

InTouch

with indirect tax news

Caribbean Region – Alert

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PricewaterhouseCoopers
Caribbean Region is pleased
to present the August 2010
issue of InTouch, a bulletin
designed to keep our clients
up-to-date with regional
indirect taxation.

Antigua & Barbuda

Updates and developments

2009 saw the rate of Antigua and Barbuda Sales Tax (“ABST”) applicable to gambling supplies (see Rates) changed to 10%, for gambling supplies made from the inception of ABST through January 28, 2009. The standard rate of 15% remains applicable to subsequent gambling supplies. The amendments to gambling operations have not been made.

Based on the 2010 budget proposals put forward by the government on November 30 2009, (legislated March 11, 2010) the scope of items in the ‘basket’ of zero-rated Customs Tariff delimited goods has been reduced to include only the following items from January 1, 2010: chicken, fish, milk, butter, eggs, fresh fruits and vegetables, rice, flour, cornmeal, cereal, cooking oil, shortening and margarine, bread, yeast, water, medicine (such as aspirin, paracetamol and cough medicine), sugar, salt, tofu, soya milk and soya chunks, diapers (babies and adults) and baby formula for food.

An overview

Antigua and Barbuda Sales Tax (“ABST”) is the name given to a value added type tax that was introduced in Antigua and Barbuda from January 29, 2007.

The ABST is levied on local consumption, and is intended to be borne by the consumer, having replaced several other consumption taxes. The tax is administered by the Commissioner of Inland Revenue, supported by the Inland Revenue Department.

The Customs & Excise Department collects ABST payable on imports on behalf of the Commissioner.

Generally, registration is required of persons who have made or are likely to make supplies to the value of EC\$300,000 in a continuous period of twelve calendar months.

Rates

The following rates of tax are applicable under the ABST regime:

- a zero rate applicable to scheduled goods and services;
- a ‘transitional’ rate of 10.5% which is currently being applied to hotel or holiday accommodation; and
- a standard rate of 15% applicable to all other taxable supplies and imports.

In addition to the foregoing, there was also a transitional rate of 10% levied on gambling supplies made during the first two years of ABST (i.e. up until January 28, 2009). Supplies thereafter are subject to the standard rate of 15%.

Antigua & Barbuda

A taxable person for the purposes of ABST is a person (individual, corporate or otherwise) who is registered or required to be registered so as to collect and pay ABST. Taxable persons are required to file returns of relevant information and pay ABST to the Commissioner of Inland Revenue on a monthly basis.

Government entities and similar bodies which supply goods and services for a fee or carry out business-type activities, promoters of public entertainment, and suppliers of certain types of professional services, are all required to be registered regardless of whether or not they reach the registration threshold noted above.

Supplies and imports of the following items are exempt from ABST:

- local transportation;
- financial services;
- residential premises (except where zero-rated);

- education;
- long-term accommodation (over 45 days);
- prescription medicines, medical and similar services, and veterinary services;
- unimproved/agricultural land;
- unprocessed agricultural products;
- agricultural/fishing inputs;
- domestic postal services; and
- local entertainment.

Customs Duties

All imports are subject to import duties, ABST, Antigua and Barbuda Revenue Recovery Charge and an environmental levy. In all instances certain exemptions apply.

Import duty is levied on a wide range of imported goods at rates from 0% to 70% specified in the Custom Duties Act.

Customs Duty is levied on goods based on the cost, insurance and freight ("CIF") values and rates determined by the Caricom Common External Tariff.

Antigua and Barbuda Revenue Recovery Charge is applied at a rate of 10% on the CIF value on all goods imported into or produced in Antigua and Barbuda. Exemptions will include entities with which the Government has International Assistance Agreements , certain Government entities and most supplies or imports of fuel.

The Environmental Levy is calculated based on dollar value rates from \$0.25 - \$2,000 and is used to finance the cost of protecting and preserving the environment.

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Aruba

Updates and developments

Turnover tax in Dutch “Belasting op bedrijv-somzetten” (“BBO”) - due to the election of a new Government in Aruba, it was proposed to amend the turnover tax legislation to reduce the BBO rate from 3% to 1.5% effective January 1, 2010.

BBO on exports was abolished effective June 1, 2010.

Turnover tax

Every company that sells goods or renders a service against a payment in Aruba is subject to turnover tax. The taxable base consists of all remunerations received by the company for the supply of goods or the rendering of services. The BBO rate is set at 1.5%.

Goods, services and payment

Goods are defined as all physical objects including water, gas and electricity. Services are defined as all services rendered against a payment. A payment is defined as all income received relating to the sale of a good or the rendering of a service. If the income is non-monetary, the fair market value should be taken into account.

In cases where goods are sold, the taxable event occurs either where the transportation commences (if goods are sold to or from abroad and transported in connection with the supply) or where the goods are physically located.

In the case of services, the service is rendered at the place where the company providing such is established or has a permanent establishment.

Exemptions

Some exemptions are applicable: Companies exporting goods from Aruba are exempt from BBO. The company has to establish that the goods sold are being sent or transported to a destination outside of Aruba by the entrepreneur. No BBO is levied on the supply of immovable property if in relation to this supply transfer tax is due. Exemptions also apply in the following instances:

- supply of prescription medicines including certain medical aids;
- renting out of apartments or hotel rooms; in as far as room tax is due;
- providing the opportunity to gamble, in as far as gaming tax is due;
- renting out of real estate that is used as a private dwelling;
- investment income, such as interest and dividends;
- qualified banking transactions;
- insurance services and the services performed by intermediaries of insurance companies;
- transitional expenses, in as far as the supply of the goods or rendering of the service is done on behalf of and for risk and account of another entrepreneur; and
- export of goods and services by a company established in the free zone.

Aruba

Fiscal Unity

A parent company that owns 100% of the shares in a subsidiary can request to enter into a Fiscal Unity for BBO purposes. Fiscal unity facilitates the taxation for BBO purposes at the level of the ultimate parent company. The turnover generated by intercompany transactions is exempt from BBO.

The BBO is levied on a cash basis. However, upon request, the company may opt to apply the invoice method. Upon approval of the tax authorities, the invoice should meet certain requirements.

Important dates

The BBO return should be filed monthly, no later than the 15th day of the calendar month following the calendar month for which the BBO is due.

Import duties

Import duties are levied according to a tariff, which is a percentage of the CIF-value of the product. A classification rule has been published in which the various products are categorized into groups. The tariff varies from 0% to 50%.

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Barbados

Updates and developments

The government has undertaken a VAT reform initiative in which legislative and administrative aspects of the VAT system in Barbados are being reviewed. The updates are scheduled to be completed during 2011.

An overview

Persons operating under Barbados' VAT regime must be registered for VAT. The threshold for VAT registration is BDS\$60,000, but voluntary registration is permitted for persons whose annual turnover is less than BDS\$60,000.

Every registrant shall within 21 days after the end of each taxable period, whether or not he makes a taxable supply during the taxable period, file a VAT return with the Comptroller.

Late filing, late payment penalties and interest charges apply.

Rates

VAT is levied at the rate of 15% on the value of a wide range of goods and services imported or supplied in Barbados by VAT registered persons. A number of services, including financial services, real estate, medical services, and education, are exempt. Inter-group transactions are taxable.

Certain supplies are zero-rated, including exports, basic food items, prescription drugs, crude oil, and the supply of certain items to the international financial services sector, e.g. legal and accounting fees.

There is a concessionary rate of 7.5% applicable to the supply of accommodation by guest houses, hotels, inns, or any similar place, including a dwelling house normally let or rented for use as a vacation or holiday home.

Customs Duty

Customs duty is levied on a wide range of imported goods at rates specified in the Customs Act. Barbados' Customs Tariff is based on the Common External Tariff of the Caribbean Common Market (Caricom). Customs duty is calculated on either an "ad valorem" basis or at specific quantitative rates.

The ad valorem rates for most items vary between 0% and 20%, but certain goods regarded as luxury items are subject to higher rates. In addition, a select group of items that are produced within Barbados and Caricom are subject to a duty rate of 60% when imported from outside the region.

Manufacturers and agriculturists, including persons involved in fishing and horticulture are exempt from the payment of duty on inputs imported for use in their businesses.

Barbados

The various departments and institutions, international bodies and organisations listed in Part II-B of the Customs Tariff are exempt from the payment of customs duty. Specific goods (e.g. computers), also mentioned in Part II-B, are exempt from customs duty.

Excise Tax

Excise taxes existed in Barbados prior to the introduction of VAT in 1997, but these were confined to products of the rum industry. From January 1, 1997, four categories of goods became subject to excise taxes. These are motor vehicles, spirituous beverages and tobacco products.

Most excisable goods are subject to the tax at a specific rate, with the exception of motor vehicles, which are subject to ad valorem rates. Very few items are exempt from excise taxes. These include motor vehicles imported by the diplomatic corps, and other organisations exempt from customs duty under Part II-B of the Customs Tariff.

Environmental Levy

An environmental levy is in force in Barbados and its main purpose is to defray the cost of the disposal of refuse generated by the use of goods imported into Barbados.

The general rates are either 2% or 3% of the CIF value of all goods, both imported and local, but some items are subject to specific rates. There are exemptions from the payment of this levy, including those organisations listed in Part II-B of the Customs Tariff, the international financial services sector, manufacturers and the diplomatic corps.

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Curaçao, Bonaire, Saba, St. Eustatius, St. Maarten

An overview

Turnover tax (“BBO”) and Sales tax (“OB”)

In the island territories of St. Maarten, Saba and St. Eustatius, every company is subject to turnover tax, in Dutch “Belasting op bedrijfsomzetten” (hereinafter: BBO) on its revenues realized from the sale of goods and services.

The taxable base consists of all revenue received by the entrepreneur for the supply of goods or the rendering of services. The BBO is applied at a rate of 3%.

Sales tax (“OB”)

In the island territories of Curaçao and Bonaire, every company is obliged to add a sales tax, in Dutch “Omzetbelasting” (hereinafter: OB) to the sales price, on the sale of goods and services. The OB rate is 5%.

The difference between the two taxes is that the turnover tax is a tax levied on the entrepreneur, whereas the sales tax is levied on the consumer.

With regard to both the OB and the BBO, exporting goods to buyers residing or established outside of these “levy territories” is exempt from tax. The entrepreneur has to prove that the goods sold are being sent or transported to a destination outside of the OB or BBO territory.

Some exemptions are applicable. For example no OB or BBO is levied on the sale of immovable property, if on the transfer of the title, transfer tax has been paid.

A Fiscal Unity (see page 6) is not applicable with regard to OB and BBO in the Netherlands Antillies. The turnover generated by intercompany transactions is therefore subject to OB and BBO. However, under strict conditions, an exemption applies in case of shared expenses, where one company pays certain expenses for its benefit, and that of one or more other companies and charges the other companies for their share of said expenses.

The BBO is levied on a cash basis. However, upon request the entrepreneur may opt to apply the invoice method. The OB is levied based on the invoice.

The OB or BBO return should be filed monthly.

The OB or BBO is due within 15 days of the calendar month following the calendar month for which the tax is due. A tax return must be filed with the tax authorities together with payment of the amount due.

In the island territories of Curaçao and Bonaire, import duties are levied. The tariff is a percentage of the CIF-value of the product.

A classification rule has been published in which the various products are placed into groups. Tariff rates are then applied to each group. The tariff varies from 0% to 35%.

No import duties are levied in the island territories of St. Maarten, Saba and St. Eustatius.

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■ BBO – Turnover Tax

■ OB – Sales Tax

■ Import Duties

Dominica

Updates and developments

The recently re-elected government of Dominica has indicated that there will be no increase in the rate of VAT in 2010.

An overview

The VAT regime in Dominica, introduced in 2006, is administered through the Inland Revenue Department (Customs & Excise Division administer VAT on importations).

Every person who carries on a taxable activity and is not registered, is required to apply for registration within 21 calendar days of the end of any period of 12 or fewer months, where during that period the person made taxable supplies, of more than EC\$60,000 for hotel/guest accommodations, and EC\$120,000 for other taxable business activities.

Every registrant shall within 20 calendar days after the end of each taxable period (each calendar month), whether or not he makes a taxable supply during the taxable period, file a VAT return with the Comptroller.

Late filing, late payment penalties and interest charges apply.

VAT is levied at the rate of 15% on the value of a wide range of goods and services imported or supplied in Dominica by VAT registered persons. A number of services, including financial services, real estate, medical services, and education, are exempt. Intergroup transactions are taxable.

Certain supplies are zero-rated, including fuel, flour, milk, rice, and sugar.

There is a concessionary rate of 10% applicable to the supply of accommodation by guest houses, hotels, inns, or any similar place, and on accommodation services in an apartment or room with utilities and furnishings provided by the lessor.

VAT on importations is charged at a rate of 15% for most goods based on the cost, insurance and freight (CIF) value plus the import duty, environmental surcharge, customs service charge and excise tax.

General importations are subject to VAT, excise tax, a customs service charge, and environmental surcharge and import duties. In all instances certain exemptions apply.

Import duty is levied on a wide range of imported goods at rates from 0% to 165% specified in the Customs Duty Act.

Customs duty is levied on goods based on the CIF values and rates determined by the Caricom Common External Tariff. Some exemptions are available for among others, imports of Caricom origin.

The environmental surcharge is calculated based on the CIF value at rates of 1% to 1.5%. Dollar value rates from EC\$10.00 to EC\$3,000.00 also apply to some items.

A Customs Service Charge is levied at 3% on all goods, calculated based on the CIF value.

An excise tax is applied at various rates to alcoholic beverages, tobacco products and motor vehicles, among others.

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■ VAT – Value Added Tax

■ Customs Duty

■ Import Duty

Grenada

Updates and developments

VAT was first implemented in 1986 in Grenada. However, this effort was short lived and the tax has been implemented for a second time commencing February 1, 2010.

An overview

The VAT is administered through the Inland Revenue Division (Customs & Excise Division administer VAT on importations). The threshold for VAT registration is EC\$120,000. Registration is also required where during any month the average monthly value of taxable supplies is EC\$10,000 or more. Voluntary registration is also permitted.

Every registrant shall within 20 calendar days after the end of each taxable period (each calendar month), whether or not he makes a taxable supply during the taxable period, file a VAT return with the Comptroller.

Late filing, late payment penalties and interest charges apply.

VAT is levied at the rate of 15% on the value of a wide range of goods and services imported or supplied in Grenada by VAT registered persons. A number of services, including financial services, real estate, medical services, and education, are exempt. Intergroup transactions are taxable.

Certain supplies are zero-rated, including flour, milk, rice, and sugar, infant preparations, the supply of water and electricity to domestic users (restrictions apply), and fuel.

There is a concessionary rate of 10% applicable to the supply of accommodation and dive activities.

VAT on importations is charged at a rate of 15% for most goods, based on the CIF value, plus the import duty, environmental surcharge, customs service charge and excise tax.

Exempt supplies include financial, insurance and educational services, marine and docking services and international transport.

The General Consumption Tax, the Airline Ticket Tax and Motor Vehicle Purchase Tax have been repealed but the Customs Service Charge (CSC), Common External Tariff (CET), Environmental Levy (EVL) and all other taxes have remained.

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Jamaica

Updates and Recent Developments

In keeping with its overall goal of reducing the public sector deficit, the Government of Jamaica announced several revenue enhancing measures in December 2009. These measures were promulgated in the Jamaica Gazette supplement of December 2009 and took effect at various times during 2010.

Increase in the GCT Rate

The rate of General Consumption Tax (GCT) applicable to the provision of goods and services was increased from 16.5% to 17.5%. This new rate became effective January 1, 2010.

Introduction of an Advance GCT payment facility

The Government also announced the introduction of an Advance GCT payment (AGP) at the port of entry and payable by “commercial importers”. AGP represents an additional 5% on the import value. A “commercial importer” is defined as “*a registered taxpayer who, in relation to a taxable supply, imports into Jamaica any goods that the Commissioner of Customs is satisfied is (sic) imported for resale or use in carrying out a taxable activity*”.

The AGP is however available as a credit in accordance with Regulation 14 to the GCT Act, which deals with input credits. The AGP does not apply to the importation of the following goods:

- petroleum products specified in the second Schedule to the GCT Act;
- capital goods within the meaning of the Customs Act;
- goods imported under the GCT deferment scheme, for example as raw materials for the purpose of manufacturing;
- goods that are zero rated or exempt from GCT;
- telephone instruments; and
- goods imported for which an uplift fee is chargeable under the GCT Act.

Imposition of GCT on electricity

With effect from February 2010, GCT applies in the following circumstances to the consumption of electricity by both residents and commercial users: Supplies of electricity to residential customers up to 200 Kwh per month shall be zero rated for GCT purposes

Supplies of electricity to residential customers (in excess of 200 Kwh per month) and to commercial or industrial consumers shall be subject to GCT at the rate of 10%.

General

GCT is charged at the standard rate of 17.5% both on the supply in Jamaica by a registered taxpayer of goods and services and the importation into Jamaica of goods and services, by reference to the value of those goods and services. Special rates are levied in the Tourism and telecommunication sectors.

GCT at the rate of 25% is levied on the provision of telephone equipment and services and since April 1, 2010 the applicable rate of GCT on goods and services in the Tourism sector is 10%.

In all other cases, goods and services are either classified as zero-rated or exempted based on a list of schedules modified from time to time by the Minister of Finance and the Public Service.

Input Tax Credit and restrictions

In computing the tax due, the registered taxpayer may deduct as input tax, the GCT suffered on purchases of goods and services made during the course of his taxable activity. There are however restrictions on the amount of input that can be claimed e.g. GCT associated with materials used in the construction of or repairs to any premises owned cannot be claimed as input tax.

Jamaica

GCT Registration

Any person engaged in the provision of goods and services in Jamaica is required by law to apply and become a registered taxpayer if:

- the gross value of the applicants supplies exceeds J\$3 million, taking into account total supplies in the month of application and that of the preceding eleven months or
- where commercial activities subsisted for less than a year, the average monthly supplies of the applicant is in excess of JA\$250,000 or
- The applicant is a manufacturer of prescribed goods.

Every registered taxpayer is required to file a GCT Return on monthly basis. Payment of GCT is due within thirty days of the end of the period to which the Return relates. Failure to file a GCT return attracts a Return penalty of up to 15% of the tax outstanding on the prescribed date. Failure to pay the correct amount of GCT by the due date attracts a payment penalty of 15% of the outstanding tax. Repeated failures in a twelve month period will result in a surcharge being levied

In addition the above penalties, a registered taxpayer will also suffer interest at 2 ½% per month, or part thereof, on any tax, penalty or surcharge payable from the date on which such tax, penalty or surcharge becomes due, until the date the tax is paid in full.

Special Consumption Tax

Special consumption tax (SCT) has replaced several duties and taxes e.g. excise duty and caricom duty. SCT is payable by every registered taxpayer who manufactures prescribed goods and any person who imports prescribed good into Jamaica. Goods subject to SCT includes petroleum products, cigarettes, alcoholic beverages and motor vehicles.

Custom duties

Imported goods attracted customs duties at various rates which can be found in the Jamaica Customs Tariff publication. Under the Customs Act, valuation is primarily based on the Transaction value (CIF). This system of valuation is consistent with the WTO Agreement on Customs Valuation and all imports are subject to the Caricom Common External Tariff (CET).

Environmental levy

An environmental levy of 0.5 percent has been in force in Jamaica since June 2007. This levy is calculated on the CIF (cost of goods, insurance and freight) value of imported goods, with some exceptions. Goods imported by Jamaican residents up to a value of US\$500 as well as those imported by diplomats and international organizations are exempt from this levy.

Other Imports

In addition to normal duties, all imports of goods generally attract a customer user fee at the rate of 2% of the CIF value. However, importations of finished petroleum products, excluding those under the PetroCaribe Agreement, attract a customer user fee at the rate of 5%.

The importation of certain goods may also be subject to stamp duty, additional stamp duty, bureau of standard fee and special consumption tax.

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St. Kitts

Updates and developments

Value Added Tax (VAT)

In April 2010, the Government released a white paper on Value Added Tax which it proposes to introduce in November 2010. Draft legislation was also released in July 2010.

The proposed VAT will replace the Consumption Tax, Hotel and Restaurant Tax, Cable TV Tax, Vehicle Rental Levy, Insurance Premium Tax, Export Duty, Public Entertainment Tax, Lotteries Tax, Gaming Machine Tax and Traders Tax.

The current excise tax will not be repealed, but will be reformed to support the implementation of VAT and should apply to only a small range of goods, such as alcoholic beverages, tobacco products, petroleum products, motor vehicles and aerated beverages.

The proposed VAT registration will require persons who have made or are likely to make taxable supplies in excess of EC\$96,000 for certain professional services and EC\$150,000 for other business activities in a continuous period of 12 calendar months to register. VAT registrants will be required to file a VAT return with the Comptroller of Inland Revenue within 15 days of the end of each taxable period whether or not taxable supplies are made during the taxable period.

Proposed rates

A zero rate is applicable to scheduled goods and services including fuel, exports, basic food items and sale of real property on which stamp duty is paid.

A concessionary 10% rate is applicable on accommodation for the tourist industry.

A standard rate of 17% is applicable to a wide range of goods and services imported or supplied in St. Kitts by registered persons.

Customs Duties

All imports are subject to import duties (rates from 0% - 70%), consumption tax (rates from 5% - 15%) and customs service tax (6% of the CIF). In all instances certain exemptions apply.

Customs Duty is levied on goods based on the cost, insurance and freight ("CIF") values and rates determined by the Caricom Common External Tariff.

An environmental levy is applied on the importation of vehicles only. The charge is calculated based on dollar value rates from \$1,000 - \$5,000.

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St. Lucia

Updates and developments

Value Added Tax (VAT)

The Prime Minister in his delivery of the budget address for the financial year 2010/2011 in Parliament on April 19, 2010, delayed the implementation of the much anticipated VAT in St. Lucia.

The implementation of VAT has been promised in the last three budgets, and the VAT Implementation Unit has been educating traders and taxpayers for the advent of VAT. Draft legislation has been prepared and discussions have been held with all sectors of the business community.

The Prime Minister indicated that “VAT remains a priority” but gave no indication as to when the tax would be implemented. In spite of the apparent readiness of the VAT Implementation Unit, it appears that VAT may have become a victim of political timing, and may not be implemented until 2011 or after the next general election.

There are a number of major issues that remain to be resolved, the most significant of which is the manner in which VAT would be applied to the hotel accommodation sector; but VAT appears to have been successfully implemented in a number of neighboring countries without significant discomfort to these economies.

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Trinidad & Tobago

Updates and developments

Currently, VAT is administered by the Board of Inland Revenue (BIR). However, the BIR is to be replaced by the Trinidad and Tobago Revenue Authority (TTRA) in 2010.

An overview

Persons who are making or are likely to make commercial supplies in excess of TT\$200,000 during any twelve-month period are required to be registered for VAT.

VAT is charged at the rate of 15% on goods imported into, and the commercial supplies of goods and services in, Trinidad and Tobago.

However, certain goods and services such as basic food items and medical supplies are subject to tax at 0%, while certain supplies, such as financial services and rental of residential property, are exempt from VAT.

The standard tax period is bi-monthly that is every two (2) months. Persons registered for VAT are required to submit a return and remit VAT due for each two-month period. Each return and VAT payment is due on or before the 25th day of the month following the end of the VAT period.

Failure to file a VAT return within the prescribed time frame will attract a penalty of TT\$500 for each outstanding return. Where VAT is not remitted within the statutory timeframe, the amount outstanding will attract a penalty of 8% plus interest of 2%.

Customs Duty

Customs Duty is administered by the Customs and Excise Division.

Customs duties are levied on a wide range of imported goods at rates specified by the Customs Act. The rates of customs duty are determined either ad valorem or at fixed quantitative rates and the rate generally ranges from 0% to 45%. However, certain luxury items are taxed at a higher

rate of tax. The customs value applied on imported goods is the price paid for goods when sold for export to Trinidad and Tobago. This is computed on the CIF (Cost, Insurance & Freight) value and includes all other foreign costs incidental to the delivery of goods to Trinidad and Tobago.

Relief from customs duty is available in certain instances for example, equipment that is imported for a temporary purpose, or under a special license granted to a manufacturer. Generally, companies operating in a Free Zone also enjoy relief from customs duty.

The President (by order) can exempt the payment of duties, or revoke, reduce, increase or alter any such duties.

Restrictions on importations only apply to left-hand drive cars, firearms, cigarette paper, small ships and boats, and a few agricultural products, including live Christmas trees.

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■ Customs Duty

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