



U.S. Virgin Islands – Taxation Benefits for Approved Investors

The Virgin Islands Economic Development Commission (“VIEDC”) offers a unique and attractive tax incentive program for companies locating in the USVI. This is a competitive off-shore tax benefit program that is sanctioned by the U.S. Government through an Act of Congress under the Internal Revenue Code. Below are the USVI key selling points:

- 90% reduction in corporate income tax
- 90% reduction in personal income tax
- 100% exemption on excise tax
- 100% exemption on property taxes and gross receipts tax
- Imported goods pay only 1% duty in comparison to the statutory 6% customs rate

Eligibility

To receive benefits from the V.I. Economic Development Commission, an applicant must:

- Provide full-time employment for at least 10 residents of the U.S. Virgin Islands who have resided in the V.I. at least one year prior to being hired by the tax beneficiary.¹
- Invest at least \$100,000, exclusive of inventory, in an industry or business that advances the economic well-being of the USVI.
- Meet the requirements of Section 934 and 937 of the Internal Revenue Code
- Be an actual investor in the enterprise for which industrial development benefits are sought (not a contractor, subcontractor or other person or corporation acting as an agent).
- Comply with all federal and local laws and regulations, including environmental laws.
- Provide an easement for free access to the beach or shoreline, if the applicant will be doing business on property that adjoins the shoreline.

Eligible Activities

Eligible activities generally fall within several categories, although the VIEDC has the authority to grant benefits to any business that will advance the economic well-being of the Virgin Islands and its people:

Category I:

- Rum Production
- Milk/Dairy Production
- Watch and Jewelry Manufacturing and Assembly

Category II:

- Product Assembly,
- Manufacturing, Repair and Maintenance and/or Export Operations* including but not limited to
 - Agriculture/Mariculture and Food Processing,
 - Marine and Aircraft Industry,

¹ Category IV-Designated Services Business or a Category V International Financial Services Entity shall be required to employ a minimum of five (5) full-time persons.

- Machine and Heavy Equipment, and
- Bottling and Packing.

Category III:

- Hotel/Guesthouses,
- Health Care,
- Recreation and Retirement Facilities,
- Transportation,
- Utilities (including Alternative Energy Industry) and
- Telecommunication.

Category IV – Designated Service Businesses, other than Knowledge-Based or E-Commerce Businesses, that include but are not limited to:

- Commercial Distribution and Trading Services;
- Public Relations Services, including but not limited to publicity, mail order firms;
- International Banking and Insurance entities
- Business and Management Consulting Services (including but not limited to strategic accounting, economic, scientific services);
- Investment Managers and Advisors;
- Call Centers;
- Family Offices;
- Venture Capital Management and Investment;
- Investment Banking and Financial Services;
- Film and Print Industry Activities (including news syndicate, still and motion pictures);
- Computer, Data, High Technology, E-Commerce and Call Services Center Businesses;
- Development/Engineering of Software, Blueprints and Intellectual Property;
- Medical (including Dental, Optical and Ophthalmological) laboratories and specialty medical services; and
- Any other businesses serving clients located outside the Virgin Islands deemed appropriate by the Commission.

E-Commerce and Knowledge-Based Businesses

If an applicant is an E-Commerce or Knowledge-Based Business, as defined by 17 V.I.C. § 482, the Director must refer the application to the University of the Virgin Islands Research and Technology Park (“RTPark”) within 10 days. The RTPark will consider the applicant for tenant status and benefits under Title 17. If the RTPark’s Board denies the benefits, they must send the application back to the Economic Development Authority (EDA) within 10 days for consideration of other economic development benefits. The EDA and the RTPark may create joint rules to implement this process.

Category V — International Financial Services Entity²

² An applicant seeking benefits as a Category V international financial services entity are exempt from 29 V.I.C. § 708. Specific requirements for granting of benefits and its accompanying regulations, but shall comply with 9 V.I.C.

Benefits & How They Work

Sunseeker, Inc.'s Benefits for Tax Year

1. Gross Receipts Tax Exemption:

Annual gross sales	\$1,000,000
Tax Due (at a 5% percent rate)	\$ 50,000
100% gross receipts exemption	\$ 50,000

This exemption does not extend to the gross receipts of businesses operated by concessions on the premises of beneficiaries, and may be further narrowed in a beneficiary's contract with the VIEDC.

2. Property Tax Exemption:

Real property market value (land, buildings)	\$300,000
Assessed value (60% market value)	\$180,000
Tax due (1.25% assessed value)	\$ 2,250
100% property tax exemption	\$ 2,250

The real property tax exemption applies only to the property owned by the beneficiary and used in the specific business or industry for which an Economic Development Contract has been granted.

3. Excise Tax Exemption:

Value of imported materials, components	\$300,000
Excise tax assessed on 1.05% market value	\$315,000
Excise tax imposed (4% for most items)	\$ 12,600
100% excise tax exemption	\$ 12,600

The excise tax exemption applies to equipment, raw materials and component parts used for manufacturing or assembling a product and to building materials, machinery and equipment for use in constructing the beneficiary's physical plant. Other items used by a beneficiary, such as hotel furnishings, are not exempt from excise tax.

4. Reduction of Virgin Islands Customs Duties:

Landed cost for foreign (non-U.S.) items	\$150,000
Virgin Islands customs duties due (6%)	\$ 9,000
Beneficiary's liability at 1% rate	\$ 1,500
Virgin Islands customs duty reduction	\$ 7,500

The Customs duty reduction applies to raw materials and component parts imported into the Virgin Islands from non-U.S. sources for the purpose of producing, creating or assembling an article. No customs duty applies to such materials and parts imported into the Virgin Islands from U.S. sources.



5. Duty-Free Imports into the United States

Landed cost for foreign (non-U.S.) items	\$150,000
U.S. customs duty (assuming an avg of 70%)	\$ 10,500
U.S. customs duty reduction	\$ 10,500

Under General Note 3(a)(iv) of the U.S. Customs Law, items manufactured or produced in the Virgin Islands for export to the United States may contain up to 70% of the finished product (50% for textiles, apparel and leather) on foreign materials, components, or parts and avoid U.S. customs duties.

6. Income Tax:

Annual gross sales	\$1,000,000
Deducted business expenses	\$ 800,000
Taxable Income	\$ 200,000
Tax on \$200,000 taxable income	\$ 42,000
Corporate surcharge (10%)	\$ 4,200
Total tax	\$ 46,200
90% reduction	\$ 41,580
Net tax (Effective tax rate of 2.31%)	\$ 4,620

A 90% exemption also applies to the individual income tax liability of V.I. resident stockholders on income derived from dividends of the corporation or, for S corporation or partnership distributions.

How The Sunseeker Scenario Adds Up

Virgin Islands Benefits:

Net tax (Effective tax rate of 2.31%)	\$ 4,620
Gross receipts tax exemption (100%)	\$ 50,000
Property tax exemption (100%)	\$ 2,250
Excise tax exemption (100%)	\$ 12,600
Virgin Islands customs duty reduction	\$ 7,500
Duty Free Imports into the U.S. customs duty reduction	\$ 10,500
Virgin Islands income tax exemption (90%)	\$ 41,580
Total Savings	\$ 124,430

Note: Corporate income tax rate reduced to 21% (from brackets with a maximum tax rate of 35%) and alternative minimum tax repealed from January 1, 2018.

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