

Suriname Tax News Alert

OCTOBER 2021

Introduction

Our newsletter provides updates of developments on tax, legal and financial matters that might impact your business in Suriname. In this newsletter we provide an update of the latest tax developments. Please note that this newsletter contains general information and has been written in general terms and should therefore be used for general guidance purposes only.

In addition to our Tax Alert of September, first edition, whereby the Minister of Finance and Planning, announced the introduction of the two laws: the implementation of a withholding tax and extension of Suriname's fiscal jurisdiction to the maritime zones, we hereby update subsequently that this has been confirmed by the President, Chandrikapersad Santokhi, in his annual speech.

Scope of these laws

Both laws mainly aim to achieve a fair distribution of the tax burden in our society and to counter both Tax avoidance and evasion. These enable a level playing field (equality) in the taxation of domestic and foreign taxpayers. This is also to encourage foreign parties to register in Suriname and therefore include them in the tax system of Suriname aiming to increase tax revenue.

Status quo

The proposed acts are drafted and will be handled in the National Assembly/ the Parliament in the coming period, after which they will be announced in the State Council and the aim is to become effective per January 1, 2022.

In the proposed Act the term Suriname explicitly includes the territory of the Republic of Suriname, its territorial waters, the Exclusive Economic Zone (EEZ) and the Continental Plateau defined in the Maritime Zones Act.

Content:

Fiscal law announcements



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Withholding Tax

Based on the drafts circulated we note that with the implementation of the Withholding Tax Act (WHT), a direct tax of 20% is levied on benefits received as compensation for:

- specifically in the law mentioned activities and services;
- delivered goods for consumption and/ or other use for activities related to/ arising out of/ being supportive to exploration or exploitation activities of natural resources and other economic activities carried out in the sea area as referred to in the law.

- Furthermore, a levy of 25%, which is similar to the dividend tax, will also be introduced on profit transfers from local “branches” of foreign companies.

The WHT will only be applicable to the natural person, entity, or partnership without legal personality, not established in Suriname yet applies insofar as the payment or compensation is directly or indirectly at the expense of the profit of a Surinamese company.

The afore-mentioned benefits from the performance of activities and services in respect of which the WHT will be levied are:

- a. Interest, brokerage and closing commission, debt management fee and other fees, under any name whatsoever, associated with entering and/or settling loans and/or other financing arrangements, except for loans and/or other financing arrangements entered into with local Financial Institutions.
- b. Royalty, including rental and lease fees, paid under any name, in respect of the use of or right to use any tangible or intangible good, including but not limited to, concession rights, copyrights, patents, usage rights for software and hardware, franchise and marketing formulas, a secret recipe or secret method, factory or trademarks, drawings or models, elaborate technical plans and designs and so-called turnkey projects.
- c. Fees for technical, financial and other professional services of all kinds in the field of commerce, industry and the exploration and exploitation of natural resources, including, but not limited to, in each case technical assistance, advice, guidance (consultancy and management), accountancy, tax and legal services, collecting and/or making available geological, seismic and other data, information, drilling and other activities related thereto or arise from or are ancillary thereto.
- d. Fees for carrying out building, construction, assembly, dredging, demolition, clearing or other similar work.
- e. Fees for the transport of goods and persons in the context of activities related to/ arising out of/ being supportive to exploration or exploitation activities of natural resources and other economic activities carried out in the sea area as referred to in the law, regardless of the place where the referred transport commences.

Exemptions for this taxation may be applied for by filing a request under some conditions.

Fiscal jurisdiction maritime zones

The Act of the fiscal jurisdiction in the maritime zones confirms Suriname's pre-existing authority to levy taxes on activities performed within the Exclusive Economic Zone and on the Continental Plateau of our coast (fiscal jurisdiction). At the same time, this aligns the sovereign rights and jurisdiction that Suriname otherwise possesses in the relevant sea area which is included in the United Nations Convention on the Law of the Sea (Convention of December 10, 1982 in Montego Bay) and in the Maritime Zones Act SB 2017 no. 41.

Therefore, amendments will be made to the existing laws for levying income tax, wage tax and turnover tax. With these amendments, wages derived from "employment and other labor" in this area will be included in payroll and income taxes. The same will apply to the levy of turnover tax on supplies and services rendered in the area concerned.

In the proposed Act of the Fiscal Jurisdiction for the Maritime Zone, the amended regulations for the Wage Tax, Income Tax and Turnover Tax involve the exploration or exploitation of natural resources and other economic activities performed in the maritime area of Suriname according to the Maritime Zones Act, to which Suriname has sovereign rights or jurisdiction."

For further information on the tax issues in this newsletter and possible impact on your organization, please contact one of our Suriname Tax Specialists:

Ilana.Goedschalk@bdo.sr
Dionne.Alexander@bdo.sr

For legal issues please contact:
Ilana.Goedschalk@bdo.sr

General contact details:
Address: Grote Combéweg 37
Paramaribo, Suriname S.A.

Tel.: +597-427520
Fax: +597-427521
E-mail: info@bdo.sr
Website: www.bdo.sr

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