Suriname at a glance

Content:

1. Macro-economic outlook

Where is Suriname?

- Suriname, formerly Dutch Guiana, is strategically located on the Caribbean coast of South America, between Guyana and French Guyana.
- Landmass is 163,820 km² of which approximately 95% Amazonian Rainforest.
- Population is approximately 550,000 (2014).
- Suriname is an upper-middle income country with a GDP of US$ 5.8 billion (July 2014 estimates).
- Suriname is a democratic country with a strong legal system.

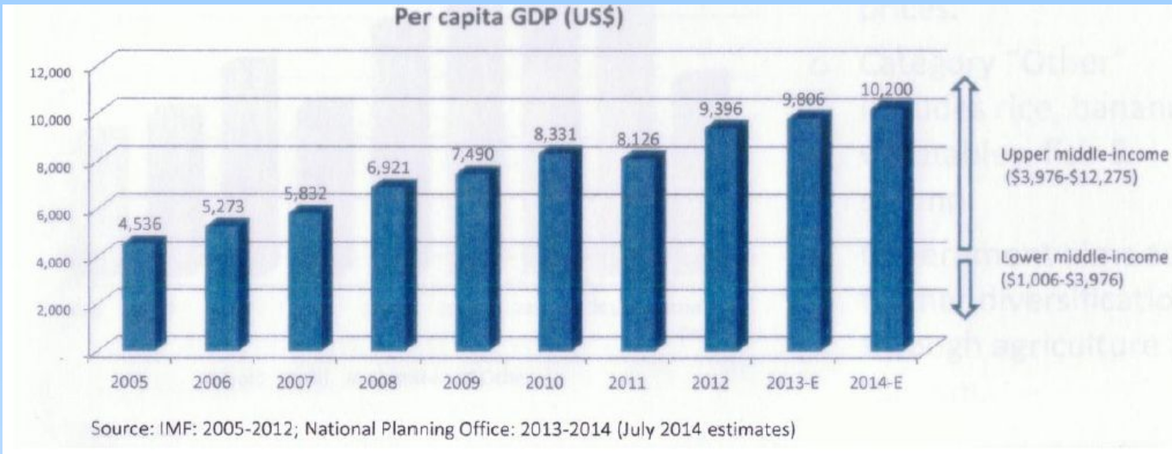
Stable government

- Dutch colony from 1667 until 1954 (Dutch Guiana).
- Constituent country of the Kingdom of the Netherlands from 1954 until independence in 1975.
- Legal system based on Dutch civil law.
- Dutch is the official language; English widely spoken.
- Constitutional Democracy/Representational Republic.
- Government actively encourages foreign investment.

Solid and stable income growth

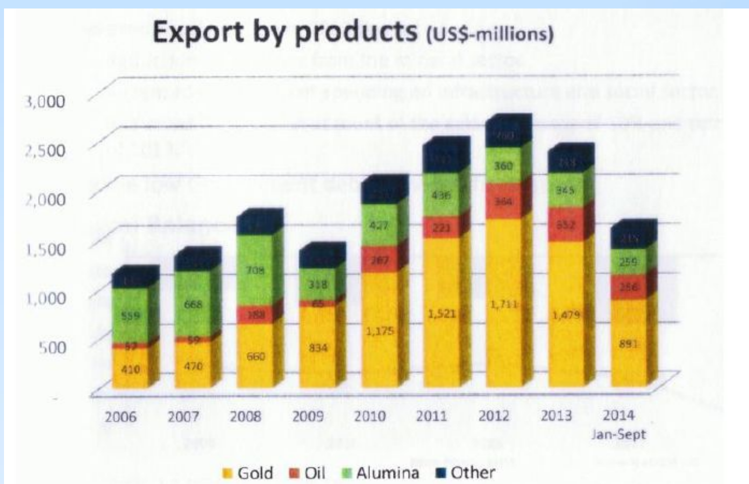
- GDP per capita 2014: projected US$ 10,200.
- GDP growth 2012-16: projected 5% on average.
- Credit rating: Dagong BB+; Moody’s Ba3; S&P and Fitch BB-.
- Government debt: 24% of GDP (September 2014).
- Solid growth despite global financial turmoil and limited global demand.
- The US$10,000 threshold surpassed in 2014.

- Could reach the ‘high income’ category in 5 years.



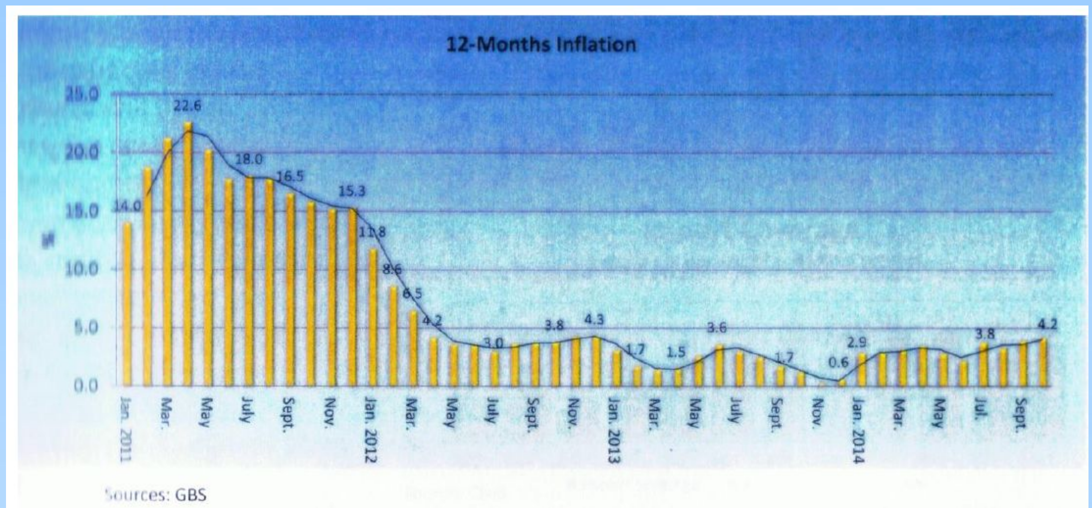
Buoyant export receipts

- Main exports: gold, alumina, and crude oil.
- Drop in gold exports in 2013 due to lower prices.
- Category ‘Other’ includes rice, bananas, vegetables, fish & shrimp.
- Government aims at further diversification through agriculture & tourism.



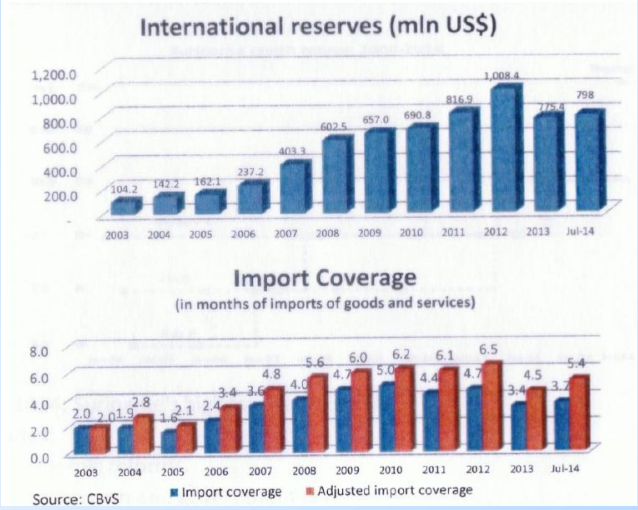
Low inflation

- Inflation remains subdued.
- Food prices create inflation volatility due to changing domestic supply.



International reserves

- Adequate international reserves.
- Ongoing large investments and expected export growth will boost international reserves significantly.
- Strong export growth and tight fiscal and monetary policies have led to a significant increase in reserves and reserve coverage till 2012.
- Temporary decline in 2013 due to lower exports.



Investment opportunities

- Mining: gold, bauxite, oil, other minerals.
- Rainforest related.
- Transport & Infrastructure.
- Agriculture and Fresh Water Resources.
- Tourism: Eco.
- ICT.
- Energy.

▪ Recently, the Surinamese government has invested heavily in infrastructural development, resulting in the rehabilitation and expansion of the (sea)port and the renovation and expansion of the international airport.

▪ Economic reforms in Suriname have led to a change in the business environment and increasing opportunities or both local and foreign investors.

Challenges

▪ Suriname is a developing country, which is a status that comes with both challenges and opportunities.

▪ The challenges Suriname faces are amongst others:

▪ Designing a structural development strategy for the business community and attract local and foreign investors.

▪ Improving the investment climate.

▪ Improving the competitiveness of the private sector.

▪ Developing an international tax treaties network.

▪ Developing an infrastructure that is more in line with international standards.

Mining Sector Prospects

Newmont (Surgold) mine in Merian

▪ Mineral agreement approved in Parliament in 2013.

▪ Contract with Newmont signed in November 2013.

▪ Newmont took a positive investment decision end-July 2014.

▪ Government equity participation: 25% in Surgold (through Staatsolie).

▪ Impact on the growth of the economy of around 2 percentage points over the next 2 years.

▪ Over the next 10 years and assuming today's gold prices, the government expects to receive about US$1,000 million directly from the operations of the Merian mine.

▪ At current gold prices, the country will export an additional US$4,200 million in gold during the next 10 years.

▪ Project highlights:

▪ The new mine is expected to begin production in late 2016.

▪ Total capital investment around US$1.0 billion in the coming two years (20% of GDP).

▪ Expected all-in sustaining costs of between US$750 and US$850 per ounce in the first five years.

▪ Merian contains gold reserves of 4.2 million ounces and is expected to produce an average of 300,000 to 400,000 ounces of gold annually at competitive costs over a mine life of 11 years.

- Higher grade ore and throughput in the early phases will boost annual production to an average of 400,000 to 500,000 ounces of gold per year in the first five years and reduce the payback period.
- Newmont's Mineral Agreement in Suriname covers 500,000 hectares, with exploration continuing to show promising results.
- Estimated average costs applicable to sales of between US$650 and US$750 per ounce in the first five years, and between US$725 and US$850 per ounce for the life of the operation.
- Estimated average all-in sustaining costs of between US$750 and US$850 per ounce in the first five years and between US$825 and US$960 per ounce for the duration of the operation.

2. Main taxes

The main taxes are:

- Income tax.
- Dividend tax.
- Wage tax.
- Social security.
- Wealth tax.
- Rental value tax.
- Other direct taxes.
- Stamp duty.
- Turnover tax.
- Import duties.
- Other indirect taxes.

Income tax

Corporations

- Corporate profits are subject to income tax and distributions made out of the after tax profits are also subject to tax in the hands of corporate shareholders.
- However, in the case of qualifying distributions to corporate shareholders, double taxation is eliminated through the so called participation exemption.
- Corporate income tax is levied on both resident and non-resident corporations.
- Resident corporations are corporations incorporated under Surinamese law, even if their management is located abroad.

- The Suriname Code of Commerce recognizes only the public limited liability company (NV).
- Corporations incorporated under foreign law, but effectively managed and controlled in Suriname also qualify as resident corporations.
- Resident corporations are subject to corporate income tax on their worldwide income.
- Taxable income is defined as the sum of all profits and gains of whatever description or nature.
- Corporations, regardless of their activities, are deemed to conduct their business by using all of their assets. Therefore, a company's taxable income also includes income from portfolio investments and any capital gains.
- In principle, taxable profit is computed on an accrual basis. However, in the case of small businesses cash base calculation is also allowed.
- In principle non-resident corporations are subject to corporate income tax on the following income items:
- Income derived from a permanent establishment.
- Income derived from immovable property located in Suriname.
- Income derived from rights to the profit of an enterprise of which management is located in Suriname.
- Interest on loans secured by a mortgage on immovable property located in Suriname.
- The term 'permanent establishment' means a fixed place of business through which the business of an enterprise is wholly or partly carried on. This definition contains the following conditions:
- The existence of a place of business.
- This place of business should be fixed.
- The place of business should be established at a distinct place with a certain degree of permanency. A period of at least 6 months is normally applicable.
- The carrying on of the business of the enterprise should take place through this fixed place.
- However, exploration activities regarding natural resources are always considered to be performed through a permanent establishment in Suriname.

Calculation of annual profit

- Profit is defined as all benefits derived from the carrying on of an enterprise, regardless of the name or form of the benefits
- Annual profit for corporate income tax purposes should be calculated on the basis of 'sound business practice'.

- In principle, General Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) can be adopted in the calculation of annual profit, unless the Income Tax Law provides otherwise.
- In practice, foreign corporations active in Suriname adopt GAAP of their home country or IFRS.
- In principle, all expenses made in connection with the conduction of the business are deductible for income tax purposes.
- Head office or group management fees are deductible with the exemption of stewardship expenses. These charges must be determined on an arm's-length basis.
- Both the last in first out (LIFO) and first in first out (FIFO) method of inventory valuation are permitted.
- Business assets should be depreciated on the basis of the estimated useful life of the asset less residual value, if any.
- The straight-line method is customary but the declining method is also acceptable.
- The basis for assessment of a corporate income tax liability is the amount of profit remaining after the deduction of business expenses and a possible relief for losses.
- Both resident and non-resident corporations with a branch in Suriname are taxed at a fixed rate of 36%.

Relief of tax losses

- Tax losses incurred during the first three years of the company's existence may be carried forward indefinitely.
- Losses incurred during subsequent years may be carried forward for a period of seven years.
- Losses cannot be carried back.

Filing requirements

- The final income tax return of corporations must be filed within six months after the end of the fiscal or book year (June 30th).
- In the case of individuals the final income tax return must be filed within four months after the end of the fiscal of book year (April 30th)
- Any difference between income tax due based on the provisional income tax return and income tax due based on the final income tax return must be settled at the time the final income tax return is filed.
- Corporations must file their provisional income tax return before 15 April of the current calendar year or within two and one-half months after the beginning of the current fiscal year.

- The provisional income tax return must show a taxable result that is at least equal to the taxable result of the most recently filed final income tax return.
- In principle, income tax due on the provisional tax return must be paid in four equal installments respectively on April 15, July 15, October 15 and December 31.
- The tax authorities may impose an arbitrary assessment with penalty if a taxpayer fails to file a tax return.
- Interest is also due on late payment of income tax.

Mandatory registration

- Every enterprise should be registered in the Trade Register of the Chamber of Commerce.
- Registration should also take place with the Tax Office.

Dividend tax

- Only a withholding tax at a rate of 25% is imposed on dividends distributed by resident corporations.
- However, dividends received from resident and non- resident corporations by qualifying resident corporations are exempt from dividend withholding tax.
- No withholding tax is imposed on the remittance of profit by a branch to its foreign head office.
- No withholding taxes on payments made abroad, such as on management and technical assistance fees, royalty and interest payments.

Income tax

Individuals

- Resident individual taxpayers are subject to personal income tax on their total net annual income derived in Suriname or abroad.
- The tax is assessed each year on the aggregate of the net amounts from each category of income realized during the preceding year.
- The residence of an individual is determined according to his specific circumstances. The decisive factor is the place where the taxpayer has his centre of vital economic interests.
- However, non-resident individual tax payers are only subject to tax on their total Suriname source of income.

- The main sources of income for both resident as non-resident individual taxpayers are business or profession, employment, immovable property and movable capital.
- Taxable income is taxed at the following progressive rates on an annual basis:

Taxable income in Suriname Dollars (in SRD)	Applicable wage tax rates
0 up to and including 2,646	0%
Above 2,646 up to and including 14,002.80	8%
Above 14,002.82 up to and including 21,919.80	18%
Above 21,919.80 up to and including 32,839.80	28%
Above 32,839.80	38%

- In the calculation of the taxable income of resident individual taxpayers a tax-free amount of SRD 2,646 applies.
- A wage tax reduction up to a maximum SRD 50 per month also applies also for both resident and non-resident individual taxpayers.
- In the case of employment income, also a fixed deduction for general work expenses is applicable - equal to 4% of gross wage with a maximum of SRD 1,200 per year - for both resident and non -resident individual tax payers.
- Special rates are applicable to overtime and lumpsum payments.

Taxable presence of non-resident employees

- Non-resident [expatriate] employees are liable to pay income tax on wage earned in connection with the employment performed in Suriname.
- No general exemption applies for the first 183 days of their working stay in Suriname.
- A resident employer of non-resident employees is obliged to withhold wage tax upon the regular payment of wage and to transfer it to the tax authorities. This obligation also exists if a foreign employer has a permanent establishment in Suriname.
- Non-resident employees should otherwise meet their personal income tax obligations in Suriname with the filing of a personal income tax return.

Wage tax

- Employers in Suriname - including a permanent establishment of a foreign employer in Suriname - are required to withhold wage tax from wage payments to their employees and to remit it to the tax administration periodically.
- Together with the filing of a wage tax return, wage tax withheld should periodically be paid by an employer to the tax administration.

- Wage tax is a prepayment of personal income tax and is levied on employment income of resident as well as non-resident employees.
- Employment income is broadly defined and includes all amounts provided by the employer whether by cash or in kind.
- Benefits in kind are generally included in income at their market value.
- Wage tax rates are progressive and similar to personal income tax rates.
- In the calculation of the taxable income of resident employees a tax-free amount of SRD 2,646 applies.
- A fixed deduction for general work expenses is applicable - equal to 4% of gross wage with a maximum of SRD 1,200 per year - for both resident and non-resident employees.
- A wage tax reduction up to a maximum SRD 50 per month also applies also for resident and non-resident employees.
- Special rates are applicable to overtime and lumpsum payments.

Social security

- A liability exist for employers to conclude (a limited) indemnity insurance for accidents at work for both resident and expatriate employees.
- An employer has the obligation to withhold a premium for public pension of 4% on employment income of resident employees. This obligation does not exist with regard to expatriate employees.
- Recently, a mandatory national basic health care plan and general pension have been introduced together with minimum hourly wages.

Wealth tax

- Both resident and non-resident individual tax payers are subject to wealth tax.
- Resident individual tax payers are taxed on their worldwide net assets, except for certain specific items.
- Non-resident individual taxpayers are mainly taxed on immovable property located in Suriname.
- A tax exempt amount of SRD 100,000 [unmarried taxpayer] and SRD 200,000 [married taxpayer] applies.
- Net wealth tax is levied at a flat rate of 0,003%.

Rental value tax

- A rental value tax is levied on the imputed rental value of buildings.
- The applicable rate is 6% of the imputed rental value.
- Minimum rental value due amounts to SRD 20.
- A tax exempt amount of SRD 50,000 applies.
- Rental value tax is due by the owner or tenant of the building.

Other direct taxes

- Other direct taxes are:
- Casino tax.
- Lottery tax.

Sales Tax

- A sales tax is imposed on:
- The delivery of goods by entrepreneurs which goods have been manufactured within the framework of their business in Suriname. The applicable rate is 10%. In case of export the applicable rate is 0%.
- The performance of services by entrepreneurs within the framework of their business in Suriname. The applicable rate 8%. A limited number of 25 specifically mentioned services are taxable for sales tax purposes.
- The import of goods. The applicable rates are 10% as a general rate and 25% for certain luxury goods such as. A rate of 0% applies in case of listed primary necessities of life.
- A limited deduction or restitution facility applies only to manufacturers.
- These manufacturers can deduct sales tax charged to and received from clients from sales tax charged to and paid by manufacturers. This facility only relates to sales tax with regard to machines, raw materials, consumables and semi-finished goods and services directly linked to the production of a good which delivery is taxable for sales tax purposes.

Import duties

- The import duties are levied on the import of goods.
- Over 1,100 goods are listed with the applicable customs duty rates.
- The rates vary between 17% to 62% consisting of custom duty including statistics and consent fee due [0.5% and 1.5%] and turnover tax [10% and 25%] for specific luxury goods.

Stamp duty

- Transfers of real estate are subject to stamp duty at 7% of the value of the property.

Excise taxes

- The following excise taxes are applicable:
- Excise on tobacco and/or cigarettes.
- Excise on spirits and other alcoholic beverages.
- Beer excise.
- Excise on non-alcoholic beverages.
- Consumption tax on motor fuels.

Other indirect taxes

- Other indirect taxes are:
- Tax on public entertainment.
- Statistic fee.
- Consent duty.
- Export on timber.

3. Incentives regime

Tax incentives

- An investor can benefit from one of the following tax based incentives:
- Import duties exemption up to 75% for business assets with a minimum value of at least US$ 10,000.
- Full exemption is applicable for production sector with regard to raw materials, auxiliary materials, semi-finished goods and packing materials
- A nine year tax holiday that can be extended for an additional year for large investments of at least US$ 13 million.
- Accelerated depreciation on assets.
- Tax consolidation.

Non-tax incentives

- The following non-tax incentives are also available::
- The repayment of the equity capital obtained from abroad to finance the investments as meant in this act.
- The payment of profit and/or dividend.
- The payment of interest and amortization for money borrowed from abroad to finance investments as meant in this act.
- The payment of remunerations for management, technical assistance, knowhow, patent and such.

4. Tax treaties

- Suriname has entered into tax treaties with the Netherlands and recently with Indonesia.
- These treaties provide for the avoidance of double taxation and encourage of trade and investments between Suriname and these countries regarding taxes on income and capital.