

## REPUBLIC OF NAURU

### EMPLOYMENT AND SERVICES TAX (AMENDMENT) BILL 2020

#### EXPLANATORY MEMORANDUM

The *Employment and Services Tax (Amendment) Bill 2020* is a Bill for the *Employment and Services Tax (Amendment) Act 2020*.

This memorandum provides an explanation of the Bill and is only intended to indicate the general effect.

#### EXPLANATION OF CLAUSES

**Clause 1** provides that, once enacted, the short title of the Bill will be the *Employment and Services Tax (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 *Employment and Services Tax Act 2014*.

**Clause 4** amends Section 12 by deleting the word '*non-resident*' where it appears in subsections (1) and (4). Section 12 provides for the imposition of "services tax" on a person who receives a services fee from sources in Nauru. The tax is a final tax on the fee (section 14(a)) and the payer of a services fee collects the tax by withholding the tax from each payment of a services fee.

The amendment to sub-section (1) ensures that the services tax imposed under this section applies equally to Nauruan resident individuals in the same manner as "employment tax" applies to Nauruan resident individuals. Nauruan resident individuals in receipt of services fees now receive the same tax-free threshold as those Nauruan resident individuals in receipt of employment income. The amendment ensures uniformity in the application of the employment and services tax law, and equitable treatment for Nauruan resident individuals.

The amendment to sub-section (4) is consequential to the amendment to sub-section (1)

**Clause 5** amends Section 18 by deleting the word '*non-resident*' where it appears. The amendment to section 18 is consequential to the amendment to section 12.

**Clause 6** amends Section 24(2)(a) by deleting the word '*non-resident*' where it appears. The amendment to sub-section (2)(a) is consequential to the amendment to section 12.

**Clause 7** amends Section 26 by deleting the word '*non-resident*' where it appears in subsections (2) and (3). The amendment to sub-section (2) and (3) is consequential to the amendment to section 12.