

REPUBLIC OF NAURU
BUSINESS TAX (AMENDMENT) BILL 2020

SECOND READING SPEECH

Honourable Martin Hunt MP

22 October 2020

Mr. Speaker Sir,

I have the pleasure of introducing to the House today a Bill for amendment of the *Business Tax Act 2016*.

This Bill, once passed, will strengthen the *Business Tax Act 2016*, and result in a more practical application of the provisions of the tax laws. This will ensure the intended outcomes of the application of the law are achieved. Most importantly, the amendments will ensure that Nauru continues to be compliant with international standards and will continue to be viewed as a compliant member of the global tax community.

Mr Speaker, the *Business Tax Act 2016* is the enabling legislation which imposes the taxes covered by the Act, and was enacted on 9th June 2016. At the time of enactment it is not always possible to predict every consequence or unintended outcome of the application of the provisions of the legislation. In addition, international taxation compliance requirements are constantly being strengthened which requires tax jurisdictions to review tax laws to ensure ongoing compliance.

This Bill, once passed, will make technical changes to the provisions of the *Business Tax Act 2016*, which will remove any doubt, ambiguity or unintended consequences in the interpretation and application of the law. The amendments will ensure also that Nauru retains its highly coveted “largely compliant” OECD rating.

Mr Speaker, the amendments to the *Business Tax Act 2016* will serve three purposes:

1. The amendment removes any doubt as to who is required to file a business profits tax return, and authorises the Secretary for Finance to request lodgement of a return if he or she believes a return is required

to be lodged. This amendment will bring Nauru business profits tax return filing requirements into line with international standards;

2. The amendment ensures that the amount of instalments of business profits tax payable during the year will more closely align with the actual business profits tax liability for the whole tax year. This will mean the collection of tax progressively during the tax year instead of waiting until year end for payment; and
3. The amendment will subject worldwide income to tax rather than only Nauru income. In addition, credit will be allowable for any foreign tax paid if the income is also subject to tax in Nauru. This ensures that tax is paid only once and not twice on the same income. Nauru tax law will now be consistent with international standards. Nauruan residents will not be affected as the tax-free threshold is not being changed.

Mr. Speaker, this Bill once passed, will serve to ensure that the necessary taxation legislative framework is in place, and that it reflects best practice in the application of the law, so that the intended outcomes are fairly achieved. The amendments will ensure that Nauru is not seen to administer a foreign income exemption regime, and Nauru will be compliant with OECD and international standards.

Mr Speaker, the explanatory memorandum details the provisions of the Bill. Sir, I request that the explanatory memorandum be read and recorded in the Hansard Report.

I commend the Bill to the House.