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INLAND REVENUE DEPARTMENT  
KINGSTOWN  
ST. VINCENT AND THE GRENADINES

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30<sup>th</sup> December 2022

To: All “resident entities” as defined by Section 2 of the International Tax Cooperation (Economic Substance) Act -

1. all companies within the meaning of the Companies Act, including registered external companies; and
2. all business companies within the meaning of the Business Companies (Amendment and Consolidation) Act.

**NOTICE OF EXTENSION:**  
**FILING OF ECONOMIC SUBSTANCE RETURNS**  
**31<sup>st</sup> January 2023**

The Comptroller of Inland Revenue is responsible for administering and applying the provisions of the International Tax Cooperation (Economic Substance) Act (“the Act”).

Under the Act, all companies are required to file Economic Substance Returns with the Inland Revenue Department on an annual basis. **The first assessment period was from 1st January to 31st December 2021 with the exception of “transitioning companies” as defined in the Act whose first assessment period was from 1st July 2021 to 31st December 2021.** Following the first assessment period, companies would be required to file Returns within four (4) months following the last day of the company’s basis period.

As per the Department’s Notice dated 17<sup>th</sup> March 2022, Companies were initially granted an extension to 30<sup>th</sup> September 2022 to file their Economic Substance Returns. By this Notice, the Comptroller hereby grants a further extension to 31st January 2023 for companies to file Economic Substance Returns in respect of their first assessment period. The Inland Revenue

Department encourages companies to take advantage of this extension in order to avoid corresponding penalties.

**Penalties for failure to file Economic Substance Returns:**

Any company that fails to submit an Economic Substance Return commits an offence and is liable on summary conviction, to a fine not exceeding **One Hundred Thousand Eastern Caribbean Dollars (\$100,000.00XCD)** or **two years imprisonment or both.**

**Completing the Economic Substance Return:**

The previously circulated Economic Substance Return has been revised and separated into two forms. **Please note that companies which have already submitted Returns for the first assessment period using the former version of the Return are not required to resubmit using the current version of the Return.**

**RETURN FORM ES1-** All companies must complete the Economic Substance Annual Return Form One. Form One merely seeks to determine whether a company is involved in a relevant activity or not. If the company is not involved in a relevant activity, it does not have to complete Form Two. The majority of companies in St. Vincent and the Grenadines may need to only complete Form One depending on its business activity.

**RETURN FORM ES2-** BOTH Forms One AND Two must be completed by all companies which carry out one or more of the below-stated nine relevant activities -

1. banking business;
2. distribution and service centre business;
3. finance and leasing business;
4. fund management business;
5. headquarters business;
6. holding entity business;

7. insurance business;
8. intellectual property holding business; and
9. shipping business.

Only the specific section(s) of Form Two which relate to the relevant activity or activities being conducted by the company must be completed.

Notably, if a Company is involved in a relevant activity but is excluded from reporting by reason of meeting the exclusions outlined in the Act, it does not have to complete Form Two. Whether a company is excluded or not, will be ascertained via the information inputted in Form One.

**For further guidance please see attached documents -**

1. International Tax Cooperation (Economic Substance) Act
2. International Tax Cooperation (Economic Substance) Regulations
3. Economic Substance for Geographically Mobile Activities - Guidance
4. Annex 1: Economic Substance For Geographically Mobile Activities - Sector Specific Guidance
5. Annex 2: Economic Substance For Geographically Mobile Activities - Guidance on Annual Return
6. Economic Substance Return Form ES1
7. Economic Substance Return Form ES2

If you have any queries or require any additional guidance in respect of complying with economic substance requirements, please contact Mrs. Kezi Francis or Ms. Chris-Ann Mofford IRD Legal Counsel at [kfrancis@gov.vc](mailto:kfrancis@gov.vc) and [cmofford@gov.vc](mailto:cmofford@gov.vc).

Yours sincerely,



**(for) Comptroller Inland Revenue**