



REPUBLIC OF NAURU

MINISTRY OF FINANCE
Nauru Revenue Office

Date: 19th December 2019

NOTICE : Employers and Payers of Employment & Services Tax (EST) in 2019-2020

Please take careful note of the following important points in relation to the correct withholding, filing and payment of your monthly EST to the Nauru Revenue Office (NRO):

- I. Filing is due no later than the 15th day following the end of each month in respect of which tax has been deducted and withheld from employees and/ or independent service providers;
- II. No period of grace will be afforded to any employer filing and paying EST late, effective from the date of this notice.
- III. Statutory late filing and late payment penalties will be applied to any employer who does not file and pay the EST withheld on behalf of the employee/payee by the due date;
- IV. Tax free thresholds still apply to all Nauru resident employees by way of EST Regulation;
- V. Only non-residents (expatriates) who are directly contracted to the Government of Nauru (GoN) are entitled to an annual tax free threshold of \$20,000 by way of EST Regulation.
- VI. All other non-resident employees are taxed from dollar one, at the following tax rates –
 - (i) Regional Processing Centre (RPC) related employees/ independent service providers are subject to a 30% rate of tax,
 - (ii) Non RPC related employees/independent service providers are subject to a 20% rate of tax;
- VII. In terms of EST deductions in respect of amounts paid for employees and non-resident service providers, please ensure that you withhold EST in respect of amounts paid for **all** work performed on behalf of your business, whether it be undertaken here in Nauru or elsewhere, as the income received by the employee/payee has a Nauruan source and is subject to EST;
- VIII. Check to ensure that you are withholding EST from all employment income including salary, wages, leave pay, taxable allowances, overtime, bonuses and compulsory employer superannuation contributions;

- IX. Ordinarily, the employee/payee receives the net amount after the appropriate EST is withheld from total gross employment income.

Example(A):

John Brown is on a gross salary package of \$12,500 per month and is subject to EST at a rate of 30%. The correct amount of EST payable each month is as follows:

<i>Gross salary (monthly)</i>	<i>\$ 12,500</i>
<i>Monthly EST payable@30%</i>	<i>\$ 3750</i>
<i>Net take-home salary</i>	<i>\$ 8,750</i>

- X. Conversely, if you the employer/payer are paying EST on behalf of your employee/ independent service provider, you need to check to ensure that you are deducting the correct amount of tax each month. This arrangement is commonly referred to as a "grossing up" of salary/wage or fees and can often be explicitly included under contractual terms.
- XI. When a "grossing up" of salary occurs, the employer/payer has paid the EST on behalf of the employee/payee. In this situation, the EST should be calculated on the "grossed up" amount.

Example (B)

John Brown is on a salary package of \$12,500 per month. However under his new contract he has negotiated terms such that his employer has now agreed to pay all taxes (30% rate) on his behalf to ensure his net pay equates \$12,500.

<i>Gross Salary (per month)</i>	<i>\$12,500</i>
<i>Gross-up amount (\$12,500 / 1 - 0.30)</i>	<i>\$17,857</i>
<i>Monthly EST payable @30%</i>	<i>\$ 5,357</i>
<i>Net take-home salary (per month)</i>	<i>\$12,500</i>

This example represents a "grossing up" of John Brown's salary to ensure that his gross salary remains unchanged which equates the benefit he has received from you the employer. Accordingly, you are required to withhold \$5,357 EST monthly and remit to the NRO.

Please ensure that you familiarise yourself with all of these key points. Any further enquiries can be directed to the NRO via email at nauru.tax@gmail.com or at the public NRO tax enquiry counter Level 1, Civic Centre, Aiwo.

I look forward to your ongoing co-operation and compliance throughout the remainder of 2019 and beyond.

Yours faithfully,



Robert T Greenwood
Deputy Secretary Revenue
Nauru Revenue Office