Commonwealth of Dominica
Inland Revenue Division

GUIDE TO OPERATING A SMALL BUSINESS IN DOMINICA

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Here is basic information you need to know

1.1 INTRODUCTION

Once you have decided to operate as a self-employed person, there are requirements that you must meet. More specifically, requirements under the various Acts administered by the Comptroller of Inland Revenue. These include registration of the business, keeping of proper records of business transactions and the filing of returns. This guide is intended to give you these requirements. It is not intended to replace the various acts referred to and where any error may occur, the provisions of these acts prevail.

2.0 REGISTRATION

This first thing that you will be required to do is to register the enterprise by completing a registration form provided by the Division. The registration form requires you to give us sufficient information about your business in order to have it registered on our database. Where necessary, copies of all relevant documents should be attached to the registration form. For example if the name of your business was registered under the provisions of the Business Names Act, a copy of the certificate obtained should be provided.
Once the registration of your business has been processed, an officer of the Inland Revenue Division will determine the types of tax accounts and licences that you will need. The accounts opened will depend on the nature of your business.

3.0 LICENCES: -

3.1 STORE/PARLOUR LICENCE (TRADE AND PROFESSIONAL LICENSES ACT)

Any person who intends to carry on a store business in any building or premises must first obtain from the Inland Revenue Division, a Store/Parlour Licence in respect of the building or premises. The following should be noted: -

• The licence fee is based on the value of the stock in the building/premises. You should inform the Inland Revenue Division of the value of stock in your storeroom. However, at a later date a Revenue Officer may visit your premises to verify the information given.

• If you operate from more than one location, then will require a licence for each location.

The Store/Parlour Licence fee payable annually is based on the following:-

Stock not exceeding $10,000.00 $ 100.00
Stock of $10,000 but less than $100,000.00 $ 500.00
Stock of $100,000 but less than $250,000.00 $1,000.00
Stock of $250,000 but less than $500,000.00 $2,000.00
Stock exceeding $500,000 but less than $1,000,000.00 $5,500.00

Stock exceeding $1,000,000 is $5,500.00 plus $1,000 for each additional $1,000,000 stock or part thereof.

Persons who trade only in livestock or anything made or manufactured in Dominica do not require a licence.

Store/Parlour licence fees fare payable every calendar. Licence fees for the current year are due by 31st January of that year. Failure to make payment by the due date will result in a late payment penalty of 10% of the licence fee.

Depending on the time of year that when you first open your business or require a licence, the license, the licence fee will be apportioned. For instance, if you are opening your business during the second half of the year you will need to pay half of the license fee for that particular year. Thereafter the annual fee is payable.

3.2 HUCKSTER'S LICENCE

A Huckster is a person who carries or exposes goods for sale otherwise than in a building.

Any person who carries on business in such manner is required to hold a Huckster's Licence. Persons who sell from trays/stalls (on the sidewalks of Roseau for example) require an ordinary Hucksters Licence, while persons who sell from vehicles require an Itinerant Hucksters Licence.
The licence fees are as follows:

Itinerant Hucksters $250.00
Others $ 50.00

Hucksters licence fees for the current year are due by 31st January. Failure to make payment by the due date will result in a late payment penalty of 10% of the licence fee.

3.3 LIQUOR LICENCE

This license is granted to a person in order to permit the sale of liquor. Liquor includes beer, brandy, cider, gin, liqueurs, porter, rum, whisky, vodka, falernum, vermouth, un-medicated wines, and all other fermented, alcoholic, spirituous and malt liquors

• If you intend to sell liquor you must first obtain a certificate from the Magistrate. However, you must notify the Magistrate and the Commissioner of Police in writing of your intension to apply at least 21 days before applying for that certificate. Notification forms are available at the Inland Revenue Division, High Street, Roseau or on our website www.ird.gov.dm. The same notice must also be published in one of the public newspapers no more than four weeks and no less than two weeks before the date of the proposed application.

• The Magistrate referred to above is the Magistrate in the district in which the premises for which the licence is required is situated.

• A licence to sell liquor will only be granted by the Comptroller, upon presentation of a Liquor Licence Certificate issued by a Magistrate. However, in the case of renewals of annual licences, no such certificate is required.

• There are different types of Liquor Licences that someone can apply for depending on the type of business that he/she intends to operate. They are: - Wholesale, Retail, Tavern, Hotel, Restaurant, Club and Night Bar Licences. These licences are renewable annually for each calendar year. Licences must be renewed by 31st December every year for the following year of operation. Failure to make payment by the due date will result in a late payment penalty of 10% of the licence fee.

• There is also an Occasional Liquor Licence that is issued by the Comptroller to any person who intends to sell liquor by retail at any public entertainment, show, festivity or meeting.

The fees payable in respect of the various Liquor Licenses are as follows:
Wholesale $1,000.00
Retail $ 700.00
Tavern $ 100.00
Hotel $ 700.00
Restaurant $ 700.00
Club $ 700.00
Night Bar $ 600.00
Occasional $ 25.00 per day or part thereof
Special Liquor Fee to be determined by the Comptroller

4.0 TAXES: -

4.1VALUE ADDED TAX

On March 1st 2006, the Value Added Tax (V.A.T.) was implemented. V.A.T. is levied on the **value added or mark up** that one business charges another or the final consumer when a **goods or services** are provided. At the date of its implementation the V.A.T. replaced Consumption Tax, Entertainment Tax, Hotel Occupancy Tax and Sales Tax.

V.A.T. is a tax on consumer spending and it therefore collected on governments behalf by registered business. However, in order to qualify for registration, business must satisfy the Comptroller of Inland Revenue that they will generate annual gross sales in excess of **One hundred and twenty thousand dollars ($120,000.00)**
However, the registration thresholds who are involved in certain specified services are $60,000.00.
These services are:

* Hotel Accommodation or similar accommodation services
* Commercial Rent
* Accounting or Book keeping
* Legal
* Consulting
* Funeral
* Surveying
* Architectural or Engineering

Once registered to collect the V.A.T., persons are required to display in a prominent place their certificate of registration issued by the Comptroller of Inland Revenue. They are also required to keep records for the purposes of the administration of the Value Added Tax Act. These include sales and purchases books and tax invoices. The Inland Revenue Division has provided registered businesses with a format on how to keep the records required by the V.A.T. Act.

Another requirement of the V.A.T. Act is that registered businesses file a V.A.T. return for each tax period (calendar month) **whether or not tax is due** by the twentieth day of the following month. This return should show the total sales/receipts for the period and the tax collected thereon (referred to as **output tax**). It should also show the total purchases for the same period and the tax paid thereon (referred to as **input tax**).

In the case of the purchases, the person must have the supporting VAT invoices and paid customs declarations in his possessions in order to report the input tax in the return.

Where output tax exceeds input tax, the difference is payable to the Comptroller of Inland Revenue by the twentieth day of the following month. If the reverse occurs, that is input tax is greater than output tax, the credit is carried forward and where this occurs for six (6) consecutive tax periods, the taxpayer has the option to either apply for a refund or continue carrying forward the credit.

Failure to comply with the various provisions of the V.A.T. Act will result in the applicable penalties being charged. These range from a penalty for failure to file a V.A.T. return by the due date to a penalty for issuing a false invoice.

4.2 P.A.Y.E. (PAYE AS YOU EARN)

As an employer you are required by law to: -

• Deduct Income Tax from every employee who earns more than $25,000.00 annum (including any allowances) based on the Tax Tables prescribed by the Comptroller of Inland Revenue;

• Remit the tax deducted to the Inland Revenue Division by the 15th of the month immediately following the month in which the deduction was made; and

• Provide your employees and the Comptroller with a statement (T.D.5) showing their earnings and tax deducted for the calendar year in question.

4.3 WITHHOLDING TAX

If during the conduct of your business you make payments of a certain nature, such as payments of interests, rent, royalties, management charges and for services performed in Dominica, to non-resident person, 15% of that payment must be paid to the Comptroller of Inland Revenue. This is known as a withholding tax.

For example, if you are paying rent to a non-resident for the premises in which you are operating your fifteen per cent (15%) of the **gross rent** is to be withheld and paid to the Comptroller of Inland Revenue. If you are responsible for crediting the amounts of the rent to an account or otherwise, then you are responsible for making payment of the tax. If not the responsibility for making payment of the tax rests with the agent for the property.

The Third Schedule of the Income Tax Act, Chapter 67:01 of the revised Laws of Dominica 1990 Edition gives the full list of income types subject to the tax

4.4 INCOME TAX

Most persons (including companies) have to pay Income Tax on their earnings or profits in accordance with the provisions of the Income Tax Act. It is charged on various sources of income including Employment Income, Rental Income, Dividends, Professional Income, Business Income and for some residents income from overseas.
However, there are sources of income which are exempt and these include age and sickness benefit payable by the Dominica Social Security, interest from banks in Dominica and agricultural income.

As a resident self-employed individual you are liable to pay income tax on the net profit of your business where it exceeds **twenty five thousand dollars ($25,000.00)**. You are responsible for calculating and paying your own tax, including **installment payments**.

The tax payable by you will be determined by your chargeable income, which is your net business income less allowances and deductions. One such allowance is the resident allowance of $25,000. After taking into account your allowances and deductions, you may fall in the 15%, 25% or 35% tax bracket.

However, companies are required to pay income tax at a rate of 25% of their chargeable income (net income)

4.5 INSTALLMENT PAYMENTS

All companies and self-employed persons are required **by law** to make installment payments toward the tax due for current Income Year to the Comptroller of Inland Revenue.

The amounts to be paid should be determined as follows:

On or before March 31st (for companies on or before the end of the third month of its fiscal year), 25% of the tax payable for the previous year or of the tax expected to be paid for the current year.

On or before June 30th (for companies on or before the end of the sixth month of its fiscal year), 35% of the tax payable for the previous year or of the tax expected to be paid for the current year.

On or before September 30th (for companies on or before the end of the ninth month of its fiscal year), 40% of the tax payable for the previous year or of the tax expected to be paid for the current year.

Any balance payable should be paid when the tax return is filed on or before 31st March of the subsequent year; or in the case of a company on or before the end of the third month after the end of its fiscal year.

Please note that penalty and interest will be charged in respect of late payments.

5.0 KEEPING RECORDS

As a self- employed person you must: -

• Keep proper record of all business transactions, that is, Income and Expenditure on a regular basis;

• Keep documents such as receipts, invoices, bills, bank statements, paid cheques, cheques counterfoil, Social Security C8 Forms, Wage Book/ Register. These may be required by the Inland Revenue Division to verify Income/output tax declared and expenses claimed.

• Keep receipts of all assets purchased for use in the business;

• Keep the business records for at least 7 years;

• Separate your business transactions from your personal finances; and

• File an Income Tax Return by the required date.

If you have an accountant you should seek his/her advice on what format is best to keep your records. However, it is advisable to keep a written record of your business transactions using the following headings: -

• Takings or sales, including credit sales. The amount paid into the bank or spent from the sales of the day, should also be recorded; and

• Purchase of goods for resale and if you are a registered VAT tax payer, VAT paid on purchases.

Expenses, with sub-headings for: -

- Utilities;
- Wages paid to staff;
- Social security paid on behalf of staff;
- Money used for personal expenses, including your own wages, goods taken for personal consumption;
- Motor vehicle expenses fuel and repairs;
- Repairs to business premises;
- Rent paid for business premises;
- Purchases of equipment, vehicles, furniture etc; and
- Other expenses.

6.0 FINANCIAL STATEMENTS

From the records that you have kept your accountant, if you have one, will prepare your Financial Statements. These statements disclose the financial position of the business as at a given date and include a profit and loss statement as well as a balance sheet. The profit and loss statement shows income and expenditure for a specific year.

In addition to the expenses incurred during the course of conducting business you must make a claim for capital allowances where any asset was purchased and used in the business. Depending on the type of asset, it will qualify for a certain percentage of allowance. For example motor vehicles are classified as five year assets and therefore qualify for a twenty percent (20%) allowance each year for five (5) years.

In the event that the asset is used both in the business and personally, the amount of allowance will be apportioned accordingly.

The requirement to produce financial statements is not a hard and fast rule and so depending on the size of your business, an Income and Expenditure Statement may be produced or you can simply complete the Personal Tax Return IT4 available at the Inland Revenue Division or on our website at www.ird.gov.dm.

It needs to be emphasized that the responsibility for preparing these statements is yours and not that of the Inland Revenue Division.

7.0 FILING REQUIREMENTS

After having prepared your Financial Statements/Income and Expenditure Statement/ Schedule G Form, you are required to submit an Income Tax Return together with one of these statements to the Comptroller of Inland Revenue. This return should be: -

(a) Signed by you or an agent authorized to sign on your behalf;

(b) Contain a calculation of the chargeable income, if any disclosed therein;

(c) Contain a calculation of the tax payable; and

(d) Contain an address for service of notices.

The return is provided by the Division and is due on or before March 31 following the end of the Income Year. The Form is usually mailed to you but in the event that you do not receive one, you should obtain one from the Division.

You must also enclose a Schedule of Assets showing the year of purchase of each, the cost, disposals and additions during the Income Year. Please note that:-

• All self-employed persons **must submit a Tax Return** to the Inland Revenue Division every year. If your business makes a net loss, you are still liable to furnish an Income Tax Return;

• If you are in receipt of income other than business income, it forms part of your assessable income and therefore must be reported on your return;

• If you do not furnish a Tax Return the Comptroller of Inland Revenue will estimate the amount of your income to the best of his judgment and you will have to pay tax based upon his estimate. You can object the estimate but will have to produce records to substantiate your claim; and

• If you are not a resident individual, you are not entitled to the Resident Allowance. Therefore, you will be taxed on your net income.

8.0 CONCLUSION

This guide was produced with you in mind. This is one of the many ways in which the Inland Revenue aims to empower you, the taxpayer to be able to comply with the requirements of the Income Tax Act and other laws that we administer.

We trust that it has been of assistance to you and therefore welcome your feedback on its contents. This will assist us in making improvements where necessary to better serve you. In that regard, if you require further information and or assistance you can contact us on:-

Telephone **1 767 266 3600 / 1 767 266 3119**

Fax **1 767 448 1893**

Email **ird.gov.dm**

Or you can write to: -

The Comptroller of Inland Revenue
Inland Revenue Division
P.O. Box 164
Roseau

9. Notes