

# Turks and Caicos Islands

## 1. Overview

### 1.1. Government and Tax System

Turks and Caicos Islands (TCI) is an overseas territory of the United Kingdom situated at the south-eastern end of the Bahamas archipelago and approximately 90 miles north of Hispaniola.

TCI has a considerable degree of self-government. A Governor appointed by the Crown has responsibility for external affairs, financial services, policing, defense and internal security. There is a House of Assembly comprised of 15 locally elected members, three *ex-officio* members and four nominated members. The Cabinet is comprised of the Governor, the Deputy Governor, the Attorney General, the Permanent Secretary Finance and six ministers appointed from amongst the elected members of the House of Assembly. The Cabinet has responsibility for managing TCI affairs other than those reserved to the Governor and to the Chief Financial Officer.

TCI has no direct taxes: no income capital gains, gifts, inheritance, estate or corporation taxes. There are a number of indirect taxes that fund government revenue. These include hotel, restaurant and tourism tax, customs import duties, stamp duty on land transactions and departure tax. Revenues from financial services are also a significant contributor to government income.

### 1.2. Currency

The currency of TCI is the US dollar and there are no capital controls.

### 1.3. Membership of International Organizations

As TCI's diplomatic relations and international affairs are primarily conducted by the UK-appointed Governor, and given TCI's status as a British Overseas Territory, TCI does not in its own right have membership of any major international organizations like the United Nations or the World Trade Organization.

### 1.4. Official Websites

- TCI Government — <https://gov.tc/>
- Ministry of Finance — <https://www.gov.tc/mof/>
- Invest Turks and Caicos (inward investment agency) — <https://www.investturksandcaicos.tc>
- Financial Services Commission — <https://tcifsc.tc/>
- Tax legislation available on the legal database — <https://www.gov.tc/agc/laws/annual>

### 1.5. Automatic Exchange of Information

TCI is a party to the Convention on Mutual Administrative Assistance in Tax Matters by extension of the UK.

TCI is a signatory to the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information, and has enacted legislation to implement the Common Reporting Standard (CRS).

TCI has signed a FATCA Model 1 IGA with the United States.

TCI is a signatory of the Multilateral Competent Authority Agreement on the Automatic Exchange of Country-by-Country (CbC) Reports.

TCI is a member of the Inclusive Framework on BEPS, a group of countries that is developing standards on BEPS-related issues, and is reviewing and monitoring implementation of the OECD/G20 BEPS Action Plan.

## **2. Corporate Tax Computation and Administration**

### ***2.1. Residence, Taxable Status, Entity Characterization***

#### *2.1.1. Residence*

There are no residence rules, as there are no direct corporate taxes in Turks and Caicos Islands (TCI).

However, entities engaged in certain activities are required to demonstrate a substantial economic presence in the TCI. For more information, see Section 8.1.

#### *2.1.2. Taxable Status*

There are no direct corporate taxes in TCI.

#### *2.1.3. Legal Classification of Non-Resident Entities*

There are no direct corporate taxes in TCI.

### ***2.2. Corporate Tax Base***

#### *2.2.1. Resident Corporations*

There are no direct corporate taxes in TCI.

#### *2.2.2. Non-Resident Corporations*

There are no direct corporate taxes in TCI.

#### *2.2.3. Non-Corporate Business Entities*

##### *2.2.3.1. Recognition*

### **General Partnerships**

General partnerships are governed by the Partnership Ordinance, 2011, in a general partnership there is no limit to the liability of the partners, with each partner being liable jointly and severally

with the others for the debts of the partnership incurred whilst that partner is a member of the partnership.<sup>1</sup>

### **Limited Partnerships**

Limited partnerships are governed by the Limited Partnerships Ordinance, 1992. A limited partnership consists of one or more general partners and one or more limited partners. Only the general partners are authorized to transact business and sign for and bind the partnership, and only they are jointly liable for the debts of the partnership.<sup>2</sup> Provided that the limited partners act solely as providers of funds to the partnership, and do not take part in the management of the partnership, they are only liable to the partnership for the amount each has agreed to contribute.<sup>3</sup> Limited partners may be resident or nonresident, but at least one general partner must be resident (or in the case of a corporate partner, be incorporated or registered) in TCI.<sup>4</sup>

The Limited Partnerships Ordinance, 1992, also provides for exempted limited partnerships. In general, an exempted limited partnership is not permitted to undertake business with any person resident in the TCI (subject to various exceptions).<sup>5</sup> The general partners of an exempted limited partnership can make an application to the Governor to exempt the exempted limited partnership from any future taxes on income, gains or estate duties for a period of 50 years.<sup>6</sup>

### **Trusts**

Trusts in TCI are governed by the Trusts Ordinance, 2009 which generally applies to separate the legal and beneficial ownership of assets between trustees and beneficiaries.

#### *2.2.3.2. Tax Status*

There are no direct corporate taxes in TCI.

The tax laws of foreign jurisdictions may treat TCI partnerships (including exempted limited partnerships, limited partnerships and general partnerships) as being transparent for tax purposes. However, this will depend on the foreign entity recognition rules under the tax laws of the foreign jurisdictions.

#### *2.2.4. Permanent Establishments*

##### *2.2.4.1. Domestic Law Definition*

There are no direct corporate taxes in TCI.

##### *2.2.4.2. Treaty Definition*

There are no direct corporate taxes in TCI.

##### *2.2.4.3. Creation via Performance of Services*

There are no direct corporate taxes in TCI.

---

<sup>1</sup>Partnership Ordinance, 2011, Section 10.

<sup>2</sup>Limited Partnerships Ordinance, 1992, Section 4(2).

<sup>3</sup>Limited Partnerships Ordinance, 1992, Section 6(2).

<sup>4</sup>Limited Partnerships Ordinance, 1992, Section 4(5).

<sup>5</sup>Limited Partnerships Ordinance, 1992, Section 16(1).

<sup>6</sup>Limited Partnerships Ordinance, 1992, Section 16(4) and (5).

*2.2.4.4. Creation via Customer Downloads or Website Access*

There are no direct corporate taxes in TCI.

*2.2.4.5. Creation via Cloud Services*

There are no direct corporate taxes in TCI.

**2.3. Taxable Year**

*2.3.1. Default Taxable Year*

There are no direct corporate taxes in TCI.

*2.3.2. Reference Year for Computation of Tax*

There are no direct corporate taxes in TCI.

**2.4. Computing Taxable Income**

*2.4.1. General*

There are no direct corporate taxes in TCI.

*2.4.2. Exempt Income*

There are no direct corporate taxes in TCI.

*2.4.3. Inventory Valuation and Inventory Flow*

There are no direct corporate taxes in TCI.

*2.4.4. Depreciation or Capital Allowances*

There are no direct corporate taxes in TCI.

*2.4.5. Reserves*

There are no direct corporate taxes in TCI.

*2.4.6. Special Allowances*

There are no direct corporate taxes in TCI.

*2.4.7. Special Provisions or Limits Applicable to Foreign Companies*

There are no direct corporate taxes in TCI.

**2.5. Intercompany Dividends**

There are no direct corporate taxes in TCI.

**2.6. Special Tax Regimes**

*2.6.1. Economic Zones*

There are no direct corporate taxes in TCI.

*2.6.2. International Finance or Holding Companies*

There are no direct corporate taxes in TCI.

*2.6.3. Research and Development Companies and Activities*

There are no direct corporate taxes in TCI.

*2.6.4. Other Special Regimes, Credits and Incentives*

There are no direct corporate taxes in TCI.

**2.7. Double Taxation Protection**

*2.7.1. Mechanics*

There are no direct corporate taxes in TCI.

*2.7.2. Treaty or Statutory Priority*

There are no direct corporate taxes in TCI.

*2.7.3. Source of Interpretation*

There are no direct corporate taxes in TCI.

**2.8. Returns and Filing Dates**

*2.8.1. Filing Deadline*

There are no direct corporate taxes in TCI.

*2.8.2. Filing Method*

There are no direct corporate taxes in TCI.

*2.8.3. Extensions*

There are no direct corporate taxes in TCI.

*2.8.4. Penalties*

There are no direct corporate taxes in TCI.

**2.9. Payment Mechanics**

*2.9.1. Internal Withholding on Resident Companies*

There are no direct corporate taxes in TCI.

*2.9.2. Schedule for Tax Payments or Deposits*

There are no direct corporate taxes in TCI.

#### *2.9.3. Electronic Payments*

There are no direct corporate taxes in TCI.

#### *2.9.4. Interest and Penalties*

There are no direct corporate taxes in TCI.

### **2.10. Statute of Limitations**

There are no direct corporate taxes in TCI.

## **3. Corporate Tax Rates**

### **3.1. National Taxes**

#### *3.1.1. Corporate Tax Rates*

There are no direct corporate taxes in Turks and Caicos Islands (TCI).

#### *3.1.2. Alternative Tax Regime*

There are no direct corporate taxes in TCI.

#### *3.1.3. Special Reduced Rates or Regimes*

There are no direct corporate taxes in TCI.

#### *3.1.4. Special Additional Taxes or Levies*

There are no direct corporate taxes in TCI.

### **3.2. State, Cantonal, Provincial or Other Local Taxes**

#### *3.2.1. Main Rates*

There are no direct corporate taxes in TCI.

#### *3.2.2. Reduced Rates*

There are no direct corporate taxes in TCI.

#### *3.2.3. Income Tax Base*

There are no direct corporate taxes in TCI.

#### *3.2.4. Income Tax Deductions*

There are no direct corporate taxes in TCI.

#### *3.2.5. Incentives*

There are no direct corporate taxes in TCI.

#### *3.2.6. Non-Income Taxes in States*

There are no direct corporate taxes in TCI.

### ***3.3. Taxes Imposed as a Penalty***

There are no direct corporate taxes in TCI.

## **4. Corporate Tax Capital Gains, Losses, Group Treatment**

### ***4.1. Taxation of Corporate Capital Gains***

There are no capital gains taxes in Turks and Caicos Islands (TCI).

### ***4.2. Definition of Corporate Capital Gains***

There are no capital gains taxes in TCI.

### ***4.3. Computation***

There are no capital gains taxes in TCI.

### ***4.4. Corporate Combinations and Divisions***

#### ***4.4.1. Mergers***

There are no direct corporate taxes or capital gain taxes in TCI.

#### ***4.4.2. Transfers of Corporate Property***

There are no direct corporate taxes or capital gain taxes in TCI.

#### ***4.4.3. Share Transfers***

There are no direct corporate taxes or capital gain taxes in TCI.

#### ***4.4.4. Divisions or Separations***

There are no direct corporate taxes or capital gain taxes in TCI.

### ***4.5. Position of Losses From Business Operations***

#### ***4.5.1. Definition***

There are no direct corporate taxes or capital gain taxes in TCI.

#### ***4.5.2. Treatment***

There are no direct corporate taxes or capital gain taxes in TCI.

#### ***4.5.3. Losses After Change in Ownership***

There are no direct corporate taxes or capital gain taxes in TCI.

### ***4.6. Group Treatment***

#### ***4.6.1. General Rule***

There are no direct corporate taxes or capital gain taxes in TCI.

#### *4.6.2. Definition of Group*

There are no direct corporate taxes or capital gain taxes in TCI.

#### *4.6.3. Special Aspects*

There are no direct corporate taxes or capital gain taxes in TCI.

## **5. Corporate Withholding Taxes on Non-Resident Corporations**

### ***5.1. Dividends***

There are no corporate withholding taxes in Turks and Caicos Islands (TCI).

### ***5.2. Interest***

There are no corporate withholding taxes in TCI.

### ***5.3. Royalties***

There are no corporate withholding taxes in TCI.

### ***5.4. Services***

There are no corporate withholding taxes in TCI.

### ***5.5. Other Withholding Taxes***

There are no corporate withholding taxes in TCI.

### ***5.6. Special Tax Havens Rates***

There are no corporate withholding taxes in TCI.

## **6. Personal Taxes**

### ***6.1. Domicile and Residency Requirements***

Other than social security/national insurance payments, referred to in Section 6.6, there are no direct personal taxes in Turks and Caicos Islands (TCI).

### ***6.2. Income Tax Base***

#### *6.2.1. Tax Base for Residents*

There are no residency rules for tax purposes as there are no direct personal taxes in TCI.

#### *6.2.2. Tax Base for Non-Residents*

There are no residency rules for tax purposes as there are no direct personal taxes in TCI.

#### *6.2.3. Personal Income Subject to Income Tax*



There are no direct personal taxes in TCI.

*6.2.4. Deductions and Allowances*

There are no direct personal taxes in TCI.

**6.3. Main Rates and Bands**

*6.3.1. Individual Tax Rates*

There are no direct personal taxes in TCI.

*6.3.2. Individual Returns, Filing Dates and Payment*

There are no direct personal taxes in TCI.

**6.4. Dividends**

*6.4.1. Domestic Corporations*

There are no direct personal taxes in TCI.

*6.4.2. Foreign Corporations*

There are no direct personal taxes in TCI.

**6.5. Interest**

*6.5.1. Domestic Borrowers*

There are no direct personal taxes in TCI.

*6.5.2. Foreign Borrowers*

There are no direct personal taxes in TCI.

**6.6. Social Security/National Insurance Payments**

*6.6.1. Employer Tax or Contributions*

TCI has a national insurance scheme to which all employees between the age of 16 and 65 contribute. Some of the benefits this provides are as follows:

- retirement benefit;
- invalidity pension;
- survivors' benefit;
- funeral grant;
- sickness benefit;
- maternity benefit;
- employment injury benefit;

- unemployment benefit.<sup>7</sup>

With effect from April 1, 2022, the total liability for national insurance contributions is equivalent to 10 percent (increasing to 11 percent effective April 1, 2023, and 12 percent effective April 1, 2024), apportioned between the employer and employee as follows:

- employers are required to pay 5.5 percent (increasing to 6 percent effective April 1, 2023, and 6.5 percent effective April 1, 2024);
- employees are required to pay 4.5 percent (increasing to 5 percent effective April 1, 2023, and 5.6 percent effective April 1, 2024).<sup>8</sup>

Before April 1, 2022, the total liability for national insurance contributions was 8 percent, with employers paying 4.6 percent and employees paying 3.4 percent.

For the purposes of the liability, there is a salary cap of 4,000 dollars per month. Earnings of an employee of less than 25 dollars per week, or 108 dollars per month, are ignored.<sup>9</sup>

Earnings include the following:

- overtime payments;
- cost of living allowance;
- family allowances or payments in respect of dependents;
- any amount of transport allowance exceeding 100 dollars per month;
- any amount of telephone allowance exceeding 20 dollars per month;
- housing allowances;
- supplements or rewards for long service or efficiency;
- service charges, production bonus or incentive pay;
- commission on profits or sales;
- gratuities paid by the employer, excluding lump sums paid on retirement and any Christmas bonus or other similar payment;
- payments in consideration of dirty or dangerous conditions;
- payment on account of night or shift work; and
- holiday pay or other amounts set aside out of the employed person's remuneration throughout the year or part of the year to be paid to him or her periodically or as a lump sum.<sup>10</sup>

### *National Health Insurance Scheme*

Similarly, there is a national health insurance scheme to which all employees contribute. There is a total liability for national insurance contributions amounting to 6 percent (salary cap for purposes of liability, 7,800 dollars per month, but with a minimum monthly contribution of 50 dollars). Of that 6 percent, the employer and the employee pay 3 percent each.<sup>11</sup>

### *6.6.2. Employee Tax or Contribution*

---

<sup>7</sup>National Insurance Ordinance, Part III, section 12, as amended by National Insurance (Amendment) Ordinance 2020, section 3.

<sup>8</sup>National Insurance (Contributions) Regulations, Part I, section 4, as amended by National Insurance (Contributions) (Amendment) Regulations 2022, section 3.

<sup>9</sup>National Insurance (Contributions) Regulations, Part I, section 3.

<sup>10</sup>National Insurance (Contributions) Regulations, Part I, section 5.

<sup>11</sup>National Health Insurance (Contributions) Regulations, Part IV, sections 4 and 6.

See Section 6.6.1.

A person is entitled to pay a weekly voluntary contribution if they hold a certificate of voluntary insurance, at a rate of 10 percent of the average weekly insurable earnings.<sup>12</sup> Voluntary contributions can be paid for every week which the person is not liable to pay a contribution as an employed or self-employed person.

### *6.6.3. Employee Tax Collection Mechanism*

The employee contribution to national insurance and national health insurance is withheld from salary and deposited directly into the relevant funds along with the employer's contribution.

No contributions are payable by, or in respect of, any person under the age of 16 or over the age of 65, except in the case of a person over the age of 65 who is employed.<sup>13</sup>

### *Offenses or penalties*

An employer or self-employed person who fails to pay any national insurance contribution or additional charge which is payable commits an offense and is liable on summary conviction to a fine of 200 dollars or to imprisonment for three months, or both; and if the offense is a continuing one, to a further fine of 50 dollars for every day or part of a day during which the offense continues.<sup>14</sup>

## **6.7. Royalties and Rents**

### *6.7.1. Domestic Licensors*

There are no direct personal taxes in TCI.

### *6.7.2. Foreign Licensors*

There are no direct personal taxes in TCI.

## **7. Transfer Pricing Policies**

### **7.1. Application**

As Turks and Caicos Islands (TCI) has no direct taxes, there are no transfer pricing policies.

### **7.2. Permissible Pricing Methods**

As TCI has no direct taxes, there are no transfer pricing policies.

### **7.3. Penalties for Improper Pricing**

As TCI has no direct taxes, there are no transfer pricing policies.

### **7.4. Advance Rulings or Pricing Agreements**

As TCI has no direct taxes, there are no transfer pricing policies.

---

<sup>12</sup>National Insurance (Contributions) Regulations, Part III, sections 18 and 19.

<sup>13</sup>National Insurance (Contributions) Regulations, Part IV, section 22.

<sup>14</sup>National Insurance Ordinance, section 52.

## **7.5. Documentation**

As TCI has no direct taxes, there are no transfer pricing policies.

### *Country-by-Country (CbC) Reporting*

For fiscal years commencing on or after January 1, 2020, CbC reporting requirements, consistent with the Final Report on Action 13 of the OECD/G20 BEPS Project, apply to multinational enterprise (MNE) groups where the ultimate parent company is tax-resident in TCI. The parent company is required to file with the tax authorities an annual CbC report for the global group, no later than 12 months after the end of the relevant fiscal period,<sup>15</sup> if the group's consolidated turnover was 850 million dollars or more in the fiscal year preceding the year to which the report applies.<sup>16</sup> The CbC report for any fiscal years that began on or before March 31, 2020 must be filed before March 31, 2022.<sup>17</sup>

A surrogate parent entity may be designated to file the CbC report on behalf of the MNE group (i.e., an entity that files the CbC report on behalf of the MNE Group as a sole substitute for the ultimate parent company), if:

- the ultimate parent entity is not required to submit a CbC report in its country of residence;
- there is no agreement in place for the automatic exchange of CbC reports between the TCI and the country of residence of the ultimate parent entity; or
- there is a systemic failure by the jurisdiction of residence of the ultimate parent entity to provide the information, and the TCI tax authority has notified the local entity of that failure.<sup>18</sup>

A TCI resident entity must notify the Ministry of Finance electronically whether it is the ultimate parent entity or the surrogate parent entity no later than the last day of the reporting year, however the notification for any fiscal years that began during 2020 must be filed before March 31, 2022.

Failure to comply with the CbC reporting provisions can incur a penalty of 10,000 dollars or imprisonment of 2 years, or both.<sup>19</sup>

## **8. Anti-Avoidance Provisions**

### **8.1. General Anti-Avoidance Provisions**

With effect from July 1, 2019, resident Turks and Caicos Islands (TCI) companies and limited partnerships, as well as registered foreign companies (“resident entities”), engaged in specified activities are subject to the Companies and Limited Partnerships (Economic Substance) Ordinance 2018 (as amended). Entities already in existence had six months to comply.<sup>20</sup> A resident entity does not include an entity which is resident for tax purposes in a jurisdiction

---

<sup>15</sup>International Tax Compliance (Country-by-Country Reporting) Regulations, 2019, Section 6.

<sup>16</sup>International Tax Compliance (Country-by-Country Reporting) Regulations, 2019, Section 2.

<sup>17</sup>International Tax Compliance (Country-by-Country Reporting) Regulations, 2019, Section 6.

<sup>18</sup>International Tax Compliance (Country-by-Country Reporting) Regulations, 2019, Section 3.

<sup>19</sup>International Tax Compliance (Country-by-Country Reporting) Regulations, 2019, Section 11.

<sup>20</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Schedule.

outside TCI that is not on the EU list of non-cooperative jurisdictions for tax purposes (a "nonresident entity").

### *Economic Substance Requirements for Resident Entities*

Under the Economic Substance, resident entities carrying out "relevant activities" (i.e., banking, insurance, fund management, financing and leasing, headquarters, shipping, distribution and service centers, intellectual property, and holding entities) must demonstrate an economic presence in the TCI and comply with the following economic substance requirements:

- the entity must be managed and directed in TCI. This requirement is met if:
  - o the entity's board of directors meets in TCI with adequate frequency having regard to the level of decision-making required of the board;
  - o during each board meeting, there is a quorum of directors physically present in TCI;
  - o strategic decisions of the entity are made at the meetings of the board of directors held in TCI and the minutes of the meetings record those decisions;
  - o the directors, collectively as a board, have a sufficient spread of knowledge, experience and expertise to discharge the duties of the board; and
  - o the minutes of all board meetings and the records of the entity required to be kept by the Companies Ordinance or the Limited Partnerships Ordinance are kept in the TCI.<sup>21</sup>
- the entity must maintain an adequate physical presence in the TCI;
- there must be adequate full-time employees in TCI with suitable qualifications;
- there must be adequate operating expenditure incurred in TCI in relation to the relevant activity; and
- core income-generating activities (CIGA) must be undertaken in TCI with respect to the relevant activity.<sup>22</sup>

A resident entity may outsource core-income-generating activity where:

- the activity is conducted in TCI;
- it is able to demonstrate adequate supervision of the outsourced activity; and
- only that part of the activities of the outsourcing service provider which are solely attributable to generating income for the relevant entity, and not for any other entity, are taken into account when considering if the relevant entity meets the economic substance requirements.<sup>23</sup>

An entity engaged in one or more relevant activities during a relevant financial period must comply with economic substance requirements in respect of each relevant activity.

### *Core Income-Generating Activities (CIGA)*

For these purposes, CIGA are defined for each relevant activity as including the following:

- banking:
  - o raising funds;
  - o managing risk including credit, currency and interest risk;

---

<sup>21</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 9.

<sup>22</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 8(3).

<sup>23</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 8(4).

- o taking hedging positions;
- o providing loans, credit or other financial services to customers;
- o managing regulatory capital; and
- o preparing regulatory reports;
  - insurance:
- o predicting and calculating risk;
- o insuring or re-insuring against risk;
- o providing client services; and
- o preparing regulatory reports;
  - fund management:
- o taking decisions on the holding and selling of investments;
- o calculating risk and reserves;
- o taking decisions on currency or interest fluctuations and hedging positions; and
- o preparing relevant regulatory or other reports for government authorities and investors;
  - financing and leasing:
- o agreeing funding terms or identifying and acquiring assets to be leased;
- o identifying and acquiring assets to be leased (in the case of leasing);
- o setting the terms and duration of any financing for leasing agreements;
- o monitoring and revising agreements;
- o managing finance agreements and leases; and
- o managing any risk associated with such agreements;
  - headquarters business:
- o taking relevant strategic or management decisions;
- o incurring expenditures on behalf of entities; and
- o coordinating group activities;
  - shipping:
- o managing the crew (including hiring, paying and overseeing crew members);
- o hauling and maintaining ships;
- o overseeing and tracking deliveries;
- o determining what goods to order and when to deliver them; and
- o organizing and overseeing voyages;
  - distribution and service centers:
- o transporting and storing goods;
- o managing stock and taking orders; and

- o providing consulting or administrative services;
- intellectual property (IP) activities:
- o conducting research and development in relation to IP assets such as patents;
- o marketing, branding and distribution of non-trade intangible assets such as trademarks;
- o taking the strategic decisions and managing or bearing the principal risks, or both, related to the development and subsequent exploitation of an IP asset;
- o taking the strategic decisions and managing or bearing the principal risks, or both, related to any third party acquisition and subsequent exploitation of an IP asset;
- o carrying on the underlying trading activities through which IP assets are exploited and which lead to the generation of revenue from third parties;
- pure equity holding business:
- o complying with its statutory obligations under the Companies Ordinance or the Limited Partnership Ordinance.<sup>24</sup>

### *Pure Equity Holding entities*

"Pure equity holding entities" comply with the economic substance requirements if they have adequate people for holding and managing equity participations, and adequate premises in TCI.<sup>25</sup>

A pure equity holding entity is an entity which as its primary function acquires and holds shares or an equitable interest in other entities, performs no commercial activity and which:

- holds the majority of the issued shares, voting rights or partnership interests in another entity;
- is a member or partner in another entity and has the right to appoint or remove a majority of the directors, of the entity;
- is a member or partner in another entity and controls, under an agreement with others, a majority of the voting rights in the entity; or
- is the holding entity of a holding entity of the entity.<sup>26</sup>

### *High-Risk IP Activities*

Where an entity is engaged in "high-risk IP activities" (defined as where the entity owns an IP asset that (1) has been acquired from a group entity or has been obtained through the funding of overseas research and development activities; (2) is licensed to a foreign group entity or is used to generate revenue through activities performed by the foreign group entity; and (3) the entity does not carry out either research and development or branding and distribution as part of its CIGA in TCI),<sup>27</sup> additional economic substance requirements apply.

It is presumed that the entity does not comply with the economic substance requirements (irrespective of whether or not the CIGA are undertaken in TCI) unless the entity can demonstrate that the entity does not merely passively hold and generate IP income from IP assets in TCI, but a high degree of control over the development, exploitation, maintenance, enhancement and protection of the IP asset is, and historically has been, exercised by an

---

<sup>24</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 7.

<sup>25</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 8(5)

<sup>26</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 5.

<sup>27</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 6.

adequate number of employees with suitable qualifications who reside and perform their IP-related activities in TCI.<sup>28</sup>

### *Filing*

Entities that are subject to the economic substance requirements must file an annual economic substance declaration with the relevant authority.

An entity that fails to submit a return to the relevant authority, is liable to a penalty of up to 20,000 dollars.<sup>29</sup>

## **8.2. Thin Capitalization/Other Interest Deductibility Rules**

As TCI has no direct taxes, there are no material anti-avoidance provisions.

## **8.3. Controlled Foreign Company (CFC) Rules**

As TCI has no direct taxes, there are no material anti-avoidance provisions.

# **9. Other Taxes**

## **9.1. Payroll Taxes**

There is no payroll tax in Turks and Caicos Islands (TCI).

## **9.2. Capital Taxes (Capital Duties)**

There are no direct capital taxes in TCI.

## **9.3. Property Taxes**

### *9.3.1. Transfer Taxes, Including Real Property Transactions*

There is stamp duty payable on conveyances of TCI real estate at rates up to 10 percent of the consideration. Because of the widespread use of holding companies in the holding of TCI real estate, there is a share transfer duty payable at the rate of 8 percent of the fair market value of the underlying TCI real estate in relation to transfers of equity capital of TCI landholding companies. For this purpose, a TCI landholding company includes foreign companies (no matter how far removed up the corporate hierarchy), which either directly or through intervening companies own shares in TCI landholding companies.<sup>30</sup>

### *9.3.2. Real Property Taxes*

TCI does not impose taxes on the value of real property.

### *9.3.3. Taxes and Movable Property*

There is no personal property tax in TCI.

---

<sup>28</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 8(7).

<sup>29</sup>Companies and Limited Partnerships (Economic Substance) Ordinance 2018, Section 10(4).

<sup>30</sup>Stamp Duty Ordinance, Schedule 1, Head 2.



#### 9.3.4. Fixed Asset Taxes

There is no fixed asset tax in TCI.

#### 9.4. Miscellaneous Taxes

The following indirect taxes are imposed in TCI.

##### *Customs import duty*

Customs duties are charged on imported goods.<sup>31</sup> The standard rate on most products is 30 percent, however there are also varying rates in relation to different persons and different goods.

##### *Customs processing fees*

A customs processing fee must be paid to the government by every importer at a rate of 5 percent of the value of the goods imported.<sup>32</sup>

##### *Hotel, restaurant and tourism services tax*

This tax is recovered from the ultimate consumers, via the industry operators, rather than from industry operators themselves. Each guest will be charged tax at a rate of 12 percent of the total amount of the charges paid or payable.<sup>33</sup> A rate of 7.2 percent applies to all-inclusive premises.<sup>34</sup>

Service charge is payable by each guest or customer of a hotel or restaurant, at a rate of 10 percent of amount charged. This does not include tips (or gratuities) which are optional.<sup>35</sup>

A facility fee may also be charged by a hotel or restaurant. This facility fee can be retained by the hotel or restaurant for specified uses.<sup>36</sup>

##### *Passenger departure tax*

Passengers departing from TCI are liable to pay passenger tax, at the following rates:

- cruise passengers, other than a child under 12 years old – 2 dollars;
- passengers, other than cruise passengers, and other than a child under two years old – 29 dollars; and
- children under two years old – no charge.<sup>37</sup>

##### *Stamp duty on specified instruments*

While stamp duty on land transactions is a major revenue earner for the TCI government, there are a variety of other (mainly negligible) stamp duties in place. Those that are material are stamp duty on mortgages, debentures, bonds and covenants (1 percent of the sum secured, capped at 50,000 dollars) and stamp duty on motor vehicle rental at the rate of 12 percent.<sup>38</sup>

##### *Telecommunications tax*

---

<sup>31</sup>Customs Ordinance, sections 70 and 75.

<sup>32</sup>Customs Ordinance, section 134, as amended by the Customs (Customs Processing Fee) (Variation of Rate) Order 2022, section 2.

<sup>33</sup>Hotel, Restaurant and Tourism (Taxation) Ordinance 2019, sections 6 and 30.

<sup>34</sup>Hotel, Restaurant and Tourism (Taxation) (Rate Variation for All-inclusive Premises) Regulations 2019, section 3.

<sup>35</sup>Hotel and Restaurant (Service Charge) Ordinance, sections 5 and 6.

<sup>36</sup>Hotel and Restaurant (Service Charge) Ordinance, section 7.

<sup>37</sup>Passenger Tax Ordinance, section 3.

<sup>38</sup>Stamp Duty Ordinance, Schedule 1, Heads 1 and 5.

Telecommunications services and telecommunications networks provided by a licensee are subject to telecommunications tax at a rate of 12 percent. The tax is payable by the person to whom the service is provided by the licensee.<sup>39</sup>

#### *Domestic financial services sales tax*

Financial services sales tax is payable in respect of the outward transfer of money from one party using any financial institution within TCI to another party outside of TCI. The tax is payable by the customer to the financial institution, at a rate of 12 percent.<sup>40</sup>

#### *Insurance premium sales tax*

In respect of domestic business, insurance premium sales tax is payable at a rate of 2.5 percent of the premium paid. Insurance premium sales tax is not payable on life insurance or health insurance.<sup>41</sup>

#### *Retention tax*

Where interest payments are made by a paying agent established in TCI to beneficial owners who are individuals resident for tax purposes in another EU Member State, a retention tax will be levied at a rate of 35 percent.<sup>42</sup> The government of TCI shall retain 25 percent of the retention tax collected for its own use, and the remaining 75 percent shall be transferred to the Member State that is the residence of the beneficial owner.<sup>43</sup>

### **Value Added Tax (VAT)**

There is no VAT in TCI. For VAT and similar taxes, see the [VAT Navigator](#).

## **10. Special Industries**

### ***10.1. Oil, Gas and Mineral Extraction***

There are no special regimes or rules for the oil, gas and mineral extraction sectors in Turks and Caicos Islands (TCI).

### ***10.2. Banking and Finance***

There are no special regimes or rules for the banking and finance or insurance sectors in TCI.

## **11. About the Author**

Owen Foley, Partner

*Misick & Stanbrook, Turks and Caicos Islands*

*Last reviewed/updated: May 20, 2022*

---

<sup>39</sup>Telecommunications Taxation Ordinance, section 3.

<sup>40</sup>Domestic Financial Services Sales Tax Ordinance, section 4.

<sup>41</sup>Insurance Premium Sales Tax Ordinance, section 5.

<sup>42</sup>Retention Tax Ordinance, section 7(2).

<sup>43</sup>Retention Tax Ordinance, section 7(9).