Focus on St. Lucia Budget 2019
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Executive overview

“Growth by Empowerment for a Better Future” was the headline for the third budget presentation of The Honourable Prime Minister, Allen Chastanet which focused on the need to improve the quality of life indices for St. Lucia’s citizens, an area in which the country has been lagging behind its Eastern Caribbean Currency Union (ECCU) neighbours. The Prime Minister spoke about the need to unlock opportunities that will create a better standard of living for every St. Lucian through economic participation and wealth creation.

In 2018, the economy experienced modest economic growth of just over 3% along with a falling debt to GDP ratio. Additionally, the critical tourism sector saw increases in various key metrics including increases in stay over visitors, increased cruise ship arrivals and a robust investment pipeline for new projects which is expected to add a further 2000 rooms to the island’s stock.

The Government highlighted the urgent need to modernize the island’s infrastructure and public administration in order to provide opportunities for citizens. The Government expects to deliver on this agenda through the adoption of a Medium-Term Development Plan which identified six key areas to achieve sustainable and inclusive growth by 2022 including Healthcare, Education, Citizen’s Safety, Tourism, Agriculture and Infrastructure.

The implementation of the Medium-Term Development Plan is to be managed by the formation of a Performance Management and Delivery Unit (PDMU) which will comprise of leaders from both the private and public sectors with diverse experience and backgrounds. Once the PDMU is fully functional Cabinet Ministers will be responsible for the delivery of the goals under the development plan.

Medium Term Development Plan

Under the Medium-Term Development Plan the Government will invest $162 million in the health sector with various initiatives including the design and implementation of National Health Insurance to be funded by the establishment of a National Health Fund. The National Health Insurance together with the final commissioning of Owen King EU Hospital to be completed with the assistance of a third party in an advisory role, the completion of the St. Jude’s Hospital at Augier and the opening and upgrading of a number of health centres and clinics across the island is expected to positively impact healthcare.

Education is another critical element of the Government’s development plan with the Prime Minister citing an education system that was ‘unresponsive' to
the island’s development goals. In 2018, while overall unemployment stood at 20.2%, youth unemployment was 36.3% and continues to be a concern. To that end, the Prime Minister’s announcement of plans to improve the quality of technical education and the quality of school education is timely. This is expected to be achieved by having better trained teachers through partnerships with industry and rationalization of course offerings among the strategies announced.

The Prime Minister also identified security as key to the improvement in the lives of people on the island further underlining the role that safety and security plays in achieving development goals in the Tourism Sector. With further investment in Citizen’s Safety the Government identified a number of new initiatives to curb rising crime including the Safe City CCTV Project in Castries, Community Policing and the introduction of a Parole System.

Through additional investment in Citizen Safety the Government has targeted a 45% reduction in serious crime and a 30% reduction in repeat offenders by 2020.

The Medium-Term Development Plan also identifies three economic sectors where Government will be most focused - tourism, agriculture and infrastructure.

The Tourism Pipeline

Tourism continues to be the foundation of St. Lucia’s economy attracting significant foreign direct investment in new projects. A number of new projects are expected including a Mariott Courtyard at Point Seraphine, a fourth Sandals Resort, the Choiseul Hotel Development, the Anse Sables Development and a four hundred room hotel at Choc.

The Government has also identified the need to create a unique St. Lucia experience that will appeal to a diverse and changing market. To that end, the Government will seek to enter into formal agreements with sharing economy providers such as Airbnb which is expected to translate into a tourism sector that will trickle down to a wider supply base for goods and services.

The Government will redevelop the Castries market at a cost of $32 million over two years as well as embark on the wider beautification of Castries. These investments within Castries are expected to improve the experience for tourists and citizens which comes at a critical time as cruise ship arrivals continues to increase.

The preparatory legislative and regulatory framework for Village tourism is another key element of the tourism strategy with each village having its own unique signature offerings reflective of the natural and cultural assets of the area.
The Tourism market is competitive and so is open to external shocks. The initiatives by the Government to create a unique St. Lucia experience is timely and will ensure the sustainability of this important sector.

**Development of the Agricultural Sector**

The Prime Minister highlighted growth in the agricultural sector as part of his Medium-Term Development Plan, with increases in the number of banana farmers and acreage under production as a result of the Government’s Banana Productivity Improvement Project. This continued support will be critical if this momentum is to be maintained.

The Prime Minister also highlighted other initiatives in terms of food production including aquaponics, hydroponics and agro-processing. With the current pipeline of tourism projects and the ongoing commitment of the Government to the tourism sector there is a ready and available market for agricultural produce.

Further investment in the agricultural sector also presents an opportunity for the diversification of the St. Lucian economy and will serve as an economic buffer in the event of global economic shocks that typically impact negatively on tourist travel. It is imperative that the Government explore additional financial and market incentives to inject further growth in this very important sector.

**Investment in Infrastructure**

The need for investment in infrastructure continues to be on the priority list of the Government. The poor condition of the physical plant, lack of capacity and limited connectivity were identified as the island’s major infrastructural challenges. Infrastructural development is therefore critical to the Government’s Medium-Term Development Plan.

Six infrastructural development projects were identified which are expected to support economic activity in tourism, agriculture, retail and trade including:

- Rehabilitation of Millennium Highway and West Coast Road;
- Reconstruction or rehabilitation of secondary roads and connector roads;
- Development of a cargo and container facility at Cul-de-Sac;
- Upgrade of the amenities and facilities for cruise ships at Port Castries;
- Development of a Vieux Fort Cruise Port;
- Re-development and expansion of Hewanorra International Airport to handle one million passengers by 2022.

The Government proposes to commit $246.7 million or 15.5% of its budgetary expenditure to capital projects which will be further augmented through funding
from Grants, External Loans and Other Debt Instruments. However, while investment in infrastructure is critical to St. Lucia's growth and tourism thrust it must be planned and executed in a sustainable manner as there is the risk of cost overruns which will add to the island's growing debt stock. Further, there must be focus and attention on good governance and controls within the procurement process to ensure value for money.

**Debt Management**

With the increased investments in infrastructure and various tourism focused projects across the island primarily funded by debt, St. Lucia will be challenged to meet the ECCU public debt target of 60% of GDP. However, with the increased investment the expectation is that there will be creation of economic capacity and further growth which should offset the increased debt levels.

The Government must manage this carefully and while it is commendable that the debt to GDP ratio marginally improved in 2018 to 64.9% (2017: 65.2%) there are lessons to be learnt from neighbors across the Caribbean where an unmanageable debt burden has resulted in significant structural adjustments which has been a bitter pill to swallow.

**European Union Blacklisting**

St. Lucia has been removed from the European Union (EU) Blacklist and placed on the Greylist pending changes to the tax regime. In 2018, several legislative amendments were made including changes to pieces of legislation governing tax regimes as well as changes to the Income Tax Act, the Companies Act and the International Partnership Act.

Based on a letter received in February 2019 from the EU there continues to be areas of concern and St. Lucia has committed to revisiting the tax measures highlighted and to make the required changes by the end of 2019.

Additionally, the Prime Minister indicated that in January 2019 St. Lucia's tax regimes were assessed by the Organization for Economic Cooperation and Development's (OECD) Forum on Harmful Tax Practices and were found to be in compliance with their criteria.

**Fiscal Measures**

The Prime Minister announced several changes to the personal income tax system which is expected to benefit low income earners. These changes included a reduction in the tax bands and changes to their personal allowance.
Summary

The IMF has projected St. Lucia to grow by 3.3% in 2019. It must be noted that St. Lucia's growth is driven by various tourism projects and the short to medium term outlook is favorable. However, there remains a prevalence of downside risks with the current strategy and the Government must be cautious while continuing the initiatives that they have embarked upon. Diversification of the economy is the key to managing these downside risks and the Government is encouraged to explore opportunities beyond agriculture and tourism. In a global economy that is data and knowledge driven there is a diversification opportunity for St. Lucia through continued investment in Information Communications Technology and the training and development of a skilled workforce. The implementation of these measures will equip St. Lucia for its continued journey to economic development and growth.

Rishi Ramkissoon
Executive Director, St. Lucia and the OECS
Macroeconomic review

The Eastern Caribbean Central Bank's (ECCB) most recent estimates indicate that real GDP likely grew by less than 1 percent during 2018. Projections suggest an acceleration of economic activity in the region of 2% during 2019, led by sustained growth in tourism sector 3.4% as well as a rebound in construction of 9.5% as planned public sector projects get off the ground. However, the associated increased capital expenditure could potentially derail the fiscal position, underscoring the need to contain current expenditure. The ECCB suggests that on its current path baseline projections will surpass the 60% debt-to-GDP target by 2030.
Macroeconomic review continued

Real GDP Growth Rate

The ECCB estimates that the St. Lucian economy will grow by 2.14% at the end of 2019, in contrast to a 0.6% growth rate one year prior. Economic activity within the agriculture, livestock and forestry sector grew by 11% in 2018 and is expected to increase by 3% in 2019. Real growth in the manufacturing sector grew by 6% in 2018 while 2019-2020 projections indicate flat growth. The number of visitors to St. Lucia increased by 10.3% as all categories of tourists increased during the period January to September 2018. Total visitor expenditure also increased by 2.4% during the period.

Unemployment Rate

The unemployment rate remained constant at 20.2% at the end of 2018 and 2017. Youth unemployment persisted notably above overall unemployment at 38.5% in 2017 and females remained more likely to be unemployed than males, albeit with a marginally narrower gender gap. The working age population and the labour force both decreased by 0.4 percent to an estimated 142,800 and 102,005 persons respectively in 2018. As a result, the labour force participation rate remained unchanged at 71.4 percent in 2018. Females were estimated to account for 47,076 of the labour force while males made up the estimated balance of 54,929.
Positive estimated economic growth for 2018 resulted in the public debt to GDP ratio falling to 64.9 percent from 65.2 % in 2017. Central Government debt accounted for 94% of the official public debt while the share of Government guaranteed debt and non-guaranteed debt stood at 5.6 percent and 0.4 percent respectively at the end of 2018. Led by movements in central Government debt, domestic public debt accounted for 51.1 percent of the total public debt and the remaining 48.9 % was categorized as external debt.

Inflation rate stood at 0.1% for the end of 2017, while inflation grew to 2.6 % at the end of 2018, despite declines in the price of clothing and transport down 9.4% and 1.3% respectively. Consumer prices increased as high prices were recorded for food and non-alcoholic beverages up 3.0%, housing gas and utilities up 17.3%, and communication up 0.5%. These price increases were transmitted through imported inflation.
Proposed Changes to the Personal Income Tax Regime

The Honourable Prime Minister in his budget presentation proposes to amend the personal income tax regime as follows:

1) A reduction in the number of tax bands from four to three as follows:

<table>
<thead>
<tr>
<th>Band of Taxable Income</th>
<th>Rate of Tax</th>
<th>Cumulative Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 - $10,000</td>
<td>10%</td>
<td>$1,000</td>
</tr>
<tr>
<td>$10,001 - $20,000</td>
<td>20%</td>
<td>$3,000</td>
</tr>
<tr>
<td>Over $20,000</td>
<td>30%</td>
<td>To be determined</td>
</tr>
</tbody>
</table>

2) An increase in the personal allowance for individuals as follows:
   - Non-Pensioners - from $18,000 to $23,000; and
   - Pensioners - from $24,000 to $31,000

3) The limitation of the aggregate of all other deductions in any or all of the four areas to a maximum of $25,000:
   - House Deductions: for mortgage interest, property tax and house insurance;
   - Future and financial benefits: for life insurance, National Insurance Corporation contributions deduction, pension plan contributions, savings under a registered retirement plans and shares from cooperatives;
   - Medical deductions: for medical insurance premiums and other medical expenses; and
   - Child and education benefit: for child allowance and student loan interest for university or equivalent education

The Honourable Prime Minister has stated that the objective of the reform of the personal tax income regime is to address the inequality of the current tax system as the contribution of higher income earners was not comparable to that of low and medium income earners. The reform also has the additional objective of simplifying the tax code, easing administration, and increasing compliance.

The measure is designed to be revenue neutral and takes effect from 1 January 2020.
Comparative Tax Calculation
The table below compares the tax impact to low, middle, and high income earners of the proposed changes with the current personal income tax regime and yields annual tax savings of $700 for the low income earner but an increase in taxes of $4,500 for the high income earner.

Caribbean Personal Income Tax Comparative
The table below provides details on the current rates of Income Tax, as well as the personal allowance granted to individuals by country.

<table>
<thead>
<tr>
<th>Country</th>
<th>Personal Allowance</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados¹</td>
<td>XCD$33,750</td>
<td>On the first XCD$67,500 - 12.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In excess of XCD$67,500 - 28.5%</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>XCD$28,960</td>
<td>On the first XCD$402,200 - 25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In excess of XCD$402,200 - 30%</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>XCD$20,000</td>
<td>On the first XCD$5,000 - 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>On the next XCD$5,000 - 20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In excess of XCD$10,000 - 30%</td>
</tr>
<tr>
<td>Grenada</td>
<td>XCD$36,000</td>
<td>On the first XCD$24,000 - 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In excess of XCD$24,000 - 28%</td>
</tr>
</tbody>
</table>

The new rates and personal allowances in St. Lucia are comparable with other Caribbean territories.

¹ Effective 1 January 2020 based on the budgetary proposal of 20 March 2019
Accommodation Fee

The Honourable Prime Minister indicated that, in order to better fund the marketing of the island as a tourist destination, an accommodation fee would be introduced. The introduction of this measure however, would only take place following consultation with the industry and sharing economy providers such as Airbnb.

While he did not go into specifics on how this measure would operate, similar measures have been introduced, with some success, in other countries throughout the region (e.g. Barbados where the fee ranges from US$4.37 to US$17.50 per night). If properly implemented, this measure could provide a much-needed source of revenue for the marketing of the island. However, care must be taken not to make the fee too onerous as it could stifle the appetite for St. Lucia as a tourism destination.

Land and House Tax

The Honourable Prime Minister indicated that the three-year suspension period for the payment of land and house tax (more commonly known as property tax) on residential properties would be coming to an end in 2019.

Government is now in the process of reviewing the property tax regime, in consultation with all stakeholders, to determine the best and fairest way to re-implement this tax. Attention would also be paid to assessing property values.

While no specifics were given, the Honourable Prime Minister did indicate that the regime would be implemented effective January 2020.

Update on the European Union Blacklist

Background

During his budget address the Prime Minister provided the Nation with an update on St. Lucia’s on-going dialogue with the European Code of Conduct Group (EUCoCG) and the OECD Forum for Harmful Tax Practices (FHTP).

The Prime Minister recalled that during late 2017, St. Lucia was identified by the EUCoCG as having potentially harmful preferential tax regimes and not applying the certain minimum standards as identified by the Base Erosion and Profit Shifting (BEPS) initiative of the OECD.

The EUCoCG sought a commitment from the Government of St. Lucia to abolish or amend the various regimes deemed harmful by the end of 2018 and for St. Lucia to become a member of the BEPS Inclusive Framework (IF). After providing a firm commitment to the above actions, St. Lucia was removed from the EUCoCG’s list of non-compliant jurisdictions in March of 2018, pending definitive action on the above-mentioned commitments.
Thereafter, in late 2018, the Government of St. Lucia took the strategic decision to reform its tax and incentives systems culminating in the recent adoption of a new Territorial Tax regime as highlighted below.

**Highlights**

- Introduction of a “territorial” tax system for all companies, effective 1 January 2019.
- The tax benefits for IBCs registered prior to 1 December 2018 will be grandfathered until 30 June 2021.
- International Business Companies (IBCs) and any other St. Lucian company registered after 31 December 2018 will be subject to the new territorial tax system
- Removal of ring-fencing (prohibition on IBCs doing domestic business)

**Economic Substance Legislation**

Whilst the Government of St. Lucia has introduced economic substance provisions into the IBC Act, it is understood that such provisions are not as far-reaching as that encouraged within the new international environment. Consequently, it is expected that the Government of St. Lucia will introduce new economic substance legislation, which will seek to ensure that St. Lucia does not claim taxing rights over income, where the substantial activity carried out in St. Lucia is not commensurate with the income generation. While this legislation will increase the substance necessary to operate in St. Lucia, these rules are not expected to make St. Lucia less competitive because similar rules have been adopted by substantially all of St. Lucia's competitors.

**EUCoCG and FHTP response to the introduction of the new Territorial Regime**

Despite the new Territorial system being deemed by the OECD FTHP to have met the criteria on fair taxation and transparency, the regime has been met with resistance by the EUCoCG.

By letter dated 1 February 2019, the CoCG advised the Government of St. Lucia that it would not be willing to accept the Territorial Regime as a suitable replacement and asked the Government of St. Lucia to make a commitment to amend or abolish the new regime by 31 December 2019.
The Annex to this letter contained the EUCoCG’s assessment of the Territorial Regime, within which it stipulated:

“The measures excepting certain income from tax relate to foreign income and profit distributions related to that foreign income only. Domestic income and domestic profit distributions are taxed at a higher rate (30%). This is a clear case of ring-fencing under criterion 1 and 2 of the Code of Conduct 2, as it is limited to transactions carried out with non-residents.”

[...]

Overall assessment:

The regime is overall harmful as it is ring-fenced to transactions carried out with non-residents.”

In response to the EUCoCG’s assessment, it is understood that the Government of St. Lucia reaffirmed its commitment to working closely with the EUCoCG to make its regime compliant and agreed to continue further discussions. Such commitment has resulted in St. Lucia not being re-entered on the EUCoCG’s list of non-compliant jurisdictions. Rather, it has been placed on the partially-compliant listing.

The pronouncement of the EUCoCG that St. Lucia’s regime is ring fenced appears to arise from a misunderstanding of the theoretical underpinnings of the Territorial Regime. The new system treats all corporate taxpayers, whether local or foreign owned, the same. It encourages outward investment, exports and the generation of foreign exchange and its sourcing rules seem to be formulated based upon the principles embodied in the Caricom Double Tax Treaty. A treaty that has been in force for over two decades and is the most important international direct tax treaty that St. Lucia has enacted. In addition, criteria and guidelines published by the OECD specifically categorize territorial regimes as a system of taxation that would be compliant with established criteria from a technical perspective.

Given such divergence in perspective of the new regime, it is expected that dialogue will continue between the Government of St. Lucia and the EUCoCG, with the view of arriving at an acceptable resolution.
Analysis of Tax Revenues

2019/2020 Draft Estimates

<table>
<thead>
<tr>
<th>($M)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation Income Tax</td>
<td>119,472</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>134,153</td>
</tr>
<tr>
<td>Property Tax</td>
<td>9,270</td>
</tr>
<tr>
<td>Witholding Tax</td>
<td>31,561</td>
</tr>
<tr>
<td>General Taxes on Goods &amp; Services</td>
<td>350,150</td>
</tr>
<tr>
<td>Excise Tax</td>
<td>50,282</td>
</tr>
<tr>
<td>Taxes on Use of Goods &amp; Permissions</td>
<td>193,152</td>
</tr>
<tr>
<td>Customs &amp; Other Import Duties</td>
<td>249,674</td>
</tr>
</tbody>
</table>

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## Status of Fiscal Measures
### Budget Statement 2018

<table>
<thead>
<tr>
<th>Proposed Measures</th>
<th>Implications</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax Reform</td>
<td>Individuals to be entitled to a personal allowance of $18,000, with the exception of pensioners whose personal allowance would be $24,000. Reform of the previously available tax deductions. Individual taxpayers will no longer be required to file Income Tax Returns. It was assumed that this measure would be applicable only to individuals whose sole source of income is employment income.</td>
<td>Implemented</td>
</tr>
<tr>
<td>(Announced in 2017)</td>
<td></td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not implemented</td>
</tr>
<tr>
<td></td>
<td>Cap on Income Tax</td>
<td>Not implemented</td>
</tr>
<tr>
<td>Measures to attract foreign investment</td>
<td>Establishment of a Sovereign Wealth Fund that will allow participants of the Citizen Investment Program the option of investing alongside the Government of St. Lucia.</td>
<td>Not implemented</td>
</tr>
<tr>
<td>(Announced in 2017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax residency Program</td>
<td>ICreation of a foreign tax residency program to operate in conjunction with the Citizen Investment Program.</td>
<td>Not implemented</td>
</tr>
<tr>
<td>(Announced in 2017)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Status of Fiscal Measures

#### Budget Statement 2018 continued

<table>
<thead>
<tr>
<th>Proposed Measures</th>
<th>Implications</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise Tax on Fuel</td>
<td>Increase in excise tax on gasoline and diesel which resulted in an increase in the tax from XCD$2.50 to a maximum of XCD$4.00 per gallon.</td>
<td>Implemented</td>
</tr>
</tbody>
</table>

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## Income Tax

<table>
<thead>
<tr>
<th>Band of Taxable Income</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 - $10,000</td>
<td>10%</td>
</tr>
<tr>
<td>$10,001 - $20,000</td>
<td>15%</td>
</tr>
<tr>
<td>$20,001 - $30,000</td>
<td>20%</td>
</tr>
<tr>
<td>Over $30,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

The first $6,000 of pension income received by an individual over 60 years of age is exempt.

Main Allowances available to individuals

- Basic Personal Allowance: $18,000
- Dependent Spouse Allowance: $1,500
- Maintenance or Alimony: 100% where recipient is taxable thereon
- Child Allowance
  - Under the age of 16 years: $1,000
  - Child over the age of 10 years and who was a student during the Income Year: $2,000
  - Child or relative, where claimant is acting as a parent, who irrespective of age was a University student in St. Lucia or elsewhere: $5,000

An invalid or incapacitated child, irrespective of age: $1,000

- Life insurance premiums paid to a local company and National Insurance contributions: 100% of expenditure capped at the lower of 10% of assessable income or $8000

- Owner Occupied Residential Property Allowances
  - Mortgage interest: $18,000 (maximum)
  - Taxes: 100%
  - Insurance Premiums: 100%
  - Upkeep and Maintenance: $10,000 (maximum)
Current Tax Rates continued

- Contributions to the St. Lucia National Trust or contributions made under deed of covenant for not less than 3 years to a religious, charitable, medical or educational institution or sporting body or fund of a public character  
  Up to 25% of assessable income

- Medical Expenses  
  Up to $400 unless supported by documentary evidence for the excess

- Payments to a Co-operative or Building Society $5,000 (maximum)
- Student Loan Interest $3,000 (maximum)
- New Shares in a resident Public Company $5,000 (maximum)
- Housekeeper Allowance $200
- Dependent Relative Allowance $300

National Insurance contributions

% of maximum insurable earnings

<table>
<thead>
<tr>
<th>Category</th>
<th>Employee</th>
<th>Employer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Insurance</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Self-employed persons must choose one of the following categories to determine their monthly income for their purpose of calculating monthly contributions.

<table>
<thead>
<tr>
<th>Category</th>
<th>Monthly Income as a Percentage of Maximum Insurable Earnings ($5,000)</th>
<th>Effective Monthly income based on Maximum Insurable Earnings of ($5,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special</td>
<td>10%</td>
<td>$500</td>
</tr>
<tr>
<td>A</td>
<td>20%</td>
<td>$1,000</td>
</tr>
<tr>
<td>B</td>
<td>30%</td>
<td>$1,500</td>
</tr>
<tr>
<td>C</td>
<td>40%</td>
<td>$2,000</td>
</tr>
<tr>
<td>D</td>
<td>50%</td>
<td>$2,500</td>
</tr>
<tr>
<td>E</td>
<td>60%</td>
<td>$3,000</td>
</tr>
<tr>
<td>F</td>
<td>70%</td>
<td>$3,500</td>
</tr>
<tr>
<td>G</td>
<td>80%</td>
<td>$4,000</td>
</tr>
<tr>
<td>H</td>
<td>90%</td>
<td>$4,500</td>
</tr>
<tr>
<td>I</td>
<td>100%</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

1 The maximum insurable earnings are capped at $5,000 per month
Corporation Tax

• Basic rate 30%*

*This rate applies only to companies that are in good standing with the Inland Revenue Department. Non-compliant companies are subject to tax at the rate of 33 1/3%.

Withholding Tax Rates

• Payment to Residents
  • Payments to Contractors 10%
  • Payments made to persons withdrawing from a pension fund 10%
  • Payments made on the surrender of a life insurance policy within 10 years of the date on which it was effected 10%

• Payments by Residents to Non-Residents of Non-Treaty Countries
  • Dividends 0%
  • Interest or Discount 15%
  • Royalties 25%
  • Rents 0%
  • Management, Personal and Technical Service Fees 25%
  • Commissions or Fees 25%
  • Premiums (excluding Reinsurance) 25%
  • Branch Profit Remittance Tax 0%

Value Added Tax

• Most Goods and Services 12.5%
• Hotel Accommodation 10%
• Supply of Food and Beverages by a Restaurant 10%
• Supply of Financial Services Exempt
• Sale/Transfer/Disposition of Residential Property Exempt
• Leases of Real Property for Residential/Agricultural Exempt
• Basic Food Items 0%
• Exports 0%
• Certain Supplies of Services to Non-residents 0%
**EYC’s Digital Innovation Services**

**Data Insights**
We believe in getting more than just transforming data into actionable information, with our knowledge and industry experience and appropriate use of advanced analytics **we can help our clients obtain true insight!**

- Data extraction, transformation and loading
- Use of advance data processing algorithms:
  - Regressions
  - Categorization
  - Pattern recognition
  - Others
- Advanced data visualization

**Intelligent Automation**
The rise of the machines is here, not in a distant future, it is a reality and at EY we are ready, we are helping clients locally and internationally prepare in this journey from automation into artificial intelligence

- Robotics Process Automation (RPA)
- Cognitive Computing:
  - Computer Vision
  - Natural Language Processing
  - Machine Learning
- Business Process Management
- Digital Process Orchestration
- Testing and Application Performance Improvement

**Digital Transformation**
EY has the ability to accelerate the transformation or support of business activities, processes, competencies and models to fully leverage the changes and opportunities of digital technologies

- Application Development: Mobile, Thick Clients, Web and Enterprise
- Software Services:
  - Architecture
  - Design
  - Implementation
  - Maintenance and Support
- Internet of Things
- Blockchain Strategy

<table>
<thead>
<tr>
<th>Process and workforce transformation</th>
<th>Solution design and implementation</th>
<th>Continuous improvement and support</th>
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<tbody>
<tr>
<td><img src="image1" alt="Process and workforce transformation" /></td>
<td><img src="image2" alt="Solution design and implementation" /></td>
<td><img src="image3" alt="Continuous improvement and support" /></td>
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**Contact us – Ernst & Young Services Limited**

- **Hema Narinesingh**, Partner, Advisory | +1 868 822 5030 | hema.narinesingh@tt.ey.com
- **Vernon Huerta**, Partner, Advisory | +599 9 430 5090 | vernon.huerta@an.ey.com
- **Devindra Rammarine**, Executive Director, Advisory | +1 868 822 5160 | devindra.rammarine@tt.ey.com
- **Barry Eligon**, Executive Director, Advisory | +1 876 905 5024 | barry.eligon@jm.ey.com
EY Caribbean Leaders

Executive Chairman
Colin Soo Ping Chow
Tel: +1 868 822 5001
Email: colin.soo-ping-chow@tt.ey.com

Country Managing Partners

Aruba, Curaçao & Suriname
Bryan Irausquin
Tel: +599 9 430 5075
Email: bryan.irausquin@tt.ey.com

Barbados and St. Lucia
Maria Robinson
Tel: +1 246 430 3878
Email: maria.robinson@bb.ey.com

Guyana
Gregory Hannays
Tel: +1 868 822 5501
Email: gregory.hannays@tt.ey.com

Jamaica
Allison Peart
Tel: +1 868 822 1364
Email: allison.peart@jm.ey.com

Trinidad & Tobago
Pria Narinesingh
Tel: +1 868 822 6245
Email: pria.narinesingh@tt.ey.com

Service Line Leaders

Assurance Services
Erick Statius van Eps
Tel: +599 9 430 5025
Email: erick.statiusvaneps@an.ey.com

Advisory Services
Colin Soo Ping Chow
Tel: +1 868 822 5001
Email: colin.soo-ping-chow@tt.ey.com

Tax Services
Wade George
Tel: +1 868 822 6204
Email: wade.george@tt.ey.com

Transaction Advisory Services
Christopher Sambrano
Tel: +1 246 430 3800
Email: christopher.sambrano@bb.ey.com
EY Tax and OECS Leaders

Rishi Ramkissoon
Tel: +1 758 458 4720
Email: rishi.ramkissoon@bb.ey.com

Wade George
Phone: +1 868 822 6204
Email: wade.george@tt.ey.com

Maria Robinson
Phone: +1 246 430 5185
Email: maria.robinson@bb.ey.com

Gregory Hannays
Phone: +1 868 822 5501
Email: gregory.hannays@tt.ey.com

Caveat

This publication was prepared by Ernst & Young Services Limited and provides a brief summary of the Economic Policy Statement delivered by the Honourable Allen Chastanet, Prime Minister and Minister for Finance, Economic Growth, Job Creation, External Affairs and the Public Services in Parliament on 15 April 2019. The contents are intended as a general guide for the benefit of our clients and associates and are for information purposes only.

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- Statutory reporting (including compilation)
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- Double tax treaty analysis
- Tax-effective supply chain management
- Withholding tax

International Tax Services
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- VAT and other indirect assessments
- International tax
- Tax structuring
- Identification of post-transactional tax reduction options
Contact us

**Aruba**

Vondellaan 4  
Oranjestad, Aruba  
Tel: +297 521 4400  
Fax: +297 582 6548

**Barbados**

One Welches  
Welches  
St. Thomas, BB22025  
Barbados  
Tel: +1 246 430 3900  
Fax: +1 246 426 9551

**Curaçao**

Zeelandia Office Park  
Kaya W.F.G. (Jombi), Mensing 16  
Willemstad, Curaçao  
Tel: +599 9 430 5000  
Fax: +599 9 465 6770

**Guyana**

The Pegasus Hotel  
Suite 100  
Seawall Road, Kingston  
Georgetown, Guyana  
Tel: +011 592 225 2835

**Jamaica**

8 Olivier Road  
Kingston 8, Jamaica  
Tel: +1 876 925 2501  
fax: +1 876 755 0413

**St. Lucia**

2nd Floor  
Mardini Building  
Rodney Bay  
Gros Islet, St. Lucia  
Tel: +1 758 458 4720  
Fax: +1 758 458 4730

**Suriname**

Florastraat 34  
Paramaribo, Suriname  
Tel: +599 9 430 5033

**Trinidad & Tobago**

5/7 Sweet Briar Road  
St. Clair, Port of Spain, Trinidad  
Tel: +1 868 628 1105  
Fax: +1 868 622 0918  
EYC Energy Centre  
DSM Warehouse Complex  
Pacific Avenue, Point Lisas, Trinidad  
Tel: +1 868 628 1105  
Fax: +1 868 679 4972
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