FOREWORD

A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2014 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2014, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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For further advice or information please contact:

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<tr>
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<td>J. Wendell Skeete</td>
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BASIC FACTS

- Full name: Saint Lucia
- Capital: Castries
- Main language: English
- Population: 170,311 (2013 estimate)
- Major religion: Christianity
- Monetary unit: East Caribbean Dollar (XCD)
- Internet domain: .lc
- Int. dialling code: +1758

KEY TAX POINTS

- A resident company is taxed on worldwide income. A non-resident company is taxed on income derived or sourced from St. Lucia. The current standard corporation tax rate is 30%.

- The standard rate of Value Added Tax is 15% and a reduced rate of 8% applies for goods and services supplied by hotels.

- Taxes are required to be withheld from payments to non-residents of an income nature and also from payments to residents for labour contracts and certain services.

- Resident individuals are taxed on world income; however only to the extent received in St. Lucia if they are not ordinarily resident in St. Lucia. For non-residents, taxable income means income generated from St. Lucia and income from activities performed in St. Lucia.

A. TAXES PAYABLE

COMPANY TAX

A company is deemed to be resident if it is either incorporated in St. Lucia or it is centrally managed and controlled in St. Lucia. A resident company is taxed on worldwide income. A non-resident company is taxed on income derived or sourced from St. Lucia.

The tax year is based on the company’s fiscal year end. The current corporation tax rate is 30%; however, a rate of 33.33% is imposed on companies which since the introduction of the reduced tax rate remain non-compliant.

Corporate tax returns must be filed within 3 months of the financial year end date of the company along with financial statements and payment of any tax due. A tax return filing extension should be requested at least 2 weeks before the company’s fiscal year end.
Tax is due to be paid by instalments due in March, June and September 25th. It is based on 113 of the last tax return filed. Late payment penalties are levied at 5% of the tax payable plus 10% of the tax unpaid and interest of 1.04% per month.

**CAPITAL GAINS TAX – NONE**

Gains from the sale of capital assets are not subject to tax in St Lucia.

**BRANCH PROFITS TAX**

The tax on a foreign corporation’s branch’s profits and earnings is the same as regular corporate tax.

**VALUE ADDED TAX (VAT)**

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 15% and a reduced rate of 8% applies for goods and services supplied by hotels. Certain goods and services may also be zero-rated or exempt. The registration threshold is a total value of supplies exceeding XCD 180,000. Voluntary registration is also available. Monthly returns and payments must be submitted by the 21st day of the following month.

**OTHER TAXES ON CORPORATIONS:**

**PROPERTY TAX**

A rate of 0.4% is imposed on commercial property.

**SOCIAL SECURITY CONTRIBUTIONS**

Employers contribute at a rate of 5% of employee earnings. The contributions ceiling is XCD 250 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 a resident company vendor (10% for a non-resident vendor) and 2% for the purchaser. Non-resident purchasers must obtain an alien landholding licence at 7.5% of the value of the property. The transfer of shares is subject to 0.5% transfer tax however if 75% or more of a company’s assets consist of property, the transfer is deemed to be of real property.

**CUSTOMS DUTIES**

Imported goods are subject to Customs duties according to the CARICOM Common External Tariff.
B. DETERMINATION OF TAXABLE INCOME

Corporate taxable income is determined by ascertaining assessable gross income and reducing it by allowable deductions.

DEPRECIATION AND DEPLETION
CAPITAL GAINS AND LOSSES

See discussion above.

DIVIDENDS

Dividends paid to residents and non-residents are not subject to income tax or withholding tax.

INTEREST DEDUCTIONS

An interest expense is tax deductible.

FOREIGN SOURCE INCOME

A resident company is taxed on worldwide income.

INCENTIVES

Under the Fiscal Incentives Act, approved enterprises engaged in the manufacture of an approved product are granted tax holidays and exemption from import duties. Under the Tourism Incentive Act, an approved Tourism product is granted certain tax and import duty exemptions. St. Lucia IBCs have the option to elect to be liable to income tax on their profits and gains at a rate of 1% or to be exempted from income tax.

OTHER

Losses can be carried forward up to 6 years. Losses utilised may only reduce the taxable income by 50%. The carry-back of losses is not permitted. There are no anti-avoidance rules in respect of thin capitalisation, transfer pricing and controlled foreign companies.

C. FOREIGN TAX RELIEF

Tax credits are granted at the lesser of the tax charged in St. Lucia on the foreign source income and the tax payable in the other country.

D. CORPORATE GROUPS

Corporate tax returns are based only on separate and not on consolidated financial statements.

E. RELATED PARTY TRANSACTIONS

Related party transactions negotiated at arm’s length are treated the same as non-related party
transactions. The Internal Revenue Department may make any adjustments necessary where a transaction is deemed to be for the purpose of tax avoidance.

**F. WITHHOLDING TAX**

Taxes are required to be withheld from payments to non-residents of an income nature and also from payments to residents for labour contracts and certain services. See section I below for applicable rates.

**G. EXCHANGE CONTROLS**

There are no exchange controls in St Lucia.

**H. PERSONAL TAX**

Resident individuals are taxed on world income; however only to the extent received in St. Lucia if they are not ordinarily resident in St. Lucia. For non-residents, taxable income means income generated from St. Lucia and income from activities performed in St. Lucia. An individual is considered resident if physically present in St. Lucia for at least 183 days.

The tax year is the calendar year.

Taxable income includes employment and business income less allowable deductions and allowances such as the personal allowance (XCD 18,000) and unlimited medical expenses. Capital gains are not subject to tax. Net taxable income is taxed at progressive rates of tax; 10% of the 1st 10,000, 15% of the 2nd 10,000, 20% of the 3rd 10,000 and 30% thereafter.

Each individual must file a tax return by 31 March together with a payment of any tax due. A Pay-As-You-Earn (PAYE) system is used to deduct tax from the salaries of employees.

Penalties exist of 5% of the tax liability (for filing a tax return late) and 10% of the unpaid tax balance plus interest at the rate of 1.04% per month (for late payment of tax due).

**OTHER TAXES ON INDIVIDUALS:**

**STAMP DUTY**

Same as for corporations.

**PROPERTY TAX**

A rate of 0.25% is imposed on residential property.

**SOCIAL SECURITY CONTRIBUTIONS**

Employees contribute at a rate of 5% of earnings. The contributions ceiling is XCD 250 per month.
### I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Treaties are in force with CARICOM and Switzerland.

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