

REPUBLIC OF NAURU

REVENUE ADMINISTRATION (AMENDMENT) BILL 2020

EXPLANATORY MEMORANDUM

The *Revenue Administration (Amendment) Bill 2020* is a Bill for the *Revenue Administration (Amendment) Act 2020*.

This memorandum provides an explanation of the Bill and is only intended to indicate the general effect. The amendment provides clarity to the Act which provides harmonised procedural rules applicable to the administration of the taxes covered by the Act.

EXPLANATION OF CLAUSES

Clause 1 provides that, once enacted, the short title of the Bill will be the *Revenue Administration (Amendment) Act 2020*.

Clause 2 sets out when the Bill's provisions will commence which is upon certification by the Speaker.

Clause 3 is the enabling provision for the amendment of the *Revenue Administration Act 2014*.

Clause 4 amends Section 9(1) of the Act. Section 9 of the Act provides for registration for Tax Identification Numbers. The current Section provides for registration of 2 categories of tax payers. The first category, is a 'resident person'. The second category is any person who may be liable to pay tax. In other words, his or her income becomes subject to tax because of profit.

The proposes amendment now inserts a third category which the Secretary now has the power to require any person to register for a Tax Identification Number. The 'other person' refers to any person who is not a resident person or is one who is liable to pay tax.

This amendment now brings Nauru's taxation laws consistent with the international obligations and requirements for declaration of income which is managed through a taxation system in the respective countries. This will also enhance the provisions for the automatic exchange of information required under the *Automatic Exchange of Financial Account Information Act 2016*. This is also consistent with the OECD requirements and also the Council of the European Union requirements.

Clause 5 amends Section 66A of the Act.

Subsection (1)(a) is amended by deleting '(3A)' and substituting '(5)' immediately after the word and figures 'section 41'. This is a consequential amendment required after the deletion and substitution of section 41 of the *Business Tax Act 2016*.

This Clause also amends subsection (1)(b) by deleting the word '*the*' that appears before the word '*vary*'. The amendment to subsection 1(b) corrects a typographical error only and ensures the subsection is grammatically correct.