



**GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES**
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VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE



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This letter serves to inform you of your tax filing obligations to the Government of the Virgin Islands. The following describes the primary taxes that are administered by the Virgin Islands Bureau of Internal Revenue. You are advised to contact a tax professional or an accountant to ensure that you satisfy your tax filing and payment obligations relative to the conduct of trade or business in the US Virgin Islands.

Income tax:

Pursuant to the laws enacted by the US Congress, the US Virgin Islands uses the Internal Revenue Code as its income tax code, and the income taxes are paid directly to the Bureau of Internal Revenue. If you operate as a sole proprietor, you will file and pay using Form 1040, along with a Schedule C to include your business income. If you operate as a corporation, you will file and pay using Form 1120. A USVI corporation will file and pay income tax on its worldwide income. A US corporation will file and pay tax on Form 1120F, including only the income sourced in the Virgin Islands. The rates that apply are the same rates under the Internal Revenue Code. For corporations, in addition to the regular rates, the Virgin Islands imposes an additional ten percent (10%) surcharge on the tax liability of the corporation.

If you are a United States resident, who has income from working for a period of time in the Virgin Islands, you are required to file Form 8689 to allocate the Virgin Islands sourced income to the Virgin Islands. This form is in addition to the Form 1040, and can be obtained from www.irs.gov.

Employment Taxes:

A sole proprietor, a corporation, or any other firm or entity doing business in the US Virgin Islands must withhold income taxes from the wages paid to its employees performing services in the US Virgin Islands. The withheld taxes must be paid to the Bureau of Internal Revenue and not to the IRS. This applies to those employees that are hired locally, or those transferred to work in the Virgin Islands temporarily. For the applicable withholding tax rates, please review Circular E, Publication 15. All withheld amounts must be paid to the Bureau of Internal Revenue.

Deposits of withheld taxes should be done on Form 501VI. Form 941VI, Employer's Quarterly Withholding Tax Return, must be filed by the last day of the month following the quarter, and include any outstanding amount owed. All payments should be made directly to the Bureau of Internal Revenue. Employers must provide Form W-2VI to the employees who perform work in the Virgin Islands.

Gross Receipts Tax:

A Gross Receipts Tax is imposed on all income received in the Virgin Islands. This means that all trade and business income received from the conduct of business within the Virgin Islands, without reduction for any expenses whatsoever, is subject to gross receipts tax at the rate of 5%. Taxpayers must file and pay gross receipts tax using Form 720VI or 720B, whichever is applicable.

Excise Tax:

The Virgin Islands imposes an excise tax on goods imported into the territory by any individual, firm, or corporation doing business in the Virgin Islands. The tax applies to all goods, merchandise, or commodities manufactured in or brought into the territory for sale or disposition in the course of trade or business, for processing or manufacturing, or for any other business purpose, unless a statutory exemption exists. The excise tax is based on the invoice value, and is marked up by 5%. The applicable excise tax rates range from 2% to 25%, depending on the type of good imported. If no specific rate is designated in the Virgin Islands Code, the tax is 4%. There is no exemption for items brought into the territory by contractors of the Virgin Islands Government. The excise tax is filed on Form 721VI.

Highway User's tax:

The Highway User's tax is imposed on every person or firm registering a vehicle requiring licensing in the US Virgin Islands for the first time. The tax is based upon the unladen weight of the vehicle, at the rate of sixteen cents per pound, with a minimum tax of \$25. Vehicles subject to the highway user's tax are exempt from excise tax. Vehicles imported into the territory by a contractor, which must be registered to be driven on the road, will be subject to highway user's tax.

A member of my staff will be making direct contact with you in order to ensure that any questions or concerns you may have will be addressed, and that you are in full compliance with your tax obligations. If you have any questions, please contact Ms. Jacqueline Luke, Acting Chief of Delinquent Accounts and Returns, at (340) 715-1040, ext. 2261.

Sincerely,

Jacqueline Luke
Acting Chief of Delinquent Accounts and Returns Branch