

Doing Business in Guyana

Taxation

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GUYANA

Guyana Tax Regime

GENERAL PROVISION

A. Taxes Payable Company

Reference

1) Corporation Tax

The Tax rates are:

*Corporation Tax
Act 81:03
Section 10*

Non Commercial: 30% of Chargeable Profit. Losses may be carried forward indefinitely and set off is limited to 50% of the Chargeable Profits in future years.

Commercial: 40% of Chargeable Profits or 2% of Turnover whichever is higher.

Any payment in excess of 40% of profit is carried forward as a credit to be used to reduce the tax whenever it is higher than 2% of Turnover.

A Commercial Company means a company at least seventy five percent of the gross income of which is derived from trading in goods not manufactured by it and includes commission agency and any telecommunication company. It also includes Banks and Insurance Companies other than long term Insurance business.

2) Withholding Tax

Section 10B

There shall be levied and paid corporation tax (in this Act referred to as “withholding tax”) by every person on payments made by him or it or on his or its behalf to any non-resident company on account of any contract undertaking by or on behalf of that non-resident company, at the rate of twenty percent of such payment made in any year of account,

3) Property Tax (Wealth Tax)

This is payable on the net assets of the company as at January, each year.

*Property Tax
Act 81:21
First Schedule*

Assets which attract Wear and Tear Allowances will be included at their Income Tax Values. The rates on net property are as follows:

- | | G \$ |
|-----------------|-----------------|
| • The first | \$40M is exempt |
| • The remainder | is @ 0.75% |

A set off would be granted to Investors who hold shares in local companies at the appropriate rate.

Guyana Tax Regime

Reference

GENERAL PROVISION (*Cont'd*)

Capital Gains

*Capital Gains
Act 81:20
Section 12*

The rate is 20% in the gain on disposal unless the asset was held for more than 25 years when it becomes exempt. Capital losses are carried forward indefinitely and could be set off against future capital gains until fully recouped. A short term gain is taxed as Income (disposal within 12 months).

Gain on disposal of Investments in local public companies is exempt.

4) Branch Profits

The after tax profits of a Branch of a Non Resident Company is deemed distributable whether distributed or not and will be subject to withholding tax at 20% or at treaty rates unless the company has reinvested to the satisfaction of the Commissioner General such profits or any part thereof in Guyana.

5) Value Added Tax

The rate is 16%. Some items are Zero rated and very few are exempt. Registration is required if the turnover exceeds G\$10M per annum.

6) Fringe Benefits

*Income Tax Act
81:01 Section 39
(7 & 8)*

There are no specific rules for granting of tax free allowances except for overseas travel assistance which is described in the Income Tax Act. In practice some management staff may obtain car and entertainment allowances but the amount would be limited to 10% or 15% of their remuneration in each case.

B. Determination of Taxable Income

*Determination
Rates Regulation
81:01
Section 117*

1) Capital Allowances

The rates for Wear and Tear Allowances for different categories of Assets are as follows:

• Aircraft	33 $\frac{1}{3}$ %	Boats	10%
• Furniture and Fitting	10%	Motor Vehicles	20%
• Plant and Machinery	20 %	Computers	50%
• Building (Housing Machinery)	5%	Office Equipment: Electrical	20%
		Other	15%

The claim is computed on reducing balance basis except as stated otherwise.

Guyana Tax Regime

GENERAL PROVISION (Cont'd)

Reference

An accelerated write off is granted to pioneer industries and certain other undertakings. The rates for the initial allowances are:

- Plant, Equipment and Motor Vehicle 40%
- Industrial Buildings 10%

There is a special regime for Gold and Diamond and Bauxite mining companies which enjoy a 20% write off on all assets for each year.

There is no limit to the carried forward losses to be set off for each year.

2) Dividends

Dividends paid to residents are Tax free. Dividends paid to Non Residents are subject to Withholding Tax at 20% or at treaty rates.

81:03 Section 7 (a)
81:01 Section 13 (b)

C. Personal Taxation

Income Tax: There is a standard deduction of G\$600,000 per annum after which the balance of chargeable income is taxed at 30%. There are no other allowances except for Home Mortgage Interest Allowance which was introduced in 2013, the details of which are still to be determined.

81:01 Section 20

Property Tax: (Wealth Tax) Individuals have to return their net property which is taxed as follows:

- The first 10.0M is exempt
- The next 15.0M is @¹/₂ of 1%
- The Remainder is @³/₄ of 1%

The income tax value of the assets is used when computing net property.

Capital Gains: the rate is 20% on the gain unless the asset is held for more than 25 years when the gain will be exempt.

The gain will be subject to Income Tax if the asset was disposed of within a year.

Capital losses are carried forward indefinitely until they are fully recouped.

There is no limit on the losses to be claimed in each year.

Tax Treaty: Guyana has double taxation treaty with the United Kingdom, Canada and Caricom Countries. The Withholding Taxes applicable for each territory are as follows:

- On Dividends and Interest 15%
- On Other Payments 10%

Guyana Tax Regime

GENERAL PROVISION *(Cont'd)*

Reference

Definition of Resident in Guyana

Chapter 81:01

When applied:

1. To an individual means an individual who:
 - (a) Resides permanently or being in Guyana intends to reside permanently in Guyana except for such temporary absence as to the Commissioner may seem reasonable and not inconsistent with the claim of such individual to be resident in Guyana; or
 - (b) Resides in Guyana for more than 183 days in the year.
2. To a body of persons means anybody of persons the control and management of whose businesses are exercised in Guyana;

Employment Non Resident

In the case of income arising outside Guyana which is earned income or which arises to a person who is not ordinarily resident in Guyana or not domiciled therein, the tax shall be payable on the amount earned in Guyana.

Section 5

The gains or profits from any employment exercised in Guyana shall be derived from Guyana whether the gains or profits from such employment are received in Guyana or not.

Section 6

Tax shall not be payable in respect of any income arising out of Guyana to any person who is in Guyana for some temporary purpose only and not with intent to established his residence therein and who has not actually resided in Guyana at one or more times for a period equal in the whole six months in the year preceding the year of assessment.

Section 17

**Income Tax in Aid of Trading Act
Chapter 81:02**

This Act was passed in order to encourage the establishment or development of certain industries in Guyana including the working of any mine (other than a gold or diamond mine).

The salient features of this Act are:

1. Accelerated Depreciation (wear and tear) on Capital Expenditure

An initial allowance of 40% of the cost of the Machinery and Plant and 10% of the cost of Industrial Buildings and Structures could be claimed in the year of acquisition or the year following.

This is in addition to the standard wear and tear granted under the Income Tax Act. So that in year one the Company could claim 60% of the cost of Machinery and Plant and 15% on Industrial Buildings and Structures.

2. Tax Holiday

Section 2, Part 1 of the Act pertaining to Tax Holiday was amended by the Fiscal Enactments (Amendment) Bills 2003 and 2008 whereby the Minister of Finance may grant exemption from Corporation Tax in respect of Income from Economic Activity qualifying under one of the following circumstances.

(a) The Activity demonstrably creates new employment in one of the following regions:

Region 1:	Barima – Waini
Region 7:	Cayuni – Mazaruni
Region 8:	Potaro – Siparuni
Region 9	Upper Takatu – Upper Essequibo
Regional 10	Upper Demerara – Upper Berbice

Such other Regions as the minister may, by Order, subject to negative resolution of the National Assembly specify;

(b) The activity is new economic activity in one of the following fields:

- (i) Non traditional agro processing including aquaculture and production of Bio-fuels.
- (ii) Information and communication technology
- (iii) Petroleum explorations, extraction or refining
- (iv) Mineral exploration, extraction or refining
- (v) Tourist facilities
- (vi) Value-added wood processing
- (vii) Textile production
- (viii) Bio technology
- (ix) Development and manufacturing of new pharmaceuticals products, chemical compounds and the processing of raw materials to produce injectables
- (x) Infrastructural development, including the production of electricity using renewal sources of energy
- (xi) Such other fields as the Minister may, or Order, subject to negative resolution of the National Assembly, specify

The tax holiday period could be between 5-10 years. Although the project is not located in any of the above designated regions yet it would be advisable to apply for Tax Holiday because of the remote location of its operation.

Mining Policy and Fiscal Regime Main Features

In 1997 the Government released a policy paper on exploration and development of Minerals and Petroleum Resources in Guyana which set out the Fiscal Regime for Investments in these sections.

The main features of the Fiscal Regime for Bauxite Mining are:

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|----|---|--|
| 1. | Royalty | 1.5% of Production or of Gross Revenues or of Production Cost leaving plant whichever is greater. |
| 2. | Corporation Tax
Depreciation | 30%
20% Straight Line |
| 3. | Duty and Consumption
Tax Concessions | Zero rating of duties and consumption tax on all equipment, process materials and spares to be used during and in the course of surveys, prospecting and mining, by the licence holder and his contractor; except food and beverages. |
| | | Fuel attracts 10% CIF tax |
| | | No free equity to State, but the State shall have the right to nominate one full member of the Board. |
| 4. | Withholding Tax | Set at 6.25% of dividends. |
| 5. | Stability Clause | For each mine developed, all conditions maintained for the duration of the initial period of submission of up to 15 years from the commencement of commercial production or the life of the deposit whichever is shorter, then general rules for duties, income tax and withholding tax apply. |