Caribbean Tax Treaty Networks

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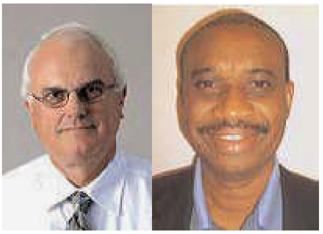

A number of Caribbean island jurisdictions offer tax planning opportunities to investors and businesses from North America, Europe and Far East. The opportunities arise in the Caribbean jurisdictions where international investment and business income is taxed at low tax rates, and can be repatriated with little or no withholding taxes.

Key to the tax opportunities is the international tax treaties that major industrialized countries globally have with many Caribbean jurisdictions, notably Barbados. Barbados tax rates on international investment and business income range between 0% - 2.5%; and presently it has 16 international tax treaties, some dating back many years – i.e., U.K. (1949, revised 1970), Switzerland (1964, as extension of 1954 U.K. treaty), Canada (1976, revised 1982), U.S.A. (1984, revisions 1988 & 2004), Finland (1990), Norway (1991), Sweden (1992), Caribbean Common Market ("Caricom", 1973 revised 1995), Venezuela (2001), Cuba (2001), China (2001), China (2001), Malta (2003), Mauritius (2004), Botswana (2005), Austria (2006), Netherlands (awaiting ratification). Additionally, Barbados is currently negotiating a new treaty with Mexico and has treaty discussions pending with a number of other countries under way – e.g., Italy, Brazil, Chile, Ghana, Indonesia, Ireland, Malaysia, South Africa, Seychelles.

Further benefits arise when an international tax treaty with one Caribbean jurisdiction is combined with the unique tax treaty existing between certain member countries within the Caribbean Common Market ("Caricom Tax Treaty"). The Caricom Tax Treaty, originally signed in 1973 and revised in 1995, is between 11 of the Caricom members – i.e., Barbados, Antigua & Barbuda (treaty with U.K.) , Belize (treaty with U.K.), Dominica (treaty with U.K.), Grenada (treaty with U.K.), Guyana (treaties with Canada & U.K.), Jamaica (treaties with U.K., Canada, U.S.A, France), St. Kitts & Nevis, St. Lucia (treaty with U.K.), St. Vincent & Grenadines (treaty with the U.K.) Trinidad & Tobago (U.S.A, U.K., Canada) A number of these Caricom countries also have tax treaties with certain industrialized countries in North America and Europe.

The uniqueness of the Caricom Tax Treaty is that it reserves final taxation of non-resident investment income and business income to the source Caricom country, and precludes taxation in the recipient's Caricom country of residence or nationality. In contrast, most modern day treaties follow the O.E.C.D. model treaty that exempts or limits taxation of investment income and business in the source country; thereby reserving final taxation to a non-resident's country of residence or nationality.

The most notable feature of the Caricom Treaty is that after-tax dividends pass free of withholding taxes between the Caricom member jurisdictions. Consequently, low taxed investment income and business income earned in one Caricom country can be distributed by way of dividends to another Caricom country completely tax-free. Such dividends are totally exempt under the Caricom Tax Treaty from withholding tax in the source Caricom country and from taxation in the recipient resident's Caricom country. Such Caricom dividend income received tax-free in Barbados can then be passed either at a treaty-reduced dividend withholding tax to a non-resident of a Barbados treaty country, or totally free of Barbados withholding tax depending on the type of Barbados resident trust or corporate vehicle used. Certain types of offshore trust and corporate vehicles licensed in Barbados are exempted from collecting any Barbados withholding taxes including on dividends to non-residents, regardless of any tax treaty. Otherwise, Barbados has a 15% statutory rate of withholding tax, which is reduced to 0% under the Caricom Tax Treaty and to 5-15% under its other treaties.

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