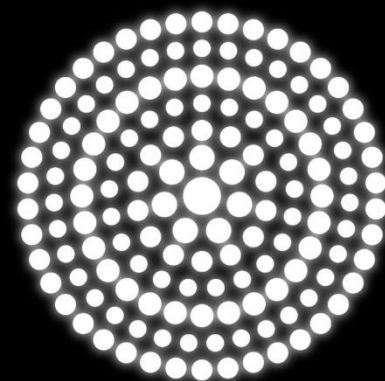


International Tax Dominica Highlights 2020

Updated January 2020



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:

Rates

Corporate income tax rate	25%
Branch tax rate	25%
Capital gains tax rate	No capital gains tax

Residence – A company is deemed to be resident if it is incorporated in Dominica, or if incorporated outside Dominica, 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. Branches are taxed in the same way as subsidiaries.

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

Rate – The corporate income tax rate is 25%.

Surtax – There is no surtax.

Alternative minimum tax – There is no alternative minimum tax.

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

Capital gains – There is no capital gains tax.

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

Foreign tax relief – 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 – There is no participation exemption.

Holding company regime – There is no typical holding company regime, but a special tax regime applies to IBCs, under which they are exempt from income tax, withholding taxes, corporation tax, and alien landholding tax for their first 20 years. The IBC regime has been amended and IBC entities registered by 31 December 2018 will be subject to tax on their worldwide income as from 31 December 2021.

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

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 and payment – The tax return must be filed, and any outstanding amounts paid 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.

Individual taxation:

Rates

Individual income tax rate	Taxable income	Rate
	1 – 20,000	15%
	20,001 – 50,000	25%
	50,001 and above	35%
Capital gains tax rate		No capital gains tax

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

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

Taxable income – Taxable income includes income from business, employment, rent, royalties, interest, discounts, premiums, commissions, fees, etc., less allowable deductions and allowances.

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.

Capital gains – There is no capital gains tax.

Deductions and allowances – The nontaxable personal allowance is XCD 30,000. Other allowances are granted for mortgage interest and approved donations.

Foreign tax relief – 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.

Compliance for individuals:

Tax year – Calendar year

Filing status – Individuals are required to file separately. Joint filing is not permissible.

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.

Rulings – Rulings may be requested.

Withholding tax:

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	None	None	15%	15%
Interest	None	None	15%	15%
Royalties	None	None	15%	15%
Fees for technical services	None	None	15%	15%

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.

Fees for technical services – 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 such as commissions, annuities, distributions, management charges, and rental fees.

Anti-avoidance rules:

There are no anti-avoidance rules in Dominica.

Value added tax:

Rates

Standard rate	15%
Reduced rate	0%, 10%

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 250,000 per annum.

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

Other taxes on corporations and individuals:

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

Payroll tax – There is no payroll tax.

Capital duty – There is no capital duty.

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

Transfer tax – The following fees may apply in addition to stamp duty (see "Stamp duty" below): 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.

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.

Net wealth/worth tax – There is no net wealth/worth tax.

Inheritance/estate tax – There is no inheritance/estate tax, but gifts may be subject to transfer tax (see above under "Transfer tax").

Tax treaties: Dominica has not signed the OECD multilateral instrument (MLI).

Tax authorities: Inland Revenue Division, Dominica Social Security

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