Nauru Revenue Office

Guide for the Preparation of the Business Profit Annual Return Form A, B and C

Business Profit Annual Return Preparation

2023-24

Accounting Method

In preparing the return the International Financial Reporting Standards (IFRS) requires the use of the accrual method for recording all revenue and expenses except when it is inconsistent with the provisions of the Business Tax Act 2016 (BTA).

Accrual Based Accounting

Under the accrual basis, revenues and expenses are recorded when a debt is due to you or to your supplier, regardless of when the money is actually received or paid. The recognition of revenue and expenses is not concerned with the dates of actual cash flows. This method is consistent with IFRS and generally consistent with the BTA.

Note: If your business has only cash transactions both the cash basis and accrual basis accounting will produce the same results.

Example: Accruals method

Janson manages his own business as a carpenter. He completed a contract in May 2023 worth $7,000 and issued an invoice on 31 May 2023. However, the invoice wasn't paid until 30 August 2023. Using the accruals accounting method, he must include the $7,000 in his gross revenue for the year ended 30 June 2023.

Calculating Gross revenue

General

The Business Tax law in Nauru is based on the two criteria of residency and source. Residents of Nauru are liable to tax on all business income irrespective of whether derived from a source in Nauru or outside Nauru. Non-residents are only liable to tax on business income derived from a source in Nauru.

Resident

Gross revenue from all sources means for residents all income earned from the conduct of a business, whether the business is conducted within (i.e. Nauru source income) or outside Nauru (i.e. foreign source income).

Foreign source income for a resident person means all business income earned outside Nauru, including gross proceeds from the disposal of inventory, gross fees received for the provision of personal services (other than employment income) and such income as follows:

- rental Income derived from a lease of real property outside Nauru;
- a gain from the disposal of an interest in a non-resident company, non-resident partnership or non-resident trust;
- an insurance premium received for insurance of a risk outside Nauru;
- a distribution paid by a non-resident company, non-resident partnership or non-resident trust.

Transfer the total amount of gross foreign income to Line 1 of **Schedule 1 - Foreign Income**.

Non-Residents

Gross revenue derived by a non-resident person from sources in Nauru includes income from:

- A business conducted by a person through a permanent establishment in Nauru,
- Sales in Nauru of goods or merchandise of the same or similar kind as those sold by the person through a permanent establishment in Nauru; and
- Any other business activity conducted in Nauru of the same or similar kind as that conducted by the person through a permanent establishment in Nauru.

Resident and Non-Resident

This type of revenue is ***always*** considered to be derived from sources in Nauru:

- rental income from the lease of real property in Nauru;
- a gain arising on the disposal of real property in Nauru including;
- a gain arising on the disposal of an interest in a company, partnership, or trust, if the value of the interest is derived, directly or indirectly through one or more interposed entities, solely or principally from real property in Nauru;
- interest or a royalty when it is:
  - (i) paid by a resident person, other than as an expenditure of a business conducted by the person through a permanent establishment outside Nauru; or
  - (ii) paid by a non-resident person as an expenditure of a business conducted by the person through a permanent establishment in Nauru; or
- an insurance premium for the insurance of a risk in Nauru.

Gross Revenue does not include

- a distribution by a resident company, partnership, or trust;
- exempt income of the type identified in the Business Tax Act 2016;
- an amount subject to Non-resident tax or International Transportation business tax
- an amount subject to services tax.

Gross Revenue Section – Label A

Line 1-4

Gross sales from trading

Gross fees from professional / technical / trade services

Gross Rent from lease of property/other assets

Gross interest income

When calculating the income of your business you need to include all of your gross revenue resulting from the ordinary course of your business, do not take away any expenses at this point. There are also a number of other payments, which may not be part of the everyday running of your business which you will need to include in your gross revenue. For example, you may also take some of your trading stock for your own use or sell goods or services and receive something other than money as payment. The value of these goods and services will need to be included in your gross revenue

The gross revenue of a person for a tax period is the sum of the following amounts derived by the person during the period from sources in Nauru, includes the gross receipts from the conduct of a business, including the gross fees as compensation for providing personal services (other than employment income), interest, rent, or other proceeds of a business whatever their description.

Do not forget to consider revenue sourced through the sharing economy

The sharing economy allows people to connect with others to complete various transactions including sharing resources or assets, providing services or crowdfunding. These transactions generally occur online or through smart devices.

If you earn or receive money, goods or services through the sharing economy some or all of it may be included in gross revenue, depending on the nature of the arrangement, your role in it, and your own circumstances.

Line 5 Royalties received

Any royalty payments are to be included in your gross revenue. A royalty means an amount, however described, whether periodical or a lump sum, as consideration for:

- the use of, or right to use a patent, invention, design or model, secret formula or process, trademark, or other like property or right;
- the use of, or right to use a copyright of a literary, artistic, or scientific work (including films or video tapes for use in connection with television or tapes in connection with radio broadcasting);
- the receipt of, or right to receive, visual images or sounds, or both, transmitted by satellite, cable, optic fibre, or similar technology in connection with television, radio, or internet broadcasting;
- the use of or right to use industrial, commercial, or scientific equipment;
- the supply of any scientific, technical, industrial, or commercial knowledge, information, experience, or skill;
- the supply of assistance that is ancillary and subsidiary to, and is furnished as a means of enabling the application or enjoyment of property, a right, or a supply referred above the right to take minerals or a living or non-living resource from land or sea, and includes an amount calculated in whole or part by reference to the quantity or value of minerals or a living or non-living resource taken from land or sea;

Line 6 Other gross business incomes

Payments you receive as a business but are derived from activities outside the ordinary course of running your business may also need to be included as assessable income. These may include the proceeds from disposing of a business intangible such as a right or trademark and payments you receive from isolated transactions outside the ordinary course of your business, if the intention of the transaction is to make a profit.

If you are not sure whether a payment you receive needs to be included in your gross revenue, ask a tax professional or contact us.

Line 7 Gain on disposal of business assets

As part of running your business you may sell non- trading stock assets, such as buildings, vehicles office furniture and equipment. For the purposes of calculating gross revenue the revenue or gain on disposal of a business asset is the amount by which the payment for the disposal of the asset exceeds the written down value of the asset at the time of disposal. Refer to the depreciation discussion at Line 21 below for more detail regarding calculation of the balancing charge.

Note also, that if the payment exceeds the original cost of the asset, the amount to be included in gross revenue would be the excess over the written down value (recouped depreciation) and the excess over the original cost.

Line 8 Reimbursements of amounts recovered which are allowed as a tax deduction

Gross revenue is to include the amount of expenditure, loss, or bad debt previously allowed as a deduction that has been reimbursed or recovered by the person. This could also include insurance payouts and court compensation if the loss was originally claimed as a deduction.

Example: A debt in a financial year that has been written off as irrecoverable because the person who owed the debt has left Nauru and can't be located. It was claimed as a deduction against gross revenue in that year. If that person then returns and pays the debt in a later year then it will need to be returned as gross revenue.

Trading Account Section - Label B

General

This section enables the calculation of the cost of the goods sold (COGS) in the tax year. In order to establish COGS you will need to know your opening stock (Line 9), closing stock (Line 11) and the amount of trading stock you have purchased during the year (Line 10).

What to include as trading stock

Trading stock is anything your business produces, manufactures or acquires, for the purpose of manufacturing, selling or exchanging. Livestock is also trading stock.

Trading stock does not include:

- stocks of spare parts held for repairs or maintenance to plant and equipment
- consumables used in manufacturing trading stock, such as cleaning agents or sandpaper.

You are required to undertake a stocktake as close as possible to the end of each income year. Conducting a stocktake usually involves physically counting your stock and valuing each item at ***cost***.

The cost price includes all costs associated with bringing the stock to its current condition and location. This may include the cost price plus freight, insurance, customs and excise duties, and delivery charges.

An increase in your trading stock over the year is assessable income, while a decrease is an allowable deduction. This is worked out through the calculation at Lines 9-11

The closing stock at the end of one income year automatically becomes the opening stock at the beginning of the next income year. If you did not have any trading stock in the previous year, the value of opening stock at the start of the year is zero. This might occur if you have just opened a new business or if this is the first year you have trading stock.

Note: If you take an item of trading stock for your private use, you need to:

- account for it as if you had sold it at cost
- and include the value of the item in your gross revenue.

Calculating Deductions General

You can claim a deduction for most expenses you incur in running your business as long as they are directly related to earning your gross revenue. You claim these deductions at the appropriate line in the Business Profits Annual tax return.

In general, if you make a purchase or use an asset for both business and private purposes you can only claim a deduction for the business portion of the expense. If you use an item in your business for only part of a year you may need to restrict your claim to the period it was used for the business.

You cannot claim expenses for assets that have a longer life and are considered to be capital assets when they are purchased. For assets such as buildings, motor vehicles, furniture, machinery and equipment which are used in generating gross revenue over a number of years, the cost can be claimed over the term of their useful life. The amount is based on the decline in value (that is, depreciation) of the asset each year.

Public Ruling 1/2017 has been issued to provide guidance in calculating depreciation.

No Deduction allowed

Apart from capital expenditure and expenses of a private and domestic nature no deduction is allowed for the following:

- a distribution, an amount of capital withdrawn, or a sum employed as capital;
- any provision or reserve reflected in the business accounts for example a provision for doubtful debts or asset revaluation reserve
- an expenditure or loss recovered or recoverable under a policy of insurance or a contract of indemnity, guarantee, or surety;
- business profits tax, and any penalty or interest payable in respect of a business profits tax

- a fine or penalty imposed for violation of any law or regulation; interest payable to an associate unless included in the gross revenue of the associate or subject to non-resident tax. (see TD 3/2020 BPT Deductibility of interest paid).
- a service fee, royalty, or insurance premium paid or payable to a non-resident associate except when the service fee, royalty, or insurance premium is included in the gross revenue of the associate or subject to non-resident tax or services tax. (See Tax Determination (TD) 4/2020: BPT Deductibility of Service Fees, TD 1/2020: BPT Deductibility of Royalties and TD 2/2020: BPT Deductibility of Insurance Fees).

Deductions against foreign Income

A resident person is allowed a deduction of all foreign expenditure and losses incurred in the derivation of gross foreign income including:

- the cost of inventory disposed of by the person during the year as determined under international financial reporting standards;
- the total amount by which depreciable assets and business intangibles of the person have declined in value during the year from use in deriving amounts included in assessable income; and
- a loss on the disposal of a business asset during the year, other than inventory; and
- Any other amounts allowable as a deduction to a person under the Business Tax Act.

Transfer the total amount of deductible foreign expenditures to Line 2 of Schedule 1 – Foreign Income Schedule.

Expenses Section – Label D

Line 12 Salary and Wages

The total amount of salary and wages to employees can be claimed. This would include amounts withheld from employees subject to the Employment and Services Tax 2016 (EST). The tax withheld under this act represents the employee's tax obligation not that of the employer. This includes contributions to a superannuation/retirement or savings fund if the EST withholding tax has been paid.

No deduction is allowable if the EST obligation has not been paid. (see TD 5/2020 BPT: Deductibility of Employment Related Expenses).

Line 13 Contractor fees

The total amount of payments to contractors engaged in the business can be claimed. This would include amounts withheld from contractors who provide services subject to the Employment and Services Tax 2016 (EST). The tax withheld under this act represents the contractor's tax obligation not that of the business.

No deduction is allowable if the EST obligation has not been paid. (see TD 4/2020: BPT Deductibility of Service Fees)

Line 14 Commission Paid

The amount of commissions paid to agents employees and other can be claimed to the extent that the commissions are paid in order to generate gross revenue. Note that commissions paid to non-residents may be subject to EST and no deduction will be allowed unless any amounts owing under the EST legislation is paid.

Line 15 Rent and/ or lease costs

You can claim for the costs of renting or leasing your business premises and any other rent and lease costs incurred in generating gross revenue. If the rent or lease expense is incurred for a location or item that has both a business and private use you will need to ensure that only the business expense is claimed.

Example:

Massie rents a building space which includes her shop and private residence. The total floor space she rents is 60 square metres and she pays $500 a month. Massie can claim the rent on the business space as a deduction. One acceptable way to calculate the deductable amount is to base the amount to be claimed on the percentage of the total floor space used for business. If 40 square metres is used for business the monthly deduction would be $500 x 40/60 = $333.

Line 16 Motor vehicle expenses

You can claim for the costs of Motors Vehicles used in generating gross revenue. These costs include petrol, maintenance, insurance, registration, rent and similar expenses. It does not include the cost of the vehicle itself which is considered to be a depreciable asset.

If the motor vehicle has both a business and private use you will need to ensure that only the business expense is claimed. You can determine this by recording the type of use in a log book or making a reasonable estimate of the type of use.

Line 17 Repairs & maintenance

You can claim for the costs for the repairs and maintenance of assets, equipment and premises used in generating gross revenue. As a general principle the expense that can be claimed is the cost of bringing the item back to its original condition. If the item is improved or modified to such an extent that there is effectively a new asset the expense could be considered as capital in nature and will fall under the depreciation provisions.

Example:

Roxanna has a building she rents to a petrol station. The roof leaks and needs to be replaced and the tenant is complaining that there is not enough space for him to service vehicles. Roxanna replaces the roof with the same type of material as before but extends the coverage to include a space beside the petrol station for vehicle servicing. The new roof no longer merely constitutes a repair. It now has become a structural improvement and cannot be claimed in full. It will now be a depreciable asset.

Line 18 Interest paid

Interest expenses incurred on capital amounts or on loans used to finance your business are usually deductable. They will not be deductable if paid to an associate unless they have been included in the associate's gross revenue or subject to the non-resident tax and the tax has been paid. (see TD 3/2020 BPT: Deductibility of interest paid).

Line 19 Royalties paid

Royalty expenses incurred on the use of trademarks or copyright etc. in your business is usually deductable. They will not be deductable if paid to an associate unless they have been included in the associate's gross revenue or subject to the non-resident tax and the tax has been paid. (see TD 2/2020 BPT: Deductibility of Royalties Paid).

Line 20 Other business related expenses

You normally claim deductions for operating expenses (expenses you incur in the everyday running of your business, such as office stationery and telephone) in the year you incur them.

Business expenses may include:

- advertising and sponsorship costs (but not just donations)
- bad debts- after all reasonable steps have been taken to recover the debt
- bank fees and charges
- clothing expenses (corporate wardrobes and uniforms, and occupation-specific and protective clothing)
- electricity expenses

- legal expenses, such as those incurred defending future earnings, borrowing money, discharging a mortgage or obtaining tax advice
- stationery expenses
- costs for running a commercial website,
- public relations expenses
- phone expenses
- accountant fees
- renting or leasing a business premises
- subscription costs for business or professional journals, information services, newspapers and magazines
- tax-related expenses, such as having a bookkeeper prepare your business records
- obtaining tax advice about your business
- tender costs, even if the tender is unsuccessful
- transport and freight expenses
- subscription fees to trade, business or professional associations
- water expenses on business premises.

Line 21 Depreciation of business assets, including any loss on disposal

Capital assets that have a limited life expectancy (effective life) and can reasonably be expected to depreciate over time are also known as depreciating assets. They include:

- computers
- electrical tools
- furniture, carpet and curtains
- motor vehicles
- plant and equipment.

There is a general set of rules that applies across a variety of depreciating assets and certain other capital expenditure. Broadly, the effective life of the asset, expressed in years, will usually govern the number of years over which you will need to apportion the cost. The Nauru Revenue Office has issued a guide (Public Ruling 1/2017) to the depreciation rates that can be applied safely to each asset category

The amount you can claim will generally be less if you:

- own the asset for less than one year
- only partly use the asset for business purposes – that is, if you use it for 60% business purposes, you can only claim 60% of its total depreciation for that year

- own the asset for some time before you start the business – in this case, you must work out how much the asset depreciated before you started the business and use the reduced value as the asset's base value.

Calculating the Depreciation expense

In accordance with international accounting standards that the method of depreciation to use "shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity".

The ruling identifies three main methods that can be used these are:

1. *Straight Line*: which results in a constant charge over the useful life
2. *Diminishing Value/Reducing balance*: which results in a decreasing charge over the useful life
3. *Units of production*: this results in a charge based on the expected use or output.

The choice depends on the method that best reflects the use of the asset. The first two are the most commonly used. To reflect the difference in the methods consider the following example:

A Non-resident company in Nauru purchases a mini bus to transfer workers from their accommodation to their place of work. The "cost" of this bus was $80,000 and it became available for use on the 1st July 2020. The NRO rates for depreciation as per Public Ruling No. 1 are as follows:

Straight Line method – 25%

Diminishing Value method - 40%

Cost	**Rate**	**Year 1**	**WDV**	**Year 2**	**WDV**	**Year 3**	**WDV**	**Year 4**	**WDV**
1/7/20		Deduct	30/6/21	Deduct	30/6/22	Deduct	30/6/23	Deduct	30/6/24
$80,000	25%	$20,000	$60,000	$20,000	$40,000	$20,000	$20,000	$20,000	$0
$80,000	40%	$32,000	$48,000	$19,200	$28,800	$11,520	$17,280	$6,912	$10,368

*WDV = Written down value also known as carrying amount

The diminishing value method provides a bigger initial deduction but the capital cost is recouped quicker under the straight line method.

Key concepts in the example

1. **Cost**: The bus in this case cost $60,000 from the manufacturer but cost $20,000 to ship to Nauru including all the port fees and customs. All of this would be included in the cost for depreciation purposes which essentially all of the expenses involved in getting an asset ready to use but would not include consumables such as fuel and spare parts.

2. **WDV/Carrying amount/Net Book value**: This represents the initial cost of the asset reduced by the amount of depreciation generally referred to as “accumulated depreciation”. This is the figure that will be used on the balance sheet to determine the value of fixed assets. It is also the figure that will be used to calculate the balancing charge. A key point is that the value of an asset is reduced by depreciation regardless of whether a deduction is allowed or not.

3. **Used or available for use:** An asset does not have to be used to be depreciated but it does need to be available for use. This is the date depreciation commences. For example, a back-up generator in place to be used if there is a power failure can be claimed even if it wasn’t used but a generator that is still boxed up and not connected to the network can’t.

Balancing Charge

A balancing charge occurs when a depreciated asset is disposed of. It is called a balancing charge because any over claimed depreciation is included as income and any under-claimed depreciation is allowed as a deduction. The amount of the balancing charge is calculated by subtracting the WDV from the consideration received for disposal.

Using the example above if the mini-bus is sold for $30,000 at the end of year 3 the company would need to include additional revenue of $10,000 ($80,000- $60,000 straight line) or $12,720 ($80,000-$62,720 Diminishing Value) at Label 7 in their BPT return.

If, however, the mini-bus is sold for $15,000 at the end of year 3 the company would need to include an additional deduction of $5,000 ($15,000-$20,000 straight line) or $2,280 ($15,000-$17,280 Diminishing Value) in Label 21 of their BPT return.

Note also, that if the consideration exceeds the original cost of the asset, the amount to be included in gross revenue would be the balancing charge and the excess over original cost.

Using the example above if the mini-bus is sold for $82,000 at the end of year 1 the company would need to include additional revenue of $22,000 ($20,000 straight line depreciation recovered plus $2,000 received in excess of original cost) or $34,000 ($32,000 diminishing value depreciation recovered plus the additional $2,000 over original cost) at Label 7 in their BPT return.

Assets purchased prior to 1st July 2016

For buildings and structural improvements acquired prior to the commencement date of the BTA you will need to work out the opening WDV to include in the depreciation schedule. You can work this out by applying the depreciation rates in Public Ruling 1/2017 on the original cost of the asset from the date that the asset was first available for use. You may find that the asset has been fully depreciated prior to the 1st July 2016. These assets won't be included in the BPT annual return even if they are still being used. However, in many cases there will remain an entitlement to depreciation.

For example, if a building was acquired and used from 1 July 2015 depreciation calculations would be calculated, using the straight-line method, as follows:

Cost	Rate	Year 1	WDV	Year 2	WDV	Year 3	WDV	Year 4	WDV
1/7/15		Deduct	30/6/16	Deduct	30/6/17	Deduct	30/6/18	Deduct	30/6/19
$80,000	5%	$4,000	$76,000	$4,000	$72,000	$4,000	$68,000	$4,000	$64,000

Year 5	WDV	Year 6	WDV	Year 7	WDV	Year 8	WDV	Year 9	WDV
Deduct	30/6/20	Deduct	30/6/21	Deduct	30/6/22	Deduct	31/6/23	Deduct	31/6/24
$4000	$60,000	$4,000	56,000	$4,000	52,000	$4,000	$48,000	$4,000	$44,000

Calculating Business Profits Tax

Form A: Companies

Total Gross Revenue (Add lines 01 to 08)	A
Subtract Cost of Goods Sold (line 09 + line 10 – line 11)	B
Equals Gross Profit	C
Subtract Total Expenses (add lines 12 to 21)	D
Equals Net Profit (Loss)	E
Add net foreign Income from Schedule 1 -Foreign Income	F
Deduct any loss carried forward from prior years	G
Taxable Income (Loss)	H

The next step is to identify the appropriate category for the Company

Category	Status	Rate
Category A	Resident company with annual gross revenue $0 - $15,000,000	20%
Category B	Resident company with annual gross revenue above $15,000,000	25%
Category C	Resident company controlled by a non-resident person or associate	25%
Category D	Non-resident company conducting business in Nauru through a Permanent Establishment	25%

STEP 1 Multiply amount at line H by 20% or 25% depending on the Category above	I
STEP 2 Total tax instalments paid during year	J
STEP 3 Foreign Tax Paid from Schedule1	K
STEP 4 Tax payable / overpaid (Subtract line J and K from line I)	L

Form B: Individuals

Same as Form A up to E

Equals Net Profit (Loss)	E
Add net foreign income	F
Deduct any loss carried forward from prior years	G

Taxable Income (Loss)	H
Deduct tax free threshold only if you are a Nauruan resident	Z
Adjusted Taxable Income	I
STEP 1 Multiply amount at line I by 20%	J
STEP 2 Deduct any foreign tax paid – Schedule 1 – Foreign Income	K
STEP 3 Total tax instalments paid during year	L
STEP 4 Tax payable / overpaid (Subtract line K and L from line J)	M

<u>Form C: Partnerships and Trusts</u>

Same as Form A up to E

Equals Net Profit (Loss)	E
Add Net Foreign Income	F
Deduct any loss carried forward from prior years	G
Taxable Income (Loss)	H
Deduct tax free threshold for Nauruan resident partnerships or trusts	
($ 250,000 for each partner or beneficiary)	Z
Adjusted Taxable Income (Loss) (subtract Z from H)	I
STEP 1 Multiply amount at line I by 20%	J
STEP 2 Less Foreign Tax paid	K
STEP 3 Less tax instalments paid during year	L
STEP 4 Tax payable / overpaid (Subtract line K & L from line J)	M

Examples

Nauru Revenue Office

Guide for the Preparation of the Business Profit Annual Return Form A, B and C

1. Magic Pty Ltd is a Nauruan company operating in Nauru and offshore. It has registered for BPT and has paid $35,000 in instalments. It has $3,000,000 in gross revenue and has COGS of $2,000,000. All other deductable expenses are $40,000. It would fall into category A

Total Gross Revenue (Add lines 01 to 08)	(A) 3,000,000
Subtract Cost of Goods Sold (line 09 + line 10 – line 11)	(B) 2,000,000
Equals Gross Profit	(C) 1,000,000
Subtract Total Expenses (add lines 12 to 21)	(D) 40,000
Equals Net Profit (Loss)	(E) 960,000
Add Net Foreign Income	(F) 25,000
Deduct any loss carried forward from prior years	(G) 0
Taxable Income (Loss)	(H) 985,000
STEP 1 Multiply amount at line H by 20%	(I) 197,000
STEP 2 Total tax instalments paid during year	(J) 35,000
STEP 3 Foreign Tax Paid	(K) 5,000
STEP 4 Tax payable / overpaid (Subtract line J and K from line I)	(L) 157,000

Magic has to pay $157,000

2. Sunshine Restaurant is operated by a non-resident individual operating in Nauru. It has registered for BPT and has paid $5,000 in instalments. It has $400,000 in gross revenue and has COGS of $350,000. All other deductable expenses are $60,000.

Total Gross Revenue (Add lines 01 to 08)	(A) 400,000
Subtract Cost of Goods Sold (line 09 + line 10 – line 11)	(B) 350,000
Equals Gross Profit	(C) 50,000
Subtract Total Expenses (add lines 12 to 21)	(D) 60,000
Equals Net Profit (Loss)	(E) (10,000)
Add net foreign from Schedule 1 (if applicable)	(F) 0

Deduct any loss carried forward from prior years	(G) 0
Taxable Income (Loss)	(H) (10,000)
Deduct tax free threshold if applicable	(Z) $0*
Adjusted Taxable Income (Loss) (subtract Z from G)	(I) (10,000)
STEP 1 Multiply amount at line I by 20%	(J) 0
STEP 2 Foreign Tax paid from Schedule 1	(K) 0
STEP 3 Total tax instalments paid during year	(L) 5,000
STEP 4 Tax payable / overpaid (Subtract line K and L from line J)	(M) 5,000R

Sunshine would be entitled to a refund of $5,000

* The threshold does not apply to non- resident individuals

3. Paul Builder is a Nauruan individual operating a business in Nauru. He has registered for BPT and has paid $30,000 in instalments. He has $5,000,000 in gross revenue and has COGS of $4,000,000. All other deductable expenses are $300,000.

Total Gross Revenue (Add lines 01 to 08)	(A) 5,000,000
Subtract Cost of Goods Sold (line 09 + line 10 – line 11)	(B) 4,000,000
Equals Gross Profit	(C) 1,000,000
Subtract Total Expenses (add lines 12 to 21)	(D) 300,000
Equals Net Profit (Loss)	(E) 700,000
Add net foreign income from Schedule 1 (if applicable)	(F) 0
Deduct any loss carried forward from prior years	(G) 0
Taxable Income (Loss)	(H) 700,000
Deduct tax free threshold	(Z) $250,000
Adjusted Taxable Income (Loss)(subtract Z from G)	(I) 450,000
STEP 1 Multiply amount at line I by 20%	(J) 90,000

STEP 2 Foreign Tax paid from Schedule 1	(K) 0
STEP 3 Total tax instalments paid during year	(L) 30,000
STEP 4 Tax payable / overpaid (Subtract line K and L from line J)	(M) 60,000

Paul owes $60,000

3. Paul Builder is now a solely Nauruan partnership with 2 Nauruan resident partners operating a business in Nauru. It has registered for BPT and has paid $30,000 in instalments. It has $5,000,000 in gross revenue and has COGS of $4,000,000. All other deductable expenses are $300,000.

Total Gross Revenue (Add lines 01 to 08)	(A) 5,000,000
Subtract Cost of Goods Sold (line 09 + line 10 – line 11)	(B) 4,000,000
Equals Gross Profit	(C) 1,000,000
Subtract Total Expenses (add lines 12 to 21)	(D) 300,000
Equals Net Profit (Loss)	(E) 700,000
Add net foreign income from Schedule 1 (if applicable)	(F) 0
Deduct any loss carried forward from prior years	(G) 0
Taxable Income (Loss)	(H) 700,000
Deduct tax free threshold (2x $250,000)	(Z) 500,000
Adjusted Taxable income (Loss) (subtract Z from G)	(I) 200,000
STEP 1 Multiply amount at line I by 20%	(J) 40,000
STEP 2 Foreign Tax Paid from Schedule 1	(K) 0
STEP 3 Total tax instalments paid during year	(L) 30,000
STEP 4 Tax payable / overpaid (Subtract line K and L from line J)	(M) 10,000

The partnership owes $10,000