

REPUBLIC OF NAURU
EMPLOYMENT & SERVICES TAX BILL 2014

SECOND READING SPEECH

Honorable David Adeang M.P.

19 August 2014

Mr. Speaker Sir,

I have the pleasure of introducing to the House today a Bill for the *Employment & Services Tax Act 2014*.

This Bill once passed, will provide the legislative authority for the taxing of payments made to employees and service providers. Never before have such payments been subject to any form of taxation in Nauru.

Mr Speaker, whilst the introduction of a taxation regime for Nauru is new and innovative, it is by no means a new concept on the world stage.

The esteemed American president Benjamin Franklin, in a letter to Jean-Baptiste Leroy in 1789, stated;

“Our new Constitution is now established, and has an appearance that promises permanency, but in this world nothing can be said to be certain, except death and taxes.”

Historically, significant payments in the nature of employment and service fees have been paid to non-residents of Nauru. Whilst no contribution, by way of taxation, has ever been made to the Nauru Treasury, in many cases contributions would have been made to the Treasury of the recipient’s country of residence. As the income has been earned in Nauru then this is clearly inequitable.

Mr Speaker, it is for this reason that Nauru needs to adopt this new initiative.

It is a universally recognised principle that the country in which services are provided, or economic activity is undertaken, has the primary taxing rights on that income. Nauru is now exercising that right.

Mr. Speaker, this Bill, once passed, will serve to ensure that the necessary legislative framework is in place to provide the authority for the taxation of employment and services income earned in Nauru.

The introduction of the *Employment & Services Tax Act* will align Nauru with neighbouring Pacific Island nations, and indeed with the rest of the world, in terms of “world best practice” tax administration.

Mr Speaker, the explanatory memorandum describes in detail the provisions of the Bill.

I commend the Bill to the House.