

## International Tax St. Lucia 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. Companies registered in St. Lucia can repatriate capital and profits free of charges on foreign exchange transactions. The invoicing of foreign trade transactions may be made in any currency.

**Accounting principles/financial statements** – 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. A company may be a limited liability company or a company without share capital.

### Corporate taxation:

**Residence** – A company is deemed to be resident if it is incorporated or registered as an external company in St. Lucia or centrally managed and controlled in St. Lucia.

**Basis** – A resident company is taxed on worldwide income. A nonresident company is taxed only on income derived in or sourced from St. Lucia.

**Taxable income** – Taxable income is comprised of income from trading, interest income, rentals, royalties, etc. Expenses incurred for the purpose of generating taxable income generally are deductible, with certain exceptions.

**Taxation of dividends** – Dividends paid to a resident or a nonresident are not subject to tax.

**Capital gains** – No

**Losses** – Losses may be carried forward for up to six years, but only 50% of taxable income may be offset by losses. The carryback of losses is not permitted.

**Rate** – 30%.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – A resident taxpayer is entitled to a tax credit for income tax paid on foreign income. The credit is limited to the lesser of the tax charged in St. Lucia on the income and the tax payable in the other country.

**Participation exemption** – No

**Holding company regime** – There is no holding company regime, but a special tax regime applies to IBCs.

**Incentives** – IBCs have the option to elect to be liable to income tax on the profits and gains at a rate of 1% or to be exempt from income tax.

Under the Fiscal Incentives Act, approved enterprises engaged in the manufacture of an approved product are granted tax holidays and are exempt from import duties. The Tourism Incentive Act grants tax and import duty exemptions on approved tourism projects.

### Withholding tax:

**Dividends** – St. Lucia does not levy withholding tax on dividends.

**Interest** – The withholding tax on interest paid to a nonresident is 15%.

**Royalties** – The withholding tax on royalties paid to a resident is 10%. The rate is 15% where the royalties are

paid to a resident of CARICOM and 25% if paid to other nonresidents.

**Technical service fees** – The withholding tax on technical service fees paid to a resident is 10%. The rate is 15% where the fees are paid to a resident of CARICOM and 25% if paid to other nonresidents.

**Branch remittance tax** – No

#### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – No

**Real property tax** – A 0.4% tax is imposed on commercial property.

**Social security** – The employer must contribute 5% of employee earnings to social security, capped at XCD 5,000 per month.

**Stamp duty** – Stamp duty is charged on any document that evidences a legal or contractual relationship between two or more parties.

**Transfer tax** – Transfer tax on the sale of real property is 2.5% to 5% for the seller and 2% for the purchaser. The transfer of shares is subject to a 0.5% transfer tax; however, if 75% or more of a company's assets consist of real property, the normal rates apply.

Nonresidents purchasing real property in St. Lucia must obtain an alien landholding license, payable at a rate of 7.5% of the value of the property.

**Other** – Imported goods are subject to customs duties according to the CARICOM Common External Tariff.

#### 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 company in a group must file a separate tax return.

**Filing requirements** – The tax return must be filed within three months of the end of the fiscal year and be accompanied by the financial statements and payment of tax due.

Advance payments of tax are due on 25 March, 25 June and 25 September and are based on one-third of the prior year's tax liability.

**Penalties** – The penalty for failure to file a return is an amount equal to 5% of the tax payable. A 10% penalty applies where the tax liability is not paid by the due date. Interest also applies to any penalty and tax outstanding.

**Rulings** – The tax authorities may issue rulings upon the request of a taxpayer.

#### Personal taxation:

**Basis** – Resident individuals are taxed on worldwide income; individuals who are "not ordinarily resident" are taxed only to the extent such income is received in St. Lucia. Nonresidents are subject to tax on St. Lucia-source income.

**Residence** – An individual is considered ordinarily resident if his/her permanent place of abode is in St. Lucia and he/she is physically present in St. Lucia for some period of time in the income year. If the individual's permanent home is not in St. Lucia, but he/she is physically present in St. Lucia for more than 183 days, the individual is considered resident but not ordinarily resident.

**Filing status** – Joint filing is not permitted; each individual must file a tax return.

**Taxable income** – Taxable income includes income from employment and business income, interest, royalties, rent, etc., less allowable deductions and allowances.

**Capital gains** – Capital gains are not subject to tax.

**Deductions and allowances** – A personal allowance of XCD 18,400 is granted to the taxpayer.

**Rates** – The individual income tax rates are progressive up to 30%: 10% on the first XCD 833.33, 15% on the second XCD 833.33, 20% on the third XCD 833.33 and 30% thereafter.

#### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – Stamp duty is charged on any document that evidences a legal or contractual relationship between two or more parties.

**Capital acquisitions tax** – No

**Real property tax** – Tax at a rate of 0.25% is imposed on residential property.

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Employees contribute at a rate of 5% of earnings, up to XCD 5,000 per month.

#### Compliance for individuals:

**Tax year** – Calendar year

**Filing and payment** – The tax return must be filed by 31 March and the balance of tax paid at the time the return is filed. A Pay As You Earn system is used to deduct tax from the salaries of employees.

**Penalties** – The penalty for failure to file a return is an amount equal to 5% of the tax payable. A 10% penalty applies where the tax liability is not paid by the due date. Interest also applies to any penalty and tax outstanding.

#### Value added tax:

**Taxable transactions** – VAT is levied on the sale of goods and the supply of services in St. Lucia and the import of goods into St. Lucia.

**Rates** – The standard rate is 15%, with a reduced rate of 10% applying to goods and services supplied by hotels. Certain goods and services are zero-rated or exempt.

**Registration** – A person must register for VAT where the total value of supplies in a year exceeds XCD 400,000. Voluntary registration also is available.

**Filing and payment** – A monthly VAT return and

payment must be submitted by the 21st day of the following month.

The penalty for failure to file a return is \$250 per every month the liability remains outstanding. In addition, a 10% penalty applies where the tax liability is not paid by the due date. Interest of 1.25% monthly also applies to any penalty and tax outstanding.

**Source of tax law:** Income Tax Act, International Business Companies Act, Fiscal Incentives Act, Tourism Incentives Act

**Tax treaties:** Treaties are in force with CARICOM and Switzerland

**Tax authorities:** Inland Revenue Department

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