

St. Lucia TAX GUIDE

Article Courtesy of:

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Known for its motto “ The Land, The People, The Light”, St. Lucia is a sovereign island country set in the Eastern Caribbean of the West Indies. Renowned for its natural beauty, warm hospitality and iconic twin peaks (the Pitons) – a UNESCO World Heritage site, situated in the town of Soufriere which is so named for the presence of a dormant drive-in volcano. St. Lucia covers a land area of 617 km² (238 square miles. St Lucia is ranked 91 among 190 economies in the ease of doing business. The climate in this country is ideal for individuals who are doing business onshore and offshore St. Lucia

INVESTMENT BASICS

Currency

The Eastern Caribbean Dollar (XCD) is the island s currency.

Accounting principles/Financial statements

IFRS are applied, however, in practice, standards applicable in the country of the parent company may be used.

Foreign exchange control

Eastern Caribbean Central Bank is the monetary authority; however there are no limits on foreign exchange transactions (US Dollars are widely accepted throughout the island).

Principal business entities

These are a domestic company, partnership, international bank and trust.

CORPORATE TAXATION

A resident company is taxed worldwide income. A non-resident company is taxed on income derived or sourced from St. Lucia.

For a company in St. Lucia to be deemed resident it has to be incorporated or registered as an external company or be managed and controlled.

The current standard corporation tax rate is 30%.

Whether it is a resident or not, the dividends paid are not subject to tax.

Capital gains are not taxed in St. Lucia

There are no Alternative minimum tax nor Surtax

No Participation Exemption is included.

Holding company regime is not included; however, for IBCs a special tax regime is applied.

Losses can be carried forward for up to six years; 50% of taxable income is offset by losses. Carryback of losses is not permitted.

A resident taxpayer is entitled to a tax credit for income tax paid on foreign income however; the credit is limited to the lesser of the tax charged in St. Lucia on the income or the tax payable in the other country.

Under the Tourism Incentive Act, an approved Tourism product is granted certain tax and import duty exemptions. There is an option for being liable to income tax on profits and gains at a rate of 1% or an exemption from income tax.

WITHHOLDING TAX

Withholding tax is also levied on certain payments of an income nature – e.g. royalties, management charges, commissions, fees – at a rate of 10% to local residents; 15% to regional residents belonging to CARICOM states; and, 25% to non-residents and technical service fees to residents is 10%, CARICOM residents are paid 15% while 25% is paid to other nonresidents.

OTHER TAXES ON CORPORATIONS

No tax is levied on Capital Duty and Payroll, however tax is imposed on Real property , social security and transfers. The table illustrates this

Tax Types	Rates
Capital Duty	No
Payroll Tax	No
Stamp Duty	Stamp Duty is charged on any document that evidences a legal or contractual relationship between two or more parties.
Transfer Tax	Real Property - 2.5% - 5% (seller); 2% (purchaser) Shares – 0.5% *75% or more of a company assets consist of real property, the normal rates apply.
Social Security	Employer contributes 5% of employee earnings.
Other	Imported goods are subject to customs duties according to the CARICOM Common External Tariff

ANTI-AVOIDANCE RULES

The following listed have no form of Anti-Avoidance Rules: Transfer Pricing, Thin Capitalization, Controlled foreign companies and Disclosure requirements.

COMPLIANCE FOR CORPORATIONS

For corporations the tax year is solely based on a company's fiscal year end; therefore companies are expected to file a separate tax return and are to note that consolidated returns are not authorized. The tax return should be filed within a three month period followed by an attachment of the financial statements and payment of tax due. There is a 5% penalty for failure to file a return. For example a 10% penalty is mandatory when the tax liability is not paid by the due date. N.B. (Interest is applied to both penalty and tax that are outstanding. Taxpayers have the right to request rulings to the tax authorities.

PERSONAL TAXATION

Basis	Non-residents are subject to tax on St. Lucia source income; on the other hand residents are taxed on worldwide income but the "not ordinarily resident" is taxed to a particular extent if such income is received.
Residence	
Capital Gains	These are not subjected to tax
Filing Status	Individuals are required to file a tax return; joint filing is not permitted.
Taxable Income	Has a combination of incomes from interest, royalties, rent, business and employment income.
Rates	Individual income tax rates are progressive up to 30% ;
Deductions and Allowances	A taxpayer is granted a personal allowance of XCD 18,400 to the taxpayer.

OTHER TAXES ON INDIVIDUALS

Capital Duty	No
Swamp Duty	Charged on any document that evidences a legal or contractual relationship between two or more parties.
Capital Acquisitions	No
Real Property Tax	For a residential property a 0.25% tax rate is levied.
Inheritance/Estate Tax	No
Net wealth/Net worth Tax	No
Social Security	A rate of 5% is contributed by both employees and employer (XCD 5,000 per month)

This table represents the taxex and rates that are leveled on individuals.

COMPLIANCE FOR INDIVIDUALS

This is done on a calendar year. Individuals should file their tax return by March 31st and the balance of tax paid at the time the return is filed.

Salaries of employees will have tax deducted by the PAYE (Pay As You Earn) System. Failure to comply to this is an amount of 5% of the tax payable and the 10% penalty will be applied when the tax liability is not paid by the due date.

VAT is imposed on the sale of goods or supply of services within St. Lucia and the import of goods into St. Lucia. The standard rate is 12.5% and a reduced rate of 10% applies for goods and services supplied by hotels.

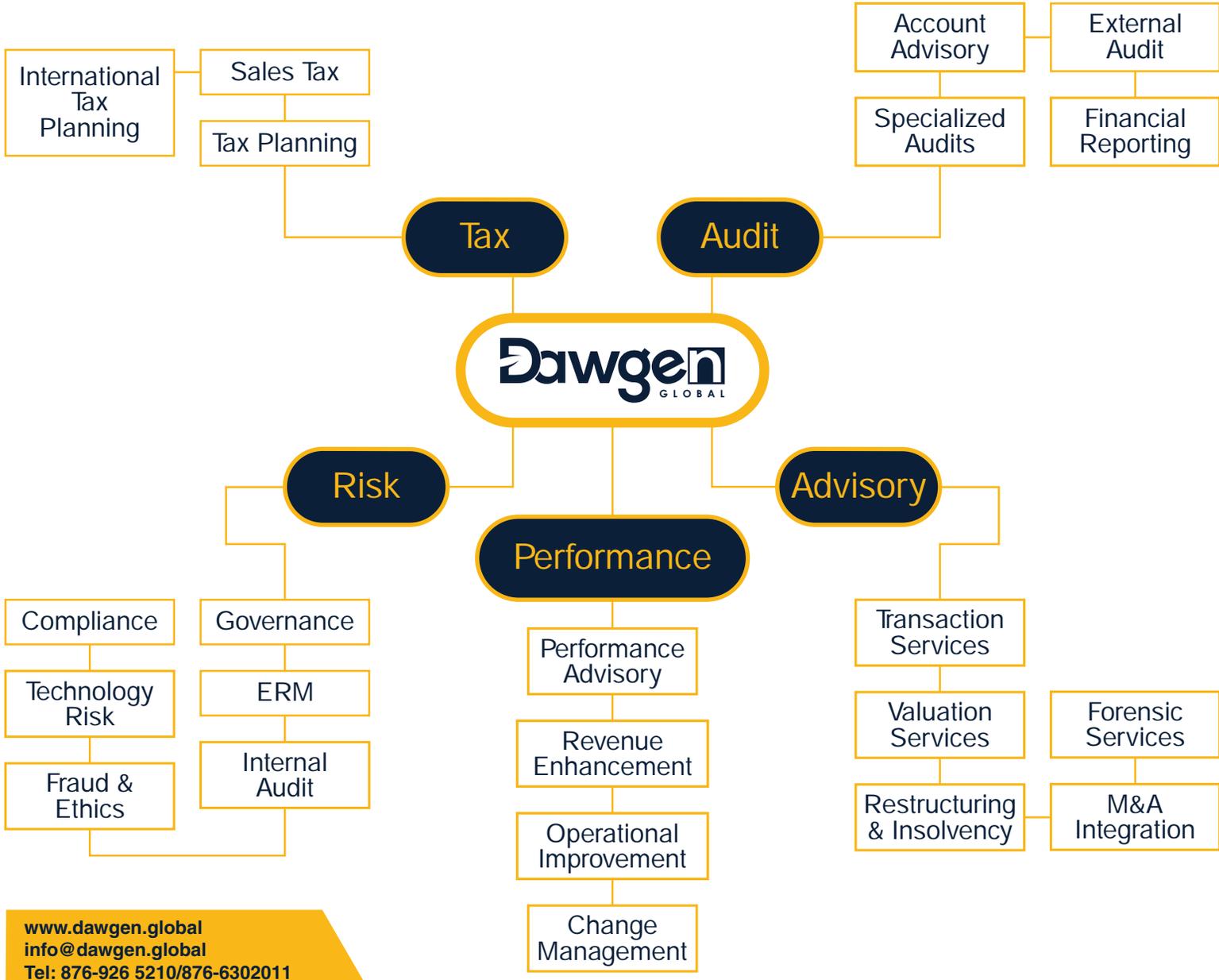
If a total value of supplies in a year exceeds XCD 400,000, an individual must register for VAT.

A submission of a monthly VAT return and payment must be done on the 21st day of each month. (N.B. An additional fee of XCD 250 will be charged to an individual who fails to file a return.)

Income Tax Law, Tourism Incentives Act, Fiscal Incentives Act, International Business Companies Act are the source of tax law in St. Lucia.

There is a tax treaty between CARICOM and Switzerland.

The Inland Revenue Department is known as the tax authorities in St. Lucia.



ABOUT DAWGEN GLOBAL

Dawgen Global is an integrated multidisciplinary professional service firm in the Caribbean Region. We are integrated as one Regional firm and provide several professional services including: audit, accounting, tax, Information Technology, Risk, HR Solution, Performance, M&A, corporate finance and other advisory services.

Our Caribbean regional network covers Jamaica, Trinidad and Tobago, Bahamas, Bermuda, the Cayman Islands, the Eastern Caribbean (Barbados, Antigua, St Lucia, Grenada, and St Kitts & Nevis), the Netherlands Antilles (Bonaire, Curacao, and St Maarten) and Aruba and the Turks and Caicos Islands.

Our regional focus is to improve services to local, regional and international clients. Through our affiliation and membership in other Global Networks and Associations, we offer a global perspective while maintaining our regional insight by seeking alternatives for you – we tap the power of both.

Our multidisciplinary teams of professionals leverage a wealth of industry-tailored, practical approaches to help you discover opportunities for your business. Whether your organization is strong and healthy, under stress or facing difficult choices, we work with you to find financial, strategic and operational solutions that improve your liquidity, financial flexibility and stakeholder returns. We're here to help you build a sustainable business – in the short and long-term.

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