



## **Nauru Revenue Office**

# **Employment and Services Tax**

## **Q & A Guide**

**2024-2025**

This guide is intended to provide an overview of Employment and Services Tax. If you have any questions or require further information, please contact the Nauru Revenue Office (NRO) on 5573238 (Ext 104) or via email at [nauru.tax@gmail.com](mailto:nauru.tax@gmail.com) or via website: [naurufinance.info](http://naurufinance.info)

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**Q1 How does EST work?**

Tax will be deducted by the payer from payments for employment income and services fees. Both employment tax and service tax must be deducted by the payer at the time the employment income or service fee is paid which must be then paid to the Nauru Revenue Office by the 15<sup>th</sup> day of the following month. Thus, withholding deductions in October must be paid by 15 November and so forth.

**Q2 What are the rates for employment tax?**

From 1 July 2019, the rates of EST (employment tax) are as follows:

- 20% for Non-Regional Processing Centre (RPC) employees
- 30% for (RPC) employees.

**Q3 Is there an employment tax free threshold?**

Residents of Nauru including resettled refugees will not be charged tax if they earn less than \$2,129 per week; \$4,257 per fortnight; or \$9,240 per month.

Non – resident employees directly contracted to GoN are entitled to an annual tax free threshold of \$20,000.

All other non-resident employees are taxed at 20% on every dollar received.

**Q4 What is employment income?**

Employment income is all payments made in respect of employment and includes salary, wages, allowances, leave pay, payment in lieu of leave, overtime pay, bonus, commission, fees, gifts, salary or wage supplements, and other similar amounts.

Employment income also includes amounts paid on termination of employment.

**Q5 Are all allowances taxable?**

The Secretary for Finance can exclude allowances that are spent by an

employee in carrying out employment duties.

Any amount of the allowance not spent on employment expenses for which it was specifically provided will be taxable.

The Secretary of Finance will determine the liability for tax on allowances according to the circumstances of each case.

**Q6 Are employer superannuation contributions taxable?**

Yes, all amounts paid into superannuation funds by way of employer contributions or employee salary sacrifice are taxable if they are paid from Nauru sourced income.

**Q7 Are non-cash benefits taxable?**

No. There will be no tax on fringe benefits such as free housing or a motor vehicle.

**Q8 What is a service fee?**

A services fee is a payment received in return for a person providing services as an independent service provider such as a contractor. As there is a difference between an employment relationship and independent contractor relationship, the tax on a service fee is intended to compliment the tax on employment income. Thus a person will be liable for the same amount of tax whether they work as an employee or an independent service provider.

**Q9 Examples of a Service Fee.**

Common examples of a service fee are amounts received for professional services, provision of knowledge or expertise, management fees and other fees received for similar independent services provided.

**Q10 To whom does services tax apply?**

Services tax only applies to **non – resident** independent service providers – refer Q11.

**Q11 Does services tax apply to all non-resident independent service providers?**

A business or contractor will not be liable for services tax if the services are provided through a permanent establishment in Nauru of a non-resident person.

**Q12 What are the tax rates for services tax?**

Non – resident independent service providers directly contracted to GoN are entitled to an annual tax free threshold of \$20,000.

All other non-resident independent service providers are taxed at 20% on every dollar received.

**Q13 How do I determine the source of the employment and service fee income?**

Employment income or service fees are received from sources in Nauru whether the employment or service is exercised in Nauru, or, if performed elsewhere, the income or fee is paid by a resident of Nauru or a permanent establishment of a non-resident person operating in Nauru.

**Q14 Is tax collected from payments made outside Nauru?**

Yes. The gross amount earned from employment or providing services in Nauru is taxable, whether or not the payment is made in Nauru.

**Q15 Why is Nauru taxing foreign workers when they are paid from foreign funds and paid offshore?**

Every country has an internationally recognized right to tax work that is carried out in or on behalf of its own country. Nauru is simply exercising the same right that every other country does.

**Q16 Will non-residents be taxed twice (in Nauru and in their home country)?**

Home countries will recognise Nauru's right to tax work carried out in its own country. Employees and service

providers will need to obtain a Statement of Tax from the NRO for any EST paid in Nauru to allow a tax offset in their home country. Under this mechanism, no person will be disadvantaged and their overall tax position will be no different than it was before the introduction of Nauru's EST system.

**Q17 Are payments by non-profit organisations liable to tax?**

Yes. Employment income and service fees paid by a non-profit organization are treated the same as payments by any other entity or organization.

**Q18 Are there any tax exemptions?**

Exemption is available if certain criteria are met in accordance with Section 13 of the EST Act.

**Q19 What must employees and service providers do?**

Employees and service providers must apply for a Tax Identification Number (TIN). This TIN will enable the NRO to keep a record of individual tax payments and issue an Annual Tax Statement to the payee. This statement will be evidence for the tax office in their home country that tax has been paid in Nauru.

Copies of the application form will be held by the employer and available in the NRO.

**Q20 Do employees and service providers need to file a tax return?**

No return is necessary from employees or service providers. The tax deducted is a final liability.

**Q21 What must employers and service fee payers do?**

Every employer and payer must:

- (i) register with NRO and be issued with a TIN;
- (ii) deduct tax every time a payment is made;
- (iii) complete a monthly withholding tax return and forward the return and the tax to the NRO by the 15<sup>th</sup> day

of the month following the month of deduction;

- (iv) complete an annual withholding tax return summarizing payments and tax deducted. The return is due within 15 days of the end of the financial year;
- (v) keep adequate records of all payments to employees and service providers and tax deducted from the payments.

**Q22 Will it be possible to file the return and pay the tax electronically?**

Yes. Payers will be able to email the return and transfer funds electronically. The remittance details are set out on the EST monthly return forms.

**Q23 Who needs to apply for a Tax Identification Number (TIN)?**

Every person with a tax liability and every employer or service fee payer must register for tax.

**Q24 Can I vary my TIN registration details?**

Yes. You can vary any of the details which you originally provided when first registering for a TIN. The relevant form can be requested from the NRO.

**The following forms are available from the NRO either at the counter or via the email address**

**[nauru.tax@gmail.com](mailto:nauru.tax@gmail.com) or via the Website : [naurufinance.info](http://naurufinance.info)**

1. Application for TIN – Individual
2. Application for TIN - Non-Individual
3. Employee Residence Declaration
4. Variation of TIN Registration – Individual
5. Variation of TIN Registration – Non-Individual
6. Monthly Withholding Tax Return – Non-Regional Processing Centre
7. Monthly Withholding Tax Return – Regional Processing Centre