

# Recovery Plan 2020-2022

tax & legal summary

# Kenswil & Co

Tax & Legal Services

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## Introduction

As of May 13, 2021, the Government of Suriname released its final Recovery Plan 2020-2022 (hereinafter 'Recovery Plan'). The Recovery Plan is presented to Parliament for final approval.

The Recovery Plan sets out a ambitious plan to reform the Suriname economy for economic growth and institutional stengthening.

In this summary memo we present you with the relevant tax and legal reform actions presented in the Recovery Plan, including our commentary where appropriate.

## Tax and Legal actions on the horizon (in random order)

### 1. Budgetted for 2021

Direct taxes: 1.099 million SRD  
Indirect taxes: 5.829 million SRD  
Non-tax income: 3.619 million SRD  
Other: 4.802 million SRD  
Total: 15.349 million SRD

Total expenses: 22.141 million SRD of which 8.282 million SRD is for interest expenses and loan repayments

Budget deficit: 6.729 million SRD

The Recovery Plan mentiones that the Government tax income as percentage of the GDP is around 12%. In the region that percentage lies around 25%.

### 2. Solidarity levy

An increase of 10% of the tax rate for personal income tax, wage and corporate income tax for income above 150.000 SRD per annum. This has already been implemented as per February 1, 2021. Initially this solidarity levy was intended to be applicable until December 31, 2021. The Recovery Plan notes that the solidarity levy is linked to the implementation of VAT. The Recovery Plan assumes that VAT will be implemented by July 1, 2022. We therefore expect that the solidarity levy to be extended until then.

### 3. Collection of back taxes by improved approach of tax collection and tax audits. According to the Recovery Plan, there are more than 1 billion SRD of taxes unpaid.

### 4. The tax credit of 750 SRD per month for individuals will remain applicable until VAT is implemented.

5. **Tax rates for income tax and wage tax** will be revised. Meaning an expansion of tax brackets effectively lowering the effective tax rate. The correction is necessary due to inflation and the devaluation of the SRD. The Government aims to shift taxation from direct taxes to indirect taxes (i.e. VAT). This will be implemented together with VAT.
6. Revision of policy on the **import exemption for raw materials and capital goods** as per July 2021. Raw materials or capital goods may be wholly or partly exempted of import duties under certain circumstances. The new policy aims to only allow for this exemption in case its utilized for actual production activities and activities aimed at export.
7. **Increase of sales tax** (turnover tax) rate from 10% to 12%. This has already been implemented as per february 1, 2021.
8. **Implementation of VAT** ultimately per July 2022. VAT will replace the current sales tax. As noted, with the implementation of VAT we expect the solidarity levy and the tax credit to be abolished. It is indicated that direct taxes, such as corporate income tax, personal income tax and wage tax will be lowered. VAT will become the dominant tax income for the Government. There is speculation of a VAT rate between 15% and 20%.
9. Increase the **Government take on gasoline** with 1 SRD per liter. This has already been implemented as per August 23, 2020.
10. **Tax on the export of roundwood** will be increased in 2021. The control on export will also tightened to combat smuggling.
11. **The export rate on fish** will be increased in 2021. The control on export will also tightened to combat smuggling.
12. **Royalty on gold** from the small scale gold sector is increased from 2.75% to 7.5% as per May 2021. Talks are underway with the two major gold companies to increase their contribution to the economy to a comparable level of royalties of 7.5%. According to the Reform Plan, the Ministry of Finance will seriously negotiate with the two major gold companies to make a greater contribution to the treasury as gold prices are at a high level. We expect that other multinationals in other sectors should expect the same rapprochement.
13. A reform is planned of **the ground rental scheme**. Ground rental rates will be increased in July 2021. Citizens will be able to convert ground from ground rental or ground lease into property against payment of a certain fee as per July 2021.
14. A **scanner** will be installed at the harbor and airport of Suriname to increase control and to better prevent corruption and smuggling.

15. The Government will start to decrease the **subsidies to EBS** (electricity company) from 2021 going forward. This will likely entail that electricity fees will increase.
16. Increased attention will be given to **the collection of Wealth Tax** from 2021. In 2020 only 6 million SRD was collected as wealth tax. The Wealth Tax Act will be amended to include foundations as a lot of capital is owned through foundations.
17. A **Deposit Guarantee Act** will be implemented in 2021. This will provide (partial) protection against the loss of deposits in case a bank goes bankrupt.
18. A **Registration Agency Act** will be implemented in 2021. This Act makes it possible to check the creditworthiness of individuals and companies, as is already possible in many countries.
19. A **Basic Bankaccount Act** will be implemented in 2021. This Act will guarantee that every adult has the right to a bank account.
20. A **Local Content** Committee will be formed to formulate local content regulations for the Oil & Gas sector: 2021-2023. The Government aims to implement a Local Content Act where offshore Oil & Gas Companies will be obligated to source supplies locally.
21. Modernization of the **Investment Act 2001** in 2021 so that the attraction of Foreign Direct Investment can be improved.
22. Review the possible ratification of the **CARICOM-Tax Treaty** in 2021. The Surinamese tax legislation will need to be streamlined with that to of other CARICOM member states. The implementation of the CARICOM-Tax Treaty can be seen as a positive development as double taxation will decrease. However, we believe that this may be accompanied by new withholding taxes as we see in other CARICOM member states.
23. Ratify the **Treaty of New York 1958** in 2021 with respect to arbitration. This will allow for recognition and enforcement of foreign arbitral judgements in Suriname.
24. Implementation of a **Transfer Pricing Act** in 2021 to combat non arm's length transaction with related parties.
25. **General evaluation and revision of the tax legislation** in 2021 and 2022. The tax legislation is outdated in various parts and needs to be revised.
26. Ratification of the **UN Convention Against Corruption** in 2021. The existing Anti Corruption Act will be fully implemented be aligned with the UN Convention.

27. Act on **ultimate beneficial ownership** will be implemented in 2022. This Act will make it possible to identify the ultimate beneficial owner of Companies and capital.

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