

International Tax British Virgin Islands Highlights 2021

Updated January 2021



Recent developments

For the latest tax developments relating to the British Virgin Islands (BVI), see [Deloitte tax@hand](mailto:Deloitte_tax@hand).

Investment basics

Currency: US dollar (USD)

Foreign exchange control: There are no foreign exchange controls.

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 the company, partnership, and trust.

Corporate taxation

There is no concept of residence applicable to BVI corporate taxation. Under the BVI Business Companies Act, 2004, as amended, BVI companies are exempt from income taxation.

Compliance for corporations

Tax year: The tax year is the calendar year.

Consolidated returns: There are no return filing requirements for corporate income tax purposes.

Filing and payment: There are no filing requirements for corporate income tax purposes, but filing requirements apply for the purposes of payroll tax, social security, and national health insurance.

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

Rulings: There is no formal system of advance rulings for tax purposes.

Individual taxation

There is a zero-rated income tax regime for individuals.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: There is no income tax filing obligation.

Filing and payment: There is no income tax filing obligation.

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

Rulings: There is no formal system of advance rulings for tax purposes.

Withholding tax

There is no withholding tax on dividends, interest, royalties, or fees for technical services in the BVI, and no branch remittance tax.

Anti-avoidance rules

Transfer pricing: There are no transfer pricing rules.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no CFC rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: The Economic Substance (Companies and Limited Partnerships) Act, 2018 (ESA) requires all BVI legal entities that carry on a “relevant activity” to comply with the economic substance requirements prescribed by the ESA. Legal entities include BVI companies and limited partnerships with legal personality (LPs) (unless they are considered nonresident for purposes of the ESA), as well as all foreign companies and LPs doing business in the BVI.

Relevant activities include activities in the following businesses: banking, insurance, fund management, finance and leasing, headquarters, shipping, holding, intellectual property, and distribution and service center.

All BVI legal entities must provide information on an annual basis to enable the International Tax Authority (ITA) to monitor whether the entity is carrying on relevant activities and, if so, assess whether the entity is complying with the economic substance requirements.

Disclosure requirements: Country-by-country (CbC) reporting requirements have been introduced in the BVI as a result of the OECD BEPS project. The rules require all BVI resident constituent entities of an in-scope multinational group to submit a CbC notification to the ITA, and any BVI resident ultimate parent entity of an in-scope multinational group to submit a CbC report to the ITA.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

The BVI does not levy VAT or sales tax.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the territorial level.

Social security contributions: The employer must pay 4.5% of the employee's salary, while 4% is paid by the employee (both are subject to a cap). Both the employer and the employee pay 3.75% of the employee's salary for national health insurance (subject to a cap).

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.

Capital duty: There is no capital duty.

Real property tax: Land tax is levied at USD 50 for a half acre or less. For greater than a half 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.

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

Transfer tax: There is no transfer tax.

Stamp duty: A 12% stamp duty (4% if the transferee is a BVIlander) is levied on property transactions; minimal duty is levied on other conveyances. As a response to the effects of COVID-19, stamp duty is waived on the purchase of land by BVIlanders and "Belongers" (persons deemed to "belong" to the territory as defined by the BVI constitution) until 31 May 2021. The continuation of the waiver is conditional on the property not being transferred to a "non-Belonger" within a period of seven years.

Net wealth/worth tax: There is no net wealth or net worth tax.

Inheritance/estate tax: There is no inheritance or estate tax.

Other: A 7% tax on all monies leaving the territory through money transfer agencies was introduced in April 2020.

Tax treaties: The BVI has no tax treaties, but it has concluded and signed 28 tax information exchange agreements. The BVI also is a signatory to the Convention on Mutual Administrative Assistance in Tax Matters, the Multilateral Competent Authority Agreement on the Exchange of CbC Reports, and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information.

Tax authorities: Inland Revenue Department, ITA

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