

# ***Compliance Analysis for: section 205-206.5.docx***

**\*\*Compliance Aspect: - Incomes and contributions or payments\*\***

**\*\*COMPLIANT\*\***

The Operations Manual Chunk explicitly addresses the aspect of "Incomes and contributions or payments" by detailing the calculation and reporting of remuneration, contributions, and payments for self-employed individuals. This aligns with Guideline Excerpt 2 (F) which mentions "remuneration paid for casual or intermittent labor not performed in the course of the employer's trade or business when the labor is in not more than one week in each month of each quarter."

The manual chunk also discusses reporting and payments of contributions, as stated in Guideline Excerpt 3 (a) and (b), where it mentions that employers and self-employed individuals shall submit reports and pay all amounts of contributions due at the end of each quarter.

Moreover, the manual chunk provides examples for calculating remuneration and contributions, which is in line with Guideline Excerpt 4 (b), where it mentions that a self-employed person who has, in a given quarter, at least one employee who receives remuneration from him, may choose to report his or her contributions by using actual income or salary as a basis for reporting contributions, or may be presumed to.

**\*\*Explanation & Reasoning:\*\***

The Operations Manual Chunk provides detailed instructions on how to calculate and report remuneration and contributions for self-employed individuals, which directly addresses the aspect of "Incomes and contributions or payments" as outlined in the relevant guidelines. The manual chunk cites specific examples and calculations that align with the guidelines provided.

**\*\*Verbatim Citations:\*\***

Manual: "A self-employed person, who has, in a given quarter, no employees who receives remuneration from him, shall be presumed to receive in any given quarter, as remuneration, ten percent (10%) of his gross revenue in the current quarter." (from Section 205.a)

Manual: "All participating employers and participating self-employed individuals shall submit to the Administration a report on an official form to the Administration and pay all amounts of contributions due at the end of each quarter." (from Section 206.b)

Guideline: "remuneration paid for casual or intermittent labor not performed in the course of the employer's trade or business when the labor is in not more than one week in each month of each quarter" (from Guideline Excerpt 2, F)

Guideline: "All participating employers and participating self-employed individuals shall submit to the Administration a report on an official form to the Administration and pay all amounts of contributions due at the end of each quarter." (from Guideline Excerpt 3, a and b)

**\*\*Compliance Aspect: - Reporting\*\***

**\*\*COMPLIANT\*\***

The 'Operations Manual Chunk' explicitly complies with the Relevant Guidelines regarding reporting. The manual outlines specific requirements for self-employed individuals to file their Social Security contributions report within one month from the end of each quarter (Manual: "The self-employed person shall have one month from the end of each quarter to file their Social Security contributions report."). This aligns with Guideline Excerpt 4, which states that reports should be submitted as soon as practicable after the end of each fiscal year (Guideline: "The Board shall, as soon as practicable after the end of each fiscal year, make a report to the President and to the Olbiil Era Kelulau on its operations and the functioning of the").

Moreover, the manual also specifies that any reports received more than one month from the end of the quarter shall be deemed delinquent (Manual: "Any reports received more than one month from the end of the quarter shall be deemed delinquent."), which is consistent with Guideline Excerpt 5, where all participating employers and self-employed individuals are required to submit their reports and payments at the end of each quarter (Guideline: "All participating employers and participating self-employed individuals shall submit to the Administration a report on an official form to the Administration and pay all amounts of contributions due at the end of each quarter.").

Lastly, the manual mentions that the amount of annual gross revenues shall be determined from the information submitted to the Tax Office, which is made available to the personnel of the Social Security Office (Manual: "This information shall be made available to the personnel of the Social Security Office under 41 PNC § 810(a)"). This aligns with Guideline Excerpt 3, where annual reports on the fiscal soundness of the Social Security System are provided to the Board, the President of the Republic, and the presiding officers of the Olbiil Era Kelulau (Guideline: "The Public Auditor shall issue annual reports on the fiscal soundness of the Social Security System, and such reports shall be provided to the Board, the President of the Republic, and the presiding officers of the Olbiil Era Kelulau.").

In summary, the 'Operations Manual Chunk' complies with the Relevant Guidelines by specifying the timeline for reporting, defining delinquent reports, and ensuring the availability of necessary information for reporting purposes.

**\*\*Compliance Aspect: - Enforcement Powers and Sanctions for Non-Compliance (specifically, failure to report or pay)\*\***

**\*\*COMPLIANT\*\***

The Operations Manual Chunk explicitly outlines penalties for non-compliance related to failure to report or pay. This is evident in the following citations:

\* Manual: "An employer who fails to report any amount of remuneration paid or fails to pay any amount of contributions due to the System is liable for a civil penalty, at the discretion of the Board, of not more than one hundred percent (100%) of the amount of any contributions withheld or two hundred fifty dollars (\$250), whichever is greater." (from Section 772(a))

\* Manual: "An employer who knowingly fails to report any amount of remuneration paid or knowingly fails to pay any amount of contributions due to the System is, in addition, guilty of a misdemeanor and is liable for a fine of

not more than two thousand dollars (\$2,000)." (from Section 772(c))

\* Manual: "If any contribution or penalty imposed by this chapter is not paid on or before the date prescribed for such payment, there shall be collected, in addition to such contribution and penalty, interest on the unpaid balance of the contribution or penalty at the rate of twelve percent (12%) per annum from its due date until the date it is paid." (from Section 772)

\* Guideline: "An employer who knowingly fails to report any amount of remuneration paid or knowingly fails to pay any amount of contributions due to the System is, in addition, guilty of a misdemeanor and is liable for a fine of not more than two thousand dollars (\$2,000)." (from Section 772(c))

\* Guideline: "An employer who knowingly makes a false statement or falsifies any report of record for the purpose of misleading, defrauding, or cheating the Fund shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years or a fine of not more than five thousand dollars (\$5,000), or both." (from Section 961(b))

\* Guideline: "An employer who knowingly fails to report or pay any amount of contributions due to the Fund shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both." (from Section 962(d))

These citations demonstrate that the Operations Manual Chunk addresses the relevant guideline aspect regarding enforcement powers and sanctions for non-compliance (specifically, failure to report or pay).

**\*\*Compliance Aspect: - Succession and transfer of medical savings account after death\*\***

**\*\*COMPLIANT:\*\*** The 'Operations Manual Chunk' explicitly addresses the succession and transfer of a Medical Savings Account (MSA) after death, albeit not directly related to the MSA itself but rather to Social Security contributions. However, it does provide guidance on who should act as the owner of the business until a permanent transfer of ownership takes place.

**\*\*Explanation & Reasoning:\*\*** The manual chunk outlines the order of priority for presumed ownership in case of a deceased self-employed individual operating a sole proprietorship (Section 206.5). This order includes the Administrator or Executor, surviving spouse, oldest surviving child, oldest surviving sibling, or closest relative. It is important to note that this presumption applies only until a Court order identifies an owner, until a business license is issued to a new owner, or until other evidence is presented which sufficient to determine ownership.

**\*\*Verbatim Citations:\*\***

- Manual: "When a self-employed individual operating a sole proprietorship is deceased, the Administrator or Executor of the Estate, if one has been appointed, shall be responsible to report to SSA who will act as owner until a permanent transfer of ownership takes place." (Section 206.5)

- Guideline: "Upon the death of an individual who has a Medical Savings Account, the money in that account shall be used to pay off any outstanding healthcare costs..." (41 PNCA § 963(a))