



Economic Substance Barbados and Saint Lucia

April 18, 2020

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The materials are updated as new developments emerge but readers should recognize the rapidly evolving nature of the underlying subject matter.

For any questions please contact:

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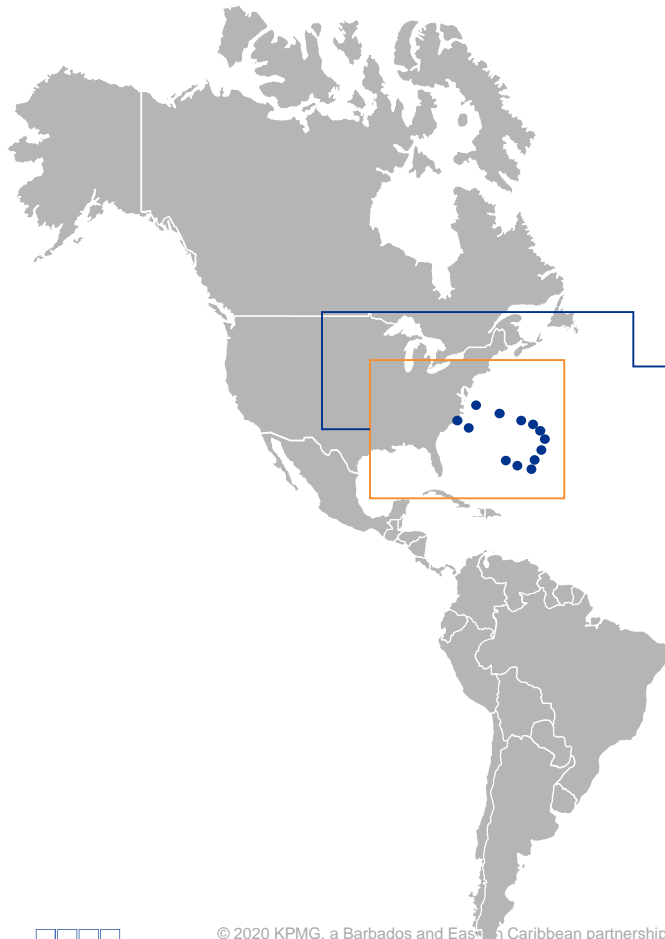
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Why KPMG?

Our regional team working with you

KPMG has had a presence in the Caribbean for decades. We have significant regional tax advisory and compliance experience and understand sector issues. We know the cultural, economic and political facets of each country and the region as a whole. We maintain strong links with extra-regional KPMG member firms in the United States, Canada and the United Kingdom.



KPMG practices everywhere you are now in the region

- Anguilla
- Antigua and Barbuda*
- Aruba#
- Bahamas*
- Barbados*
- British Virgin Islands*
- Cayman Islands*
- Curacao#
- Dominica
- Grenada
- Jamaica*
- St. Kitts and Nevis
- Saint Lucia*
- St. Maarten#
- St. Vincent and the Grenadines*
- Trinidad and Tobago*
- Turks and Caicos Islands*

We work with a third party on this jurisdiction

* Physical presence

Why KPMG?

Our services in the Caribbean - Tax, Audit, and Advisory

Tax

KPMG assists clients in all sectors with ensuring compliance and also advises on all domestic and international taxation issues relating to M&A transactions.

Our services include:

- Domestic and International Tax Advisory
- Tax Structuring Advice
- Tax Modelling Assistance
- Indirect Tax Advisory
- Direct and Indirect Tax Compliance
- Individual and Employment Tax

Audit

KPMG assists clients in providing credibility and transparency in financial reporting by delivering quality, independent audit report.

Our services include:

- Financial Statement Audit
- Project & Donor-Funded Audit
- Regulatory and Contractual Assurance
- Other Assurance Services
- Accounting Advice

Advisory

KPMG provides advice and assistance to enable clients to mitigate risk, improve performance, and create value.

Our services include:

- Change Management
- Data and Analytics Modelling
- Executive Recruitment
- Financial Restructuring
- Forensic Investigations
- Internal Audit, Risk and Compliance
- IT Audit Reviews
- Liquidations and Insolvency
- Mergers and Acquisitions
- Outsourced Accounting Services
- Process Improvement
- Strategic Planning
- Valuations





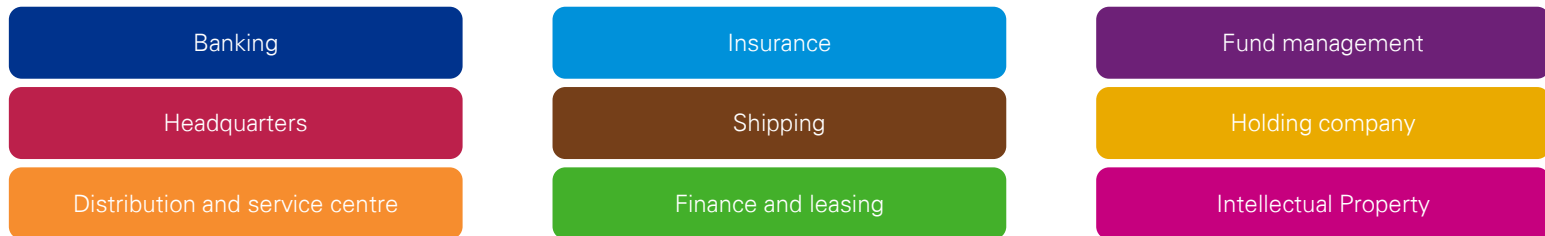
Economic Substance

Barbados

Economic Substance - Barbados

Barbados enacted the Business Companies (Economic Substance) Act (“Original ESA”) to provide for the imposition of an economic substance test (“EST”) on companies resident in Barbados in December 2018. The Original ESA was repealed and replaced on November 27, 2019.

- A resident company which derives income from the carrying on of a relevant activity must satisfy the EST in relation to that relevant activity.
- A resident company for the purposes of the ESA means:
 - a company, whether incorporated in Barbados or elsewhere, or a society with restricted liability organized in Barbados, or an association formed in Barbados, other than an association of underwriters, which is managed and controlled in Barbados; or,
 - a company incorporated outside Barbados, that is registered in Barbados as an external company that is not regarded as a tax resident company in the jurisdiction of incorporation; or,
 - a company incorporated in Barbados as an entity but which is not tax resident in any other jurisdiction.
- Barbados follows common law principles in relation to tax residence and, for the purposes of the ESA, the company must show that it is managed and controlled in Barbados in relation to each relevant activity.
- Relevant Activity - The ESA defines multiple types of relevant activities A resident company that is carrying on more than one relevant activity is required to satisfy the EST in relation to each relevant activity.



Economic Substance – Barbados (cont'd)

- A resident company conducts its core income generating activities (“CIGA”) in Barbados in circumstances where having regard to the level of income derived from the relevant activity carried on:
 - there is an adequate number of qualified full-time employees in relation to that activity in Barbados;
 - there is an adequate number of employees who are physically present in Barbados in relation to that activity;
 - there is adequate operating expenditure incurred in Barbados; and,
 - there are adequate physical assets in Barbados.
- A resident company which derives income from the carrying on a relevant activity must satisfy the EST in relation to that relevant activity by conducting its CIGA in Barbados. The outsourcing of CIGA in Barbados may be permitted in certain circumstances.
- A resident company that is a single purpose equity holding company is subject to a reduced EST which is satisfied if the resident company:
 - complies with all applicable filing requirements under the Companies Act, Cap. 308, Societies with Restricted Liabilities Act, Cap. 318B, and the Income Tax Act, Cap. 73;
 - has adequate human resources and adequate physical assets in Barbados for holding and managing equity participations in other entities; and
 - submits confirmation of its compliance with the two aforementioned paragraphs to the Director in the prescribed manner.
- Economic Substance guidelines have also been issued which provide further details for companies which are required to meet the EST.

Economic Substance – Barbados (cont'd)

- There is only one reporting stage, wherein the company submits the Economic Substance Declaration.
- Timelines for meeting the EST vary depending on the classification of the entity in relation to the legislation under which it carries on business.
- Where the Director determines that a resident society has failed to meet the EST for a fiscal period, the Director shall impose a penalty of up to BBD 300,000 (USD 150,000) in any subsequent year payable within 30 days of the date of notice of the imposition of the penalty
- This maximum fine is payable in respect of each instance of default: first instance – where the company fails the test for the first time; second instance – where the company fails to rectify the breach within 12 months of notice; and third instance – where the company fails the test for a further fiscal period. The ultimate penalty is being struck off the register of companies if the company fails the test for two consecutive periods.



Economic Substance

St Lucia

Economic Substance – St Lucia

- The purpose of the ESA of St Lucia, which was enacted December 23, 2019, is to require a relevant entity to satisfy economic substance requirements.
- A relevant entity means an entity that carries on economic activity in a relevant sector and includes, inter alia, a company incorporated or registered under the Companies Act of St Lucia.
- A relevant sector includes banking business, insurance business, shipping, international mutual funds business, financing and leasing, headquartering, holding company business and distribution and service centre business.
- A relevant entity shall, for each year of income in which it derives income from a relevant sector, have adequate economic substance.
- A relevant entity, other than a pure equity holding company, must satisfy the following economic substance requirements:
 - be directed and managed in Saint Lucia
 - have an adequate number of qualified employees in Saint Lucia, whether employed by the relevant entity or another person or employed on a temporary or long-term contract;
 - have adequate operating expenditure proportionate to the level of activity carried on in Saint Lucia;
 - have an adequate physical presence; and
 - conduct core income-generating activities in accordance with the Act.

Economic Substance – St Lucia (cont'd)

- A relevant entity that is only carrying on an activity in a relevant sector that is the business of a pure equity holding company is subject to reduced economic substance requirements which is satisfied if the relevant entity confirms that —
 - it has complied with the applicable filing requirements under the Companies Act, Cap. 13.01, the International Business Companies Act, Cap. 12.14 and the Income Tax Act, Cap. 15.02;
 - it has adequate human resource and premises in Saint Lucia for holding and managing equity interests or shares in another company.
- An Economic Substance return should be submitted within three months after a year of income.
- Timelines for meeting the EST vary depending on the classification of the entity in relation to the legislation under which it carries on business.
- There is only one reporting stage, wherein the company submits the Economic Substance Return.
- Should a company be in default and fail to comply within 14 days of receipt of the Notice to Comply, the company would be liable to pay a fee of XCD1,000 (USD370.37) for every month and part of a month that the default continues. If a company fails to comply with the economic substance requirements for two consecutive years of income, the Registrar may strike the company's name off the Register of Companies.
- A Beneficial Owners Registry is also being introduced.



KPMG at a glance

KPMG in Barbados and the Eastern Caribbean at a glance

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Celebrating,
40+ years
of service

Practising in,
9 countries

- Barbados
- Anguilla
- Antigua and Barbuda
- Dominica
- Grenada
- Montserrat
- Saint Lucia
- St. Kitts and Nevis
- St. Vincent and the Grenadines

Offices in,
4 countries

- Barbados
- Antigua and Barbuda
- Saint Lucia
- St. Vincent and the Grenadines

Our people

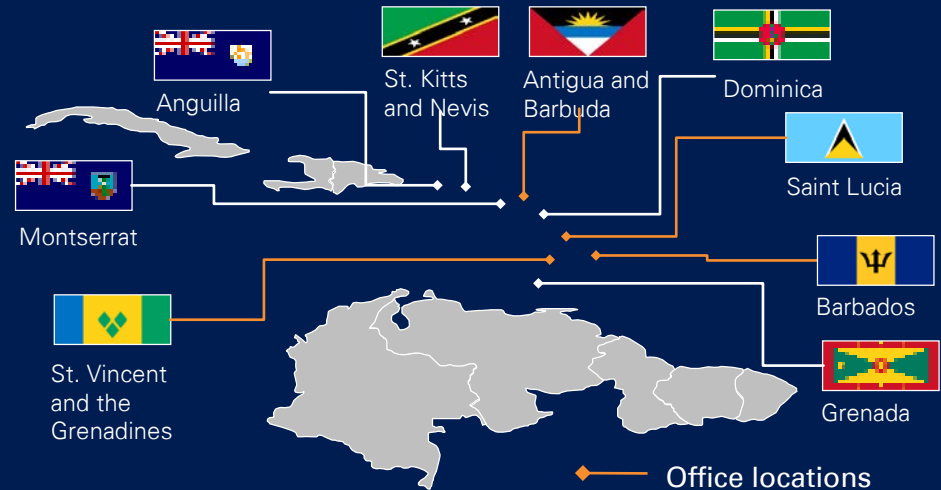


13
Partners and
Directors

150+
Professionals

70% | 30%
Gender split (F | M)

Our member firms



Our Tax profile

Our team

3
Partners and
Senior
Managers

10+
Professionals



Full spectrum of Tax Services and well connected to global network

Sector expertise



Financial services



Hospitality and tourism



Industrial markets



Consumer markets



Infrastructure and real estate



Digital solutions



Government and public sector

Service offerings

Tax Advisory



- Domestic, international and cross border tax advice
- Income tax, VAT, Property Transfer tax, Stamp Duties and withholding tax
- Tax rulings and Tax clearance certificates
- Deferred tax

Tax compliance



- Corporate and individual tax returns
- VAT, GST, ABST
- Withholding Tax
- Payroll
- Economic substance declaration

Corporate Service & Regulatory Compliance



- Incorporation
- Annual Corporate Secretarial Maintenance
- Corporate Governance
- Foreign Currency Permit
- Dissolutions, re-organisation



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