

Belize's Income and Business Tax Act.

Personal Income Tax

Workers who make less than US \$9,800 per annum pay no income tax. Personal income tax is assessed at a rate of 25%.

Corporate and Business Tax Rates

The law requires the filing of an annual corporate income tax return at the end of the company's financial year. Corporate income tax is assessed at a rate of 25%. When a corporate income tax return is filed, business tax assessed during the year is credited against corporate income tax liability, and at the end of the tax year, any excess corporate tax liability is cancelled. Business tax remains as the final tax, and any excess over the corporate tax liability is claimed as an expense in the following year's corporate tax filing. Tax credit based on corporate tax losses approved by the Income Tax Department is relieved against 20% of future business tax liabilities over a 5 year limit.

The Income Tax Department looks at the nature of the company's business to determine which rate of business tax is applicable to a particular entity. Entities are taxed on their gross revenue earned in Belize and no deductions are allowed. Business tax is assessable and payable monthly.

Business Sector

Business tax rates levied on the different business sectors are listed below:

- Radio, on-air television & newspaper businesses
 - 0.75%
- Domestic airline businesses
 - 1.75%
- Service Stations from sale of fuel

- 0.75%
- Service Stations from sale of all other items
 - 1.75%
- Other trades or businesses
 - 1.75%
- Rents, royalties, premiums & any other receipts from real property (excluding receipts from Real Estate Business)
 - 3%
- Professions
 - 6%
- Insurance companies licensed under the Insurance Act
 - 1.75%
- Commissions, royalties, discounts, dividends, winnings from lotteries, slot machines and table games, interest on loans paid to non-residents
 - 15%
- Commissions less than US \$12,500 per annum
 - 5%
- Financial institutions licensed under the Banks and Financial Institutions Act
 - 15%
- Financial institutions which fall within a "PIC Group" as defined in the International Business Companies Act
 - 12%

- Provided further that in the case of a unit trust governed by the Banks and Financial Institutions (Unit Trusts) Regulations

- 6%

- Management fees, rental of plant and equipment and charges for technical services if paid to a non-resident

- 25%

- Management fees, rental of plant and equipment and charges for technical services if paid to a resident (Applicable Rate of Payee's Profession)

- Varied

- Entities providing telecommunications services

- 24.5%

- Gross earnings of casinos, licensed gaming premises

- 15%

- Gross earnings from real estate business as follows:

- Real estate brokers and agents, earning commissions - 15%
- Real estate sales, developers, condominium owners and fractional interests - 1.75%
- Long term leases - 1.75%
- Time share operators - 1.75%
- Share transfer sales - 1.75%

Tax Exemptions

The following forms of revenues are exempted from the Business Tax:

- Receipts from trade or business of less than US \$37,500 per annum, where such

receipts are the only source of livelihood of the taxpayer.

- Receipts from profession or vocation of less than US \$10,000 per annum, where such receipts are the only source of livelihood of the taxpayer.
- Rental receipts of less than US \$400 per month where rents form the only source of livelihood of the taxpayer.
- Winnings from Boledo and Jackpot Lottery.
- Winnings from any lottery of less than US \$750, or winnings from slot machines and table games of less than US \$500.
- Interest from any debentures, treasury bills, treasury notes or bonds issued by or under the authority of the Government of Belize.
- Receipts of any local authority, statutory board, corporation, friendly society, credit union or ecclesiastical, charitable or educational institution of public character in so far as such receipts are not derived from a trade or business carried on by any of these entities.
- Interest on savings paid to any person provided that in the case of any person other than an employed person, the investment of funds does not constitute the normal trading activities of such person.
- Earnings from employment which are already subject to income tax under Parts I and II of the Income and Business Tax Act.
- Receipts of Belize Electric Company Limited and its successors and permitted assigns as provided in the Mollejon Hydro-electric Project (Exemptions from Taxes and Duties Act, 1994).
- Absolute and immediate gifts amounting in the aggregate to US \$250 or more, taking effect in Belize, for sports, religious, charitable, educational or cultural purposes or for the improvement of amenities in towns or villages, up to a maximum of US \$15,000 per annum, provided that the Commissioner is satisfied that the gifts were actually made.
- Receipts of an Export Processing Zone Business in accordance with Section 12 of the Export Processing Zone Act.
- Every person who pays interest on loans to non-residents need not deduct tax off such payment if:
 - interest is paid on capital used in development industries or projects specified by the Minister by notice published in the Gazette; and
 - the Minister is satisfied with the ratio of paid up share capital to loan capital in

such industries or projects; and

- tax is not chargeable on such interest payments in the country of residence of the person to whom such interest is paid, provided that the Minister may waive this requirement if he is satisfied that the loan capital could not be reasonably procured in Belize.

Additionally, the Minister, on the recommendation of the Revenue Advisory Board and by Order published in the Gazette, may exempt a newly-established business or industry from the payment of Business Tax during the first two years of its operation, if in his opinion it is necessary to alleviate hardship or financial difficulty, and a maximum period of five years for citrus or other long term crops where the date of production is longer than two years from the start of operation.

Contact:

Horwath Belize LLP
35A Regent Street
Belize City
Belize

Tel: 501-227-6629

Fax: 501-227-6072

E-mail: eallp@btl.net