

International Tax Dominica Highlights 2017



Investment basics:

Currency – East Caribbean Dollar (XCD)

Foreign exchange control – The monetary authority is the Eastern Caribbean Central Bank. There are no limits on foreign exchange transactions.

Accounting principles/financial statements – International Financial Reporting Standards (IFRS) are applied, but, in practice, the standards applicable in the country of a parent company may be used.

Principal business entities – These are the domestic company, partnership, international business company (IBC), international bank and trust.

Corporate taxation:

Residence – A company is deemed to be resident if it is incorporated in Dominica, or if incorporated outside Dominica but managed and controlled in Dominica.

Basis – A resident company is taxed on worldwide income. A nonresident company is taxed on income derived or sourced from Dominica.

Taxable income – Taxable income is calculated as net profit before tax, adjusted for nondeductible expenses and allowable deductions.

Taxation of dividends – Dividends paid to residents are subject to income tax and, where applicable, a dividend tax credit is allowed. Dividends paid to a nonresident are subject to a withholding tax of 15%.

Capital gains – No

Losses – Losses can be carried forward for a maximum of five years. The carryback of losses is not permitted.

Rate – 25%

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax credits are granted for taxes paid in another country, even where no tax treaty is in place that provides for a foreign tax credit. The credit is limited to the lesser of the tax payable in the other country or the tax charged in Dominica on the income.

Participation exemption – No

Holding company regime – There is no typical holding company regime, but a special tax regime applies to IBCs, under which they are exempt from the payment of income taxes, withholding taxes, corporation tax and alien landholding tax for their first 20 years.

Incentives – Incentive regimes are available under the Fiscal Incentives Act and the Hotel Aids Act.

Withholding tax:

Dividends – Dividends paid to a nonresident are subject to a 15% withholding tax.

Interest – Interest paid to a nonresident is subject to a 15% withholding tax.

Royalties – Royalties paid to a nonresident are subject to a 15% withholding tax.

Technical service fees – Technical service fees paid to a nonresident are subject to a 15% withholding tax.

Branch remittance tax – A 15% branch remittance tax applies.

Other – A 15% withholding tax may apply on certain other payments to a nonresident.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Dominica does not have property tax. However, a municipal tax is paid to the city and village councils.

Social security – The employer must contribute at a rate of 7% of an employee's earnings up to a ceiling of XCD 6,000 per month. The employee contributes 5.5%.

Stamp duty – Stamp duty is imposed on the transfer of immovable property at a rate of 2.5%, and is paid by the seller. In addition, the buyer pays stamp duty on the transfer of immovable property at a rate of 4%. These rates also apply where there is a sale of shares of a company if real property comprises more than 50% of the company's assets. An *ad valorem* charge applies on the sale of shares.

Transfer tax – The following fees may apply in addition to stamp duty: an assurance fund fee of 1% of the value of the property transferred; a judicial fee of 2.5% of the value of the property; and a solicitor's fee of 3% of value of the property, on which a 15% VAT is payable.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – The tax year is based on the company's fiscal year end.

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

Filing requirements – The tax return must be filed within three months of the company's fiscal year end, along with financial statements.

Penalties – A penalty of 10% of the tax owed or XCD 100 (whichever is greater), plus 1% of the tax owed for each month the return is outstanding, may apply.

Rulings – Rulings may be requested.

Personal taxation:

Basis – Resident individuals are taxed on their worldwide income. Nonresident individuals are taxed on income derived or sourced in Dominica.

Residence – An individual is considered resident if he/she is physically present in Dominica for at least 183 days in a calendar year.

Filing status – Each individual must file a tax return; joint filing is not permitted.

Taxable income – Taxable income includes income from business, employment, rent, royalties, interest, discounts,

premiums, commissions, fees, etc., less allowable deductions and allowances.

Capital gains – Capital gains are not subject to tax.

Deductions and allowances – The nontaxable personal allowance is XCD 25,000. Other allowances are granted for mortgage interest and approved donations.

Rates – The rate is 15% on the first XCD 20,000 of income; 25% on the next XCD 30,000; and 35% on the excess.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – See "Real property tax" under "Other taxes on corporations."

Inheritance/estate tax – There is no inheritance tax, but gifts may be subject to transfer tax. See "Transfer tax" under "Other taxes on corporations."

Net wealth/net worth tax – No

Social security – The employee generally contributes to social security at a rate of 5% of earnings, up to a ceiling of XCD 6,000 per month.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Tax returns must be filed by 31 March following the tax year and the balance of tax is due upon the filing of the return. A pay-as-you-earn (PAYE) system is used to deduct tax from the salaries of employees

Penalties – A late filing penalty of 5% of the tax due may apply. The penalty for late payment is 10% of the outstanding tax. Interest accrues at 1% per month, or part thereof.

Value added tax:

Taxable transactions – VAT applies on the sale of goods or the supply of services within Dominica, and on the import of goods into Dominica.

Rates – The standard rate is 15%, and a reduced rate of 10% applies to hotel accommodations and dive activity. Certain goods and services may be zero-rated or exempt.

Registration – The registration threshold is a total value of supplies exceeding XCD 120,000 per annum. The registration threshold is XCD 60,000 per annum for persons supplying hotel accommodations, the leasing of commercial property and professional services.

Filing and payment – Returns and payments must be submitted within 20 days following the end of each tax period.

Source of tax law: Various laws of Dominica

Tax treaties: A treaty is in force with CARICOM.

Tax authorities: Inland Revenue Division

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