



# TaxNewsFlash

## St. Lucia

### KPMG Budget Commentary

April 8, 2022

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On March 29, 2022 the Prime Minister and Minister of Finance, Economic Development and the Youth Economy of St. Lucia presented the Budget Statement on the Estimates for Revenue and Expenditure for the Fiscal Year 2022/23.

The estimates aim at:

- 1) Providing the platform for sustained growth
- 2) Supporting the continued robust performance of the tourism industry
- 3) Expanding construction in the public and private sector
- 4) Encouraging prudent, responsible and transparent fiscal management
- 5) Implementing tools that will assist in significantly reducing waste and unnecessary spending
- 6) Developing institutional frameworks designed to eliminate corruption, and
- 7) Creating an environment where there is a substantial reduction in revenue from fuel.

While there are no specific changes that have been announced with respect to taxation, we highlight the changes that have taken place after the end of the grandfathering period for International Business Companies (IBCs) on June 30, 2021:

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## Economic Substance

Every company incorporated inside or outside of St. Lucia but registered in St. Lucia; any limited liability partnership registered in St. Lucia and any international trust in St. Lucia which carries on a relevant activity, regardless of whether income is earned, is included in the scope of the Economic Substance Act (ESA).

The relevant activities are:

- 1) Banking Business.
- 2) Insurance Business.
- 3) Shipping.
- 4) International mutual funds business.
- 5) Financing and leasing.
- 6) Headquartering.
- 7) Activities of a company holding tangible assets.
- 8) Activities of a company holding intangible assets.
- 9) Activities of a pure equity holding company.
- 10) Distribution and service centre business.
- 11) A combination of business or activity carried on above.

The ESA does not apply to domestic companies, as defined, being companies that operate in St. Lucia and provide goods and services solely for St. Lucia, and are not part of a multinational enterprise group.

## Corporate Taxation rate

After June 30, 2021, IBCs will be taxed at the domestic rate of 30%. However, all income earned from sources outside St. Lucia will not be taxed in St. Lucia.

## Withholding Tax

All companies which make payments to non-residents must withhold tax from the payments and remit to the Inland Revenue Department at the rate of 15% for interest and 25% for other payments, unless reduced by Treaty.

## Stamp Duty

Where a company whose shares are being transferred is an IBC that derives ninety percent or more of its income from sources outside St. Lucia, the company produces an instrument in relation to a transaction with respect of shares on the IBC, and the instrument does not have the effect of transferring ownership or control of immovable property in St. Lucia, then the transaction should be exempt from Stamp Duty.

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## How can we help?

KPMG can work with you to address any issues arising from these changes affecting international business companies operating in St. Lucia.

### Contact us

For additional information or assistance, please contact your local tax professional or one of the following professionals with the KPMG in Barbados and the Eastern Caribbean\*:



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