

International Tax British Virgin Islands Highlights 2017



Investment basics:

Currency – US Dollar (USD)

Foreign exchange control – No

Accounting principles/financial statements – IFRS, US, UK and Canadian GAAP are accepted. Other internationally recognized GAAP also are accepted but these must be approved by the local regulators.

Principal business entities – These are a company, partnership and trust.

Corporate taxation:

Residence – There is no concept of residence applicable to BVI corporate taxation.

Basis – There is a zero-rated income tax regime for all BVI-domiciled corporate entities.

Taxable income – No

Taxation of dividends – No

Capital gains – No

Losses – No

Rate – No

Surtax – No

Alternative minimum tax – No

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – No

Withholding tax:

Dividends – No

Interest – There is no withholding tax on interest, but the BVI has implemented the EU savings tax directive

(agents making interest payments to residents of an EU member state will automatically exchange information with the relevant member state's tax authorities with respect to the identity of the beneficial owner and the payment). Although the directive has been repealed as from 1 January 2016 and replaced by the common reporting standard, the final reporting obligation in the BVI is the year ending 31 December 2016 (with the reporting made in 2017).

Royalties – No

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – Payroll tax is levied on both the employer and the employee. The employer pays 2% or 6% of the gross salary paid, and the employee 8% (the latter is deducted at source), in excess of USD 10,000 per annum.

Real property tax – Land tax is levied at USD 50 for a half acre or less. For greater than a half an acre, but less than one acre, the tax is USD 150 per year. Any additional acre or part of an acre is taxed at USD 50 per year. Lower fees apply if the land is owned by a BVIlander or a BVI company.

A building tax is levied at a rate of 1.5% of the assessed annual rental value.

Social security – The employer must pay 4.5% of the employee's salary, while 4% is paid by the employee (both are subject to a cap).

The employer must pay 3.75% of the employee's salary for national health insurance; the employee also pays the same rate (both are subject to a cap).

Stamp duty – A 12% stamp duty (4% if the transferee is a BVI Islander) is levied on property transactions; minimal duty is levied on other conveyances.

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – None for corporate income tax purposes, but filing requirements apply for payroll tax, social security and stamp duty purposes.

Penalties – There are some penalties for failure to comply with the law.

Rulings – No

Personal taxation:

Basis – There is a zero-rated income tax regime for all BVI individuals and domiciled unincorporated entities.

Residence – An individual that is domiciled in the BVI is deemed to be resident.

Filing status – N/A

Taxable income – N/A

Capital gains – N/A

Deductions and allowances – N/A

Rates – N/A

Other taxes on individuals:

Capital duty – No

Stamp duty – A 12% stamp duty (4% if the transferee is a BVI Islander) is levied on property transactions; minimal duty is levied on other conveyances.

Capital acquisitions tax – No

Real property tax – Land tax is levied at USD 50 for a half acre or less. The tax is USD 150 where there is more

than a half-acre, but less than one acre, and any additional acre or part of an acre is taxed at USD 50 per year. Lower fees apply if the land is owned by a BVI Islander or a BVI company.

A building tax is levied at a rate of 1.5% of the assessed annual rental value.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer must pay 4.5% of the employee's salary (up to a cap), via withholding from the gross salary.

The employer must pay 3.75% of the employee's salary for national health insurance; the employee also pays the same rate (both are subject to a cap).

Compliance for individuals:

Tax year – Calendar year

Filing and payment – There is no income tax filing obligation, but returns have to be filed for stamp duty.

Penalties – There are some penalties for failure to comply with the law.

Value added tax:

Taxable transactions – The BVI does not levy VAT or sales tax.

Rates – N/A

Registration – N/A

Filing and payment – N/A

Source of tax law: Land and House Tax Ordinance, Income Tax Act, Stamp Act, Payroll Taxes Act, Social Security Ordinance, Mutual Legal Assistance (Tax Matters), (Amendment) Act

Tax treaties: None, but the BVI has concluded and signed 28 tax information exchange agreements.

Tax authorities: Inland Revenue Department

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