

## FISCAL INCENTIVES

Fiscal Incentives are granted to enterprises to facilitate local and foreign investment in the productive sectors of the economy. The procedure for applying for Fiscal Incentives is as follows:

1. An interview with the potential investor will be conducted by Invest St. Lucia and/or the Ministry of Commerce, Industry and Consumer Affairs.
2. Companies applying for Fiscal Incentives are required to complete in full:
  - Two (2) copies of the Fiscal Incentives Application Form.
  - A letter providing a general overview of the proposed venture.
  - A copy of the application submitted to the Ministry of Commerce, and another to Invest Saint Lucia.

The application for Fiscal Incentives takes approximately 6 – 8 weeks to be processed.

### Criteria for Fiscal Incentives Qualification

To qualify for fiscal incentives offered by the Government of St. Lucia, an enterprise must meet the following criteria:

- i. The enterprise must be incorporated and registered in St Lucia.
- ii. The enterprise must contribute to the economic development of St Lucia.
- iii. The country's human and natural resources must be utilized.
- iv. The enterprise must train local personnel and upgrade its plant through technological transfer.
- v. The enterprise must form linkages with other economic sectors.
- vi. The enterprise must contribute to earnings in foreign exchange.

The Government of St. Lucia offers a range of tax and non-tax incentives to the manufacturing sector under the Fiscal Incentives Act. Approval of an enterprise for these incentives is granted by Cabinet upon application.

The extent of the incentives varies with:

- i. The amount of an entity's export business outside the CARICOM region.
- ii. The local value added content.
- iii. The level of capital outlay of the investment.

## **Fiscal Incentives Offered**

- Tax Holiday up to a maximum of fifteen (15) years.
- Waiver of Import Duty and Consumption Tax on imported plant, machinery and equipment.
- Waiver of Import Duty and Consumption Tax on imported raw and packaging materials.
- Export Allowance - Tax relief on export earnings.
- Carry forward of losses.
- Unrestricted repatriation of Profits and Capital.

Other incentives are also available to manufacturers who may not be eligible for benefits under the Fiscal Incentives Act.

The extent of benefits available to an enterprise is related to the contribution, which the enterprise, in producing the approved product(s), makes to the regional (CARICOM) economy. The contribution of the enterprise is measured in terms of the 'local value added.'

The 'local value added' can be defined as the amount St. Lucia receives in payment from a manufacturer for local raw materials, labour, capital, services etc. This identifies the value of all regional (CARICOM) inputs into production (i.e. does not include imports from non-CARICOM states).

## **Tax Holidays**

Under Section 10(1)(2) of the Fiscal Incentives Act, approved manufacturing enterprises are granted tax holidays up to a maximum number of years. The numbers of years for which benefits may be granted vary according to the value of the company's contribution to the regional economy measured in terms of local value added.

For the award of benefits, enterprises are classified into the following groups:

<b>Group 1 Enterprise</b>	This is an enterprise in which the local value added is at least <b>fifty percent</b> of the amount realised from the sales of an approved product.
<b>Group 2 Enterprise</b>	This is an enterprise in which the local value added is at least <b>twenty-five percent</b> , but less than <b>fifty percent</b> of the amount realized from the sales of the approved product.
<b>Group 3 Enterprise</b>	This is an enterprise in which the local value added is at least <b>ten percent</b> , but less than <b>twenty-five percent</b> of the amounts realized from the sales of the approved product.
<b>Enclave Enterprise</b>	This is an enterprise, which produces <b>exclusively</b> for export to countries outside the CARICOM Common Market. This group has been made eligible for tax holidays, without reference to the quantity of their local value added. This is due mainly to their usual large employment contribution.
<b>Capital Intensive Industry</b>	This is an industry in which the capital investment is not less than twenty-five million dollars (EC \$25,000,000).

The following table shows the maximum number of years for which the Government may grant relief from Income Tax, Customs Duties and Consumption Tax:

<b>Category</b>	<b>Local Value Added (%)</b>	<b>Maximum Tax Holiday (Yrs)</b>
Group I	50% and over	15
Group II	25 - 49	12
Group III	10 -24	10
Enclave		15
Capital Intensive		15

## Import Duty and Consumption Tax exemptions

Under the Fiscal Incentives Act, an approved enterprise may be issued a license, permitting the duty free importation of machinery, equipment and raw and packaging materials from outside CARICOM. These imports must be utilized by the enterprise in the manufacture of an approved product.

## Export Allowance

This provides an enterprise with a tax relief on export earnings outside CARICOM. This serves to encourage enterprises to increase the export share in their total sales of the product for which the export allowance is being granted.

The following table provides the extent of maximum relief in terms of credit on tax chargeable on the share of profits made from export sales:

Export Profits as a % of Total Profits	Rebate of Income Tax as a % of Income Tax on Export Profits
10 but under 21	25%
21 but under 41	35%
41 but under 61	45%
61 and over	50%

Note: Enterprises producing a traditionally export-oriented product of St. Lucia do not qualify for this exemption.

## Special Development Areas Act

The Special Development Areas Act is aimed at promoting balanced spatial and economic development of the island. The legislation provides incentives to investors/developers for the establishment of certain types of businesses specially designated areas that are endowed with the necessary infrastructure and amenities for business development. The special development areas are Vieux-Fort, Anse La Raye, Soufriere, Canaries and Dennery.

Individuals and/or Companies can obtain the following concessions:

- Import duty, stamp duty and consumption tax on inputs for the construction of new buildings and the renovation or refurbishment of existing buildings.
- Land and house tax.
- Stamp duty payable by vendors and purchasers on the initial purchase of property.
- Lower corporate taxes.
- Higher tax allowances/accelerated depreciation.

The following are the types of businesses, which qualify for concessions:

- Conference Centres
- Residential Complexes
- Commercial or Industrial Buildings, including Office Complexes
- Other facilities directed towards the improvement or expansion of services to the tourism sector
- Water based activities
- Tourism projects highlighting the heritage and natural environment of Saint Lucia
- Arts and cultural investments
- Agricultural-based activities
- Fisheries-based activities