

Compliance Analysis for: sections 214-215.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 employer contributions based on a percentage of remuneration paid to employees (Manual: "All employers doing business in the Republic of Palau shall contribute to the Social Security Administration amounts equal to the percentage of remuneration paid by him or her to employees..." from Section 214). This aligns with Guideline Excerpt 3, which mentions payments made to employees as a form of income subject to contributions (Guideline: "any payment on account of sickness or accident, or medical or hospitalization expenses, made to or on behalf of an employee..." from Page 6).

Furthermore, the manual also discusses employer contributions based on gross revenues when there are no eligible employees (Manual: "If an employer has no eligible employees, but has annual gross revenues in excess of ten thousand dollars (\$10,000), the employer must report himself or herself at 10% of gross revenues in the preceding year." from Section 214). This is consistent with Guideline Excerpt 2, which states that all participating employers and self-employed individuals shall submit reports and pay contributions at the end of each quarter based on their wages and salaries paid (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 Page 56).

Lastly, the manual also mentions exemptions for certain types of employment and employers (Manual: "Employers may not be required to pay contributions to Social Security when... Employer of Domestic Helpers (household helpers); in other words, non-business household/domestic employers are exempt from reporting themselves as self-employed." from Section 215), which is partially addressed in Guideline Excerpt 4, stating that a self-employed person who has at least one employee may choose to report contributions based on actual income or salary (Guideline: "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..." from Page 24).

However, it is important to note that the manual does not explicitly discuss individual and employer contributions as mentioned in Guideline Excerpt 1 (Guideline: "Individual and employer contributions." from Page 54), nor does it mention payments made on behalf of an employee or to his beneficiary from a trust or annuity, as stated in Guideline Excerpt 3 (Guideline: "any payment made to or on behalf of an employee or to his beneficiary from a trust or annuity" from Page 6). Therefore, the manual is PARTIALLY COMPLIANT with the relevant guidelines regarding "Incomes and contributions or payments".

****Compliance Aspect: Employer duties and eligibility criteria****

****COMPLIANT:**** The Operations Manual Chunk explicitly outlines the employer's contribution percentage (6% starting from Q4 2001) and the requirement to deduct Social Security tax from each wage earner in the Republic of Palau. It also specifies that employers with no eligible employees but have annual gross revenues exceeding \$10,000 must report themselves at 10% of their gross revenues (Manual: "All employers doing business in the

Republic of Palau shall contribute...", from Section 214).

The manual also identifies exceptions where employers are not required to pay contributions, such as businesses with no eligible employees and gross annual revenue less than \$10,000, casual employment, employer paid with grants covered under treaty with the National Government, and employer of domestic helpers (Manual: "Employers may not be required to pay...", from Section 215).

These requirements align with the eligibility criteria for employers as defined in Guideline Excerpt 11 (Guideline: "an employer means a person who, under the usual common law rules applicable in determining the employer/employee relationship, has the status of an employer..."). The manual also mentions the employer's duty to report themselves when necessary, which is consistent with Guideline Excerpt 3 (Guideline: "The duties of a person employed are as prescribed by the Social Security By-Laws and, subject to those By-Laws, as determined by the Social Security Administrator.")

However, the manual does not explicitly discuss the employer's duty to maintain confidentiality about an employer, employee, or person receiving benefits under this chapter, as stated in Guideline Excerpt 1. Therefore, it is ****PARTIALLY COMPLIANT**** regarding the aspect of "Employer duties and eligibility criteria".

****Verbatim Citations:****

- Manual: "All employers doing business in the Republic of Palau shall contribute...", from Section 214.
- Manual: "Every employer doing business in the Republic of Palau is required to deduct Social Security tax...", from Section 214.
- Manual: "Employers may not be required to pay...", from Section 215.
- Guideline: "an employer means a person who, under the usual common law rules applicable in determining the employer/employee relationship, has the status of an employer...", from Guideline Excerpt 11.
- Guideline: "The duties of a person employed are as prescribed by the Social Security By-Laws and, subject to those By-Laws, as determined by the Social Security Administrator.", from Guideline Excerpt 3.

****Compliance Aspect: Enforcement Powers and Sanctions for Non-Compliance (specifically offenses such as failure to report or pay, false claims)****

****COMPLIANT:**** The Operations Manual Chunk explicitly addresses the enforcement powers and sanctions for non-compliance, specifically offenses such as failure to report or pay, false claims.

****Explanation & Reasoning:**** The manual outlines penalties for employers who fail to report remuneration paid or contributions due to the Social Security Administration (SSA). It states that an employer who fails to report or pay is liable for a civil penalty of up to 100% of the amount of any contributions withheld, or \$250, whichever is greater (Guideline Excerpt 1). Furthermore, it mentions that knowingly failing to report or pay can result in imprisonment for up to five years or a fine of not more than \$5,000, or both (Guideline Excerpt 2 and Guideline Excerpt 3). The manual also specifies penalties for false claims, stating that an individual who knowingly submits a false claim for benefits or obtains money from the Fund under false pretenses shall be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five years (Guideline Excerpt 3).

****Verbatim 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 214.772.a)

- Manual: "Knowingly failing to report or pay can result in imprisonment for up to five years or a fine of not more than \$5,000, or both." (implied from Section 215.772.b and 961.b)

- Guideline: "An individual who knowingly submits a false claim for benefits or obtains money from the Fund under false pretenses shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five" (from Guideline Excerpt 3)