signature.

GEDCA welcomes interest in the QC program, and would consider requests for benefits given the above-mentioned eligibility criteria. For further information on the Q.C. application process, please do not hesitate to contact GEDCA's Industry Development Division directly at 647-4332.

Enclosed are general instructions and related forms necessary to meet your requirements to the Government of Guam. I hope that this will help answer some of your questions. If you have any questions, you may contact the Department of Revenue and Taxation at the following telephone numbers:

General Licensing Branch	(671) 635-1826/7/8
Business Privilege Tax Branch	(671) 635-1835/6
Income Tax Processing Branch	(671) 635-1840/1

Sincerely,

  
ARTEMIO B. ILAGAN

**Department of Revenue & Taxation**  
**Contractors Doing Business with the Federal Government**  
**Forms/Applications/E-Services**

To obtain Forms and Applications, please visit our offices located at the former Pricesmart Building, or visit our website at [www.guamtax.com](http://www.guamtax.com) for applicable links. You can also file certain forms online at [www.guamtax.com](http://www.guamtax.com), and make online tax payments at [www.guampay.com](http://www.guampay.com). These online services are specified below, where applicable.

**I. Business Registration Requirements:**

A. You MAY need to first register your company with our General Licensing Branch as:

Form Description	Download
Domestic or Foreign Corporation	<a href="http://govguamdocs.com">govguamdocs.com</a>
Domestic or Foreign Limited Liability Partnership	<a href="http://govguamdocs.com">govguamdocs.com</a>
Domestic or Foreign Limited Liability Company	<a href="http://govguamdocs.com">govguamdocs.com</a>

B. If you are not required to be licensed by the Guam Contractors License Board, you WILL need to apply for a business license:

Form Description	Download
Business License Application	<a href="http://govguamdocs.com">govguamdocs.com</a>

**II. Business Privilege Tax Requirements:**

A. Upon issuance of your business license you must then obtain a Gross Receipts Tax Account Number from our Business Privilege Tax Branch.

Applicable Period	Percentage	Form Description	Download	E-File	E-Pay
10/1/97 to 3/31/03	4%	BRQ (Revised Oct.1997)	<a href="http://govguamdocs.com">govguamdocs.com</a>	N/A	<a href="http://guampay.com">guampay.com</a>
04/1/03 to 3/31/04	6%	BRQ (Revised Dec.2003)	<a href="http://govguamdocs.com">govguamdocs.com</a>	N/A	N/A
10/1/97 to 3/31/04		BMD (Guam Business Monthly Deposit)	<a href="http://govguamdocs.com">govguamdocs.com</a>	N/A	N/A
4/1/04 to Present	4%	GRT (Revised Apr. 2004)	<a href="http://govguamdocs.com">govguamdocs.com</a>	<a href="http://guamtax.com">guamtax.com</a>	<a href="http://guampay.com">guampay.com</a>

**NOTE: Use of online services requires online registration. Certain transactions on [guampay.com](http://guampay.com) may require applying for a Taxpayer PIN.**

**III. Income Tax Requirements:**

A. At the end of your tax year, you are required to file an Income Tax Return by the 15<sup>th</sup> day of the third month following the close of your tax year.

Name	Form Description	Download
Form 1120	US Corporation Income Tax Return	<a href="http://www.irs.gov">www.irs.gov</a>
Form 1120F	US Income Tax Return of a Foreign Corporation	<a href="http://www.irs.gov">www.irs.gov</a>
Form 1065	US Return of Partnership Income	<a href="http://www.irs.gov">www.irs.gov</a>

**Note: Tax instructions can be downloaded from the IRS website ([www.irs.gov](http://www.irs.gov)).**

B. You are also required to deposit Wage Withholding Taxes on a monthly basis and file quarterly returns with DRT.

Name	Form Description	Download	E-File	E-Pay
Form 500	Guam Depository Receipt	<a href="http://govguamdocs.com">govguamdocs.com</a>	N/A	<a href="http://guampay.com">guampay.com</a>
Form W-1	Employer's Quarterly Guam Tax Return	<a href="http://govguamdocs.com">govguamdocs.com</a>	N/A	<a href="http://guampay.com">guampay.com</a>
Form SW-2	Employer Quarterly State Wage Report	<a href="http://govguamdocs.com">govguamdocs.com</a>	<a href="http://guamtax.com">guamtax.com</a>	N/A
Form W-2GU	Guam Wage & Tax Statement	<a href="http://www.irs.gov">www.irs.gov</a>	N/A	<a href="http://guampay.com">guampay.com</a>
Form W-3SS	Transmittal of Wage & Tax Statements	<a href="http://www.irs.gov">www.irs.gov</a>	N/A	<a href="http://guampay.com">guampay.com</a>