DOING BUSINESS WITH ST. KITTS & NEVIS

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1. GENERAL INFORMATION

Official Name: Federation of Saint Kitts and Nevis

Capital: Basseterre

Area: 261 sq km (Saint Kitts 168 sq km; Nevis 93 sq km)

Population: 39,349 (July 2007 est.)

Population growth index: 0.623% (2007 est.)

Population density: 164 inhabitants per sq kilometer

Official language: English

Currency: East Caribbean dollar (XCD)

Exchange rate: EC$2.70 = U.S. $1

Climate: tropical, tempered by constant sea breezes; little seasonal temperature variation; rainy season (May to November)

Principal Cities and Population: (2005 est.)

Basseterre	15,500
Sandy Point Town	3,000
Cayon	3,000
Gingerland	2,500
Charlestown	1,820

Airports: Basseterre, St. Kitts: Robert L. Bradshaw International Airport, formerly Golden Rock Airport; Charlestown, Nevis: Vance W. Amory International Airport

Ports: The Basseterre port is located on the south western coast of Saint Kitts Island, and it is one of the chief commercial depots of the Leeward Islands. The Charlestown port, the hub for transportation in Nevis, is a modern port area with a dock where the ferries from St. Kitts load and unload passengers.

Holidays:

New Year's Day	Jan 01
Carnival Day	Jan 02
Good Friday	Apr 06
Easter Monday	Apr 09
Labour Day	May 07
Whit Monday	May 28
Emancipation Day	Aug 07
Heroes' Day	Sep 17
Independence Day	Sep 19
Christmas Day	Dec 25
Boxing Day	Dec 26

Life Expectancy: Total Population - 72.66 years

Literacy Rate: Total Population - 97.8 percent

Local Time: UTC-4 (1 hour ahead of Washington, DC during Standard Time)

Telephone Codes: 869

Health: There are three general hospitals on St. Kitts (Joseph N. France is the main health care facility on the island), and Alexandra hospital serves Nevis. Both islands have several health clinics. Neither island has a hyperbaric chamber.

Telecommunications Cable & Wireless (St. Kitts-Nevis) Ltd is a joint venture between Cable & Wireless and the St. Kitts-Nevis Government, providing all domestic and international telecommunications services to the islands, with digitalization using fiber optic cables. Services offered include Direct Dialing, Leased Circuits, Internet, CLASS Services and Voice Mail. ISDN is available on request. Cable and Wireless Caribbean Cellular (St. Kitts) Ltd. provides cellular phone service.

Inter island links to Antigua and Barbuda and Saint Martin (Guadeloupe and Netherlands Antilles) are handled by VHF/UHF/SHF radiotelephone international: international calls are carried by radiotelephone to Antigua and Barbuda and switched there to submarine cable or to Intelsat; or carried to Saint Martin (Guadeloupe and Netherlands Antilles) by radiotelephone and switched to Intelsat.

2. THE ECONOMY

2.1 Structure of the Economy

Sugar was the traditional mainstay of the Saint Kitts economy until the 1970s. The government closed the sugar industry following the 2005 harvest after decades of losses at the state-run sugar company. To compensate, the government has embarked on a program to diversify the agricultural sector and to stimulate other sectors of the economy. Activities such as tourism, export-oriented manufacturing, and offshore banking have assumed larger roles in the economy. Tourism revenues are now the chief source of the islands' foreign exchange; about 341,800 tourists visited Nevis in 2005. Additional tourist facilities, including a second cruise ship pier, hotels, and golf courses are under construction.[1]

The economy of St. Kitts and Nevis experienced strong growth for most of the 1990s, but hurricanes in 1998 and 1999 and the September 11, 2001 terrorist attacks hurt the tourism-dependent economy. Economic growth picked up in 2004, with a real GDP growth rate of 6.4 percent, followed by 4.1 percent growth in 2005. Tourism has shown the greatest growth and is now a major foreign exchange earner for St. Kitts and Nevis, as evidenced by an 83 percent increase in foreign direct investment in a range of tourism-related projects. Significant new investment included a 648-room Marriott hotel and convention center that opened in December 2002, as well as other resort projects. In 2006, the economy of St. Kitts and Nevis posted growth of 4.6 percent, mostly as a result of diversification into tourism and construction related to the Cricket World Cup. The government instituted a program of investment incentives for businesses considering the possibility of locating in St. Kitts or Nevis, encouraging domestic and foreign private investment. Government policies provide liberal tax holidays, duty-free import of equipment and materials, and subsidies for training provided to local personnel.

However, the debt of public enterprises has increased, and total public debt is projected to reach 180 percent in the coming year. Consumer prices have risen marginally over the past few years. The rate of inflation, as measured by the change in the CPI, rose on average by 3.6 percent in 2005, compared with 2.3 percent in 2004 and 2.2 percent in 2003.[2]

2.2 Recent Economic Performance

Despite the closure of the sugar industry, economic growth accelerated in 2006, fiscal imbalances have improved significantly and monetary aggregates have continued to grow in line with economic growth, according to the IMF. While predicting lower economic growth in the Caribbean in 2007 and 2008, the IMF has said that St. Kitts and Nevis will be among the best performers in the region with growth expected to be 6 percent in 2007.

[1] https://www.cia.gov/library/publications/the-world-factbook/geos/sc.html

[2] http://www.state.gov/r/pa/ei/bgn/2341.htm

GDP per capita at purchasing power parity is US$9,000, on the low side for the region. Agriculture represents just 3.5 percent of the economy, with industry contributing 25.8 percent and services 70.7 percent.

GDP (2005): US$453.0 million.
GDP growth rate (2006): 4.6%.
Per capita GDP (2005): US$8,210.
Unemployment rate: 5.1% (2006) [3]

2.3 Balance of payments

In 2005, the Federation's Current Account position improved relative to 2004. The Current Account Deficit narrowed to US$216.3 million or 18.7 percent of GDP in 2005 from US$233.2 million or 21.6 percent of GDP in 2004. This reduction in the Current Account Deficit in a year when sugar exports had declined by some 25 percent is truly commendable in that it is another important indicator of the great progress made to diversify the economy in anticipation of the demise of the sugar industry. The narrowing of the deficit was due mainly to higher tourism receipts during the year under review.

Tourism receipts are estimated to have grown by 7 percent to US$296.6 million, mainly as a result of an increase of 7.5 percent in stay-over visitors. On the other hand, the deficit on the goods account expanded moderately by 3.6 percent as increasing electronic exports, to some extent countered the effect of the increase in imported construction materials underpinning a surging construction industry. It is expected that in the medium term the Tourism Sector will pull in even greater receipts as the sector expands in response to increased accommodation infrastructure, additional airlift and marketing.

During the 2005 period the performance in respect of the Capital and Financial Account was mixed. The Capital Account improved relative to 2004 with transfers more than doubling to US$39.8m as result of the overseas grant funding in respect of a number of government projects including the Warner Park Stadium and Old Road Fisheries Complex. '

In the Financial Account, Net Foreign Direct Investment grew significantly to US$228.1m compared to US$124.6m in 2004. This is as a result of marked increases in equity investment and land sales. Included here are major foreign investment projects such as the International School of Nursing and Calypso Bay Condos in St. Kitts, and Hamilton Estate Hotel in Nevis.

The positive direct investment flow was offset to some extent by outflows in portfolio and other investments. This contributed to an overall balance of payments deficit of $18 million or 1.6 percent of GDP. The very substantial increase in Net Foreign Direct Investment by $103.5 million or 83.1 percent seems to be indicative of the tremendous confidence that foreign investors continue to place in the policy framework established by ruling Government.

[3] http://www.state.gov/r/pa/ei/bgn/2341.htm

2.4 Overview of Trade

Exports of agricultural products (principally sugar) accounted for some 33.4% of total merchandise exports in2004, but only for 4.2% in 2005 due to the closure of the sugar industry. Products such as switches, relays, fuses, and electrical capacitors accounted for about 90.6% of total exports in 2005, up from 62.9% the previous year.

The composition of imports has remained stable since 2000: more than half of all imports are consumer goods, both agricultural and manufactures; the rest is mainly machinery and equipment (some 30% of the total), and inputs. Fuel imports have increased substantially since 2000 as a result of high world prices; they represented 8.8% of total imports in 2005, compared with 7.6% in 2000.

St. Kitts and Nevis' main trading partner is the United States, which was the destination for some 92% of exports in 2005, and the origin of 58% of imports. The second largest partner is the United Kingdom followed by other EC countries and other CARICOM countries, especially Trinidad and Tobago.

2.4.1 Exports

Exports--US$34 million (merchandise) and US$139 million (commercial services)

Major markets--United States (91.9%), EU (3.0%), Trinidad and Tobago (2%), Netherlands Antilles (0.8%), St. Vincent and the Grenadines (0.3%) [4]

2.4.2 Imports

Imports--US$210 million (merchandise) and US$87 million (commercial services)

Major suppliers--United States (57.9%), Trinidad and Tobago (14.1%), European Union (9.3%), Japan (3.8%), and Barbados (2.8%) [5]

2.5 St. Kitts and Nevis'Trade with CARICOM

In 2006, St. Kitts and Nevis' imports from CARICOM were in excess of EC$122 million while exports to CARICOM were a mere EC$6 million leading to a trade deficit of EC$116 million.

St. Kitts and Nevis major exports to CARICOM in 2006 included; aerated beverages, mineral water, beer, stout, and bottles. The major imports included petroleum products, aerated beverages, paints, flour, building cement and bottles.

[4] http://www.state.gov/r/pa/ei/bgn/2341.htm

[5] http://www.state.gov/r/pa/ei/bgn/2341.htm

3. GENERAL MARKETING FACTORS

3.1 Distribution and Sales Channels

Manufacture agents/distributors is the most widely used form of importing goods into Dominica, since the small size of the market does not merit establishment of a distributor network. There is normally no specific legislation in this regard. Contracts normally state that the agent is not to be regarded as an employee or partner of the principal. However, long-term distributors/agents sometimes acquire certain claims on distribution rights that go beyond and, in some cases, supersede contract rights under local common law interpretations.

A strong network of manufacture agents exists throughout the Caribbean. These agents represent large manufactures and provide a sales and marketing team for the brand, and fully represent the company's interests in a particular country. They bring in container loads of product, warehouse, market, sell and distribute them. Often, these agents represent a full range of goods from suppliers.

Miami consolidators are used by many of the larger retail stores, which do regular buying trips to the large Miami consolidators, who offer the no frills buying concept at exceptionally good prices and consolidate container loads of goods.

Direct selling to the end retailer is far less used but could be advantageous where the range of products is large enough, or for a particular brand or type of product that moves in large volumes. This is normally done by establishing a relationship with the large grocery stores, and sending a salesperson on a regular basis to place orders. Direct selling is almost non-existent in many CARICOM countries.

3.2 Promotion

TV, radio, print advertising are widely accepted practices. The Government runs a 39-channel cable television service that broadcasts daily news programs from North America and England via satellite. Three local newspapers are published: the weekly "Democrat" and "Observer" and the twice-weekly "Labor Spokesman".

3.3 Transportation

In 2002, there were 320 km (199 mi) of roads on the islands, of which 136 km (85 mi) were paved; the main roads circle each island. Basseterre and Charlestown are the principal ports. A state-run motorboat service is maintained between St. Kitts and Nevis.

There are a variety of ways to get around while you are on St. Kitts. Taxis are usually vans and carry a yellow license plate with a "T". Buses are also mini-vans and have a green plate with an "H". Buses run around the island all day.

A visitor driver's license costs $62.50 EC and is available from any police station or from the car rental agency. [6]

[6] http://www.tripadvisor.com/Travel-g147374-s303/St-Kitts:Caribbean:Public.Transportation.html

4. MARKET ACCESS CONDITIONS

4.1 Customs Tariffs

St. Kitts and Nevis has adopted the common external tariff of CARICOM which ranges from 0 to 25% for industrial goods for which the CET is used; an additional rate of 40% applies only to agricultural products subject to the CET.

4.1.1 Import Duties

St. Kitts and Nevis adopted, in 1999, the new rules of origin introduced by CARICOM in 1998. In accordance with these rules, duty-free treatment is accorded only to goods shipped between member States that satisfy the CARICOM origin rules. The highest tariff rate (70%) is applied only on arms and ammunition.

The Fiscal Incentives Act of 1974 provides import duty relief on raw materials and inputs, materials, tools, plant, machinery, and building materials. The Hotels Aid Act, as amended by the Hotels Aid (Amendment) Act (1998), provides for duty-free imports of building materials and articles of hotel equipment for the construction or equipment of hotels.

Farmers may import duty-free vehicles and machinery to be used in agriculture; imported and domestic animal and poultry feed, plants, seeds and bulbs, machinery for agricultural purposes, and fertilizers and herbicides are exempt from the consumption tax.

There are also duty concessions for imports of supplies and capital goods to be used by registered fishermen. Imports destined for government institutions are not subject to import duties.

Duty-free access is granted by St. Kitts and Nevis to imports from other CARICOM countries, provided they meet the CARICOM rules of origin criteria.

4.1.2 Customs Service Charge

A customs service charge (CSC) of 6% is applied on all imports, (including from other OECS and CARICOM countries), up from 5% at the time of the previous Review. The charge is applied on the c.i.f. value of the customs declaration. Exemptions from the CSC are granted to imports by governmental institutions, enclave manufacturers, as well as for imports of foodstuffs under 30 kg. A drawback is available for manufacturing enterprises that paid the CSC on imported inputs and subsequently export the processed goods.

4.1.3 Consumption Tax

Imports as well as domestic products are subject to a consumption tax, governed by the Consumption Tax (Amendment) Order, S.R.O: No. 4 of 2003. The general rates are 22.5% for goods and 4% for professional services; a number of products are subject to higher *ad valorem* rates.

For imports, the consumption tax is levied upon importation and collected at the point of entry; it is calculated on the c.i.f. value plus import duties.

For domestically produced goods the consumption tax is calculated on the ex-factory price. A few products are subject to specific consumption tax rates, i.e. tobacco, acetylene, and cement.

All agricultural products grown in St. Kitts and Nevis, as well as produce of CARICOM origin, are exempt from the consumption tax.

4.1.4 Environmental Levy

Under the Trade (Bottle and Can Deposit Levy) Act No. 1 of 2002, St. Kitts and Nevis imposes a deposit levy of EC$0.30 per container of imported beer, stout, malt, ale, and aerated drinks in non-returnable bottles. The deposit levy is refunded on re-export of the bottles or if disposal arrangements acceptable to the relevant authorities are made within six months of payment of the deposit.

An environmental levy is imposed on imports of second-hand cars under Environmental Levy (Used Motor Vehicles) (Amendment of Schedule) Order No.12 of 2005. Since 2005, it has been set at a rate of EC$3,500 for cars imported between two and four years after the date of manufacture; and EC$5,000 for cars imported four years or more after the date of manufacture. A gasoline levy was eliminated in December 2006.

4.1.5 Excise Tax

For reasons of public health, an excise duty at a rate of 15% was introduced in 2006 on alcoholic and tobacco products in 2006. It is levied on the c.i.f. values of these goods plus any applicable import duties and customs service charge.

4.2 Free Trade Agreements

4.2.1 Bilateral

St. Kitts and Nevis has bilateral trade agreements with Colombia, Costa Rica, Cuba, Dominican Republic, and Venezuela through the Caribbean Community (CARICOM). It is a beneficiary of the General System of Preferences schemes of several countries, the Caribbean Basin Initiative (CBI) and the Canadian Programs for Commonwealth Caribbean Trade, Investment and Industrial Cooperation (CARIBCAN). Through CARICOM, Grenada is currently negotiating a free trade agreement to replace CARIBCAN as well as a free trade agreement with MERCUSOR.

4.2.2 Regional

St. Kitts and Nevis participates in a number of regional and preferential trade arrangements, namely: the Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS).Through the latter it is a part of a fully established monetary union with the other states of the Eastern Caribbean. St. Kitts and Nevis is currently negotiating an Economic Partnership Agreement with the EU through the CARIFORUM configuration. It is also involved in negotiations to form the hemispheric Free Trade Area of the Americas.

4.2.3 Multilateral

St. Kitts and Nevis is a WTO Member and applies at least MFN treatment to all its trading partners. It has GATS commitments in 8 sectors. [7]

4.3 Internal Taxes

There is no net worth tax, gift tax, sales tax, turnover tax, or estate duty on St Kitts and Nevis. Corporate Income Tax and Withholding Tax apply to domestic companies, but not to entities carrying on business solely with non-residents of the Federation.

A 5 percent tax on telecommunications was extended to internal calls in addition to international calls in November 2005. Citing increased social costs as a result of the shut-down of the sugar industry, Prime Minister and Minister of Finance Denzil Douglas announced in the 2007 budget a 15 percent excise duty on alcohol and tobacco products, and an increase in the existing Social Services Levy from 8 percent to 10 percent on salaries in excess of EC$8,000 monthly.

St. Kitts and Nevis Capital Gains Tax

There is a capital gains tax of 20 percent on profits or gains derived from a transaction relating to assets located in the Federation which are disposed of within one year of the date of their acquisition.

St. Kitts and Nevis Withholding Tax

Individuals and ordinary companies remitting payments to persons outside of the Federation must deduct 10 percent withholding tax from profits, administration, management or head office expenses, technical service fees, accounting and audit expenses, royalties, non-life insurance premiums and rent.

St. Kitts and Nevis Property Taxes

The following is the land tax schedule for St. Kitts and Nevis (showing the tax rate as US Dollars per acre):

- All cultivated land on the island of St. Kitts $1.48.
- All uncultivated land on the island of St. Kitts $0.37
- All cultivated or uncultivated land on the island of Nevis $0.37
- In Special Development Areas, such as the South East Peninsula on St. Kitts, there is a tax of 0.5 percent of the assessed market value of the land, or land and improvements.

A house tax is charged at the rate of 5 percent of the annual gross rental value for residences in St. Kitts or Nevis with a 25 percent rebate for properties that are occupied by their owner solely as residence. The minimum annual rental value is XCD 600 (USD 222) in St. Kitts and XCD 48 (USD 18) in Nevis. [8]

4.4 Non-Tariff Barriers

The Statutory Rules and Orders, No. 14 of 1992 sets the rules for import licensing procedures and contains the list of products subject to licensing. The products range from vegetables, eggs, and meat, to motor vehicles and agricultural machinery. Except for eggs

[7] http://www.thecommonwealth.org/Internal/159364/148309/148343/st_kitts_and_nevis/

[8] http://www.lowtax.net/lowtax/html/stkitts_nevis/jnvdctx.html

and some agricultural products produced in commercial quantities, licensing is automatic.

The Ministry of Foreign Affairs, International Trade, Industry, Commerce and Consumer Affairs is in charge of granting import licences. Licences are typically valid for three months, and are not transferable. Applications are generally processed within 24 hours.

Import restrictions in the form of quantitative limits, other than those allowed by Article 56, are applied to some agricultural imports from non-CARICOM countres. Eggs may be imported only by domestic egg producers whenever domestic production is insufficient. Also, imports of a number of vegetables (cabbages, carrots, onions, sweet peppers, tomatoes, and white potatoes) are subject to seasonal import restrictions. Licences are granted to import these items from outside of CARICOM only when domestic production cannot meet demand.

Permits are required for imports of any live animals, poultry or birds or carcasses and parts thereof, plants, planting materials, and pesticides. The importation of arms and ammunition requires a licence from the Commissioner of Police under the Firearms Act. No. 23 of 1967.

4.5 Import Documentation

Five documents are required for all commercial imports: the CARISAD single declaration; a commercial invoice; the bill of lading; a certificate of insurance; and a worksheet on the classification and value of the goods. Additional documentation may be required, e.g. a certificate of origin for preferential imports from CARICOM countries or a phytosanitary certificate for veterinary and plant imports. Entry of goods may be allowed even if the relevant import documents are not ready, provided a deposit is made and the documents are presented soon (generally within a week).

4.6 Export Documentation, export taxes, and restrictions

Exporters are not required to register. Up to four documents may be required for exportation, depending on the destination; an export declaration (shipping bill); invoice; certificate of origin (for preferential trade); and a phytosanitary certificate (when required). Export licences are also required for vegetables, monkeys, and several types of seafood (conchs, crustaceans, fish, and lobsters).

Export taxes are applied on some live animals, lobsters, and cotton, in accordance with the Export Duty Ordinance (Amendment) Act No. 4 of 1970. Revenue from this tax represents less than 2% of tax revenue. Exports are exempt from internal taxes.

There is no export promotion agency in St. Kitts and Nevis.

4.7 Sanitary and Phytosanitary (SPS) Measures

St. Kitts and Nevis maintains a number of sanitary and phytosanitary measures. Phytosanitary conditions for imports of plants are regulated by the Plant Protection Act, Cap 97 of the Laws of St. Kitts and Nevis. The Act mandates that all plants, plant products, plant pests, live beneficial organisms, and soils imported into St. Kitts and Nevis must be accompanied by a phytosanitary certificate issued by the appropriate agricultural authority of the exporting country.

Plants, planting materials, plant products, and soil also require an import licence from the Minister of Agriculture. The importation of any plant, plant part, plant product, or fruit and vegetables from any country infested with the pink/hibiscus mealy bug is prohibited unless certain conditions are met. Imports of pesticides require a licence from the Pesticide Board, under the Drugs (Prevention and Misuse) Act No. 37 of 1978.

Imports of live animals, birds, poultry, and carcasses require import licences and sanitary certificates, under the Animal (Disease and Importation) Act, Cap 107 of the Laws of St. Kitts and Nevis. In order to obtain an import licence, an importation permit is required from the Chief Veterinary Officer.
Permanent SPS measures may require the enactment of legislation by Parliament, but the Minister in charge of Agriculture also has the authority to impose measures on an emergency basis.

St. Kitts and Nevis does not have the technical means necessary to conduct laboratory testing of plants or animals. Imports of animals must be accompanied by documents from the exporting country regarding the veterinary testing of the animals. The majority of animal imports are also subject to quarantine, usually for at least one month; this requirement does not apply to animals imported from other Caribbean countries, which supply about one tenth of these imports. The large majority of animal imports are from the United States and Canada.

St. Kitts and Nevis maintains no restrictions on the import and sale of genetically modified organisms or animals fed hormones (or their products).

St. Kitts and Nevis is a contracting party to the International Plant Protection Convention (IPPC), but is not a member of the Codex Alimentarius Commission or the World Organisation for Animal Health (OIE).

4.8 Prohibited and Restricted Imports

Import prohibitions and restrictions are in general regulated by the Customs Control and Management (Amendment) Act No.7 of 2001. St. Kitts and Nevis also applies a number of prohibitions for health and safety reasons.

Prohibited items include: Base or counterfeit coin or currency notes from any country; coin or currency notes legally current in Saint Christopher and Nevis or any money purporting to be such, not being of the established standard in weight and fineness; articles or food intended for human consumption declared by the competent public health authority to be unfit for such purpose; indecent or obscene prints, paintings, photographs, books, cards, lithographic or other engravings, phonograph records, videos or any other indecent articles or matter; matches that contain white or yellow phosphorus; prepared opium and pipes or other utensils for use in connection with the smoking of opium or other narcotic drugs; preparations of opium or other narcotic drugs for smoking; any pistol or other apparatus in the form of a stylographic pen or pencil capable of firing any kind of shot or cartridge whatsoever or any cartridge containing tear gas; fictitious stamps or any die, plate, instrument or materials capable of making any such stamps; flick knives, gravity knives, black jack, bludgeon, switch knives and blades, night sticks, ratchet knives and other similar knives with flying blades, dagger or any sword, knife or any instrument having a blade ending in a sharp point, which is not primarily designed for use in a profession, craft or business or for domestic use; shock batons and stun guns; all publications, articles or other matter associated with black magic, secret magic, obeah, witchcraft or other magical arts and occultism; seditious publications, articles, prints, phonograph records or video; goods, the importation of which is prohibited by any other enactment

4.9 Standards

Technical regulations and standards are developed by the Saint Christopher and Nevis National Bureau of Standards, which was established by the National Bureau of Standards Act No. 7 of 1999, and started operating in 2000. The National Bureau of Standards is under the umbrella of the Ministry of Foreign Affairs, International Trade, Industry, Commerce and Consumer Affairs and is managed by the Standards Council, composed of representatives of the public and private sectors. The Bureau's statutory function is to prepare, promote, and generally adopt standards. The Bureau also has the mandate to maintain testing facilities, to carry out testing, calibration, and certification, and to publish standards marks.

The adoption/adaptation of technical regulations and standards is prepared in technical committees in the Bureau, and must be approved by the Standards Council, which is in charge of declaring and publishing them. The Bureau is also in charge of making regulations on labelling, on the sale, import or export of goods for which a mandatory standard specification has been declared, and for granting licences to use a standard mark.

The Standards Council may recommend that a standard becomes mandatory. The recommendation is examined by the Ministry of Foreign Affairs, International Trade, Industry, Commerce and Consumer Affairs, which may declare the standard mandatory, by Order, to be implemented through a technical regulation. Standards that may be declared mandatory are CARICOM standards adopted by the Bureau as national standards, or standards that are primarily intended to protect health and safety, ensure quality in goods for export, prevent fraud from misleading advertising, give information to the consumer, and ensure quality in cases of restrained supply.

Non-conformity with technical regulations (mandatory standards) is punishable by a fine of up to EC$5,000, or up to two years imprisonment. Conformity may be verified at the border in the case of imports, and through internal checks in the case of domestic products.

5. INVESTMENT PROFILE

5.1 Investment Incentives Schemes

The Hotel Aids Ordinance provides duty-free concessions (relief from customs duties and pier dues) on items for use in the construction, extension and equipping of a hotel of not less than 30 bedrooms. The Income Tax Ordinance provides special tax relief benefits for hotel proprietors granted licenses under the Hotel Aids Ordinance: the gains or profits of a hotel of more than 30 bedrooms are exempt from income tax for a period of 10 years, for hotels with less than 30 bedrooms, the gains and profits are exempt from income tax for a period of 5 years.

Companies which qualify for tax holidays are allowed to import into St. Kitts and Nevis duty-free all equipment, machinery, spare parts and raw materials used in production.

Under the Caribbean Basin Initiative, besides participating in the financial contribution allocated by Washington to the member countries, St. Kitts also qualifies for duty-free entry into the United States of more than 95 percent of its products, not including sugar. Under the Generalized System of Preferences (GSP), manufactured and semi-manufactured goods are also eligible for duty-free access to United States markets. Virtually all of St. Kitts-produced items and raw materials are eligible for GSP treatment under the list of some 2,800 products eligible for duty-free importation. However, to qualify, the product must have had 35 percent of its appraised value added in the beneficiary country. Again, this enhances St. Kitts' status as a site for conversion of merchandise because of its skillful and well-trained labor force. [9]

5.2 Foreign Investment Regime

St. Kitts and Nevis offshore legislation, which applies on both islands, includes the Companies Act 1996 and the Trusts Act 1996. A Merchant Shipping Act and Foundation Act were added in 2002 and 2003.

St Kitts and Nevis has however aimed primarily at attracting industrial and tourist investment with very tax-friendly incentive legislation under the Fiscal Incentives Act 1974 and the Hotel Aids Ordinance.

Nevis emerged as an offshore jurisdiction after enacting its Nevis Business Corporation Ordinance in 1984, based upon American corporate law of the state of Delaware. Trusts are created under the Nevis International Exempt Trust Ordinance of 1994, as amended to September 2000. Limited Liability Companies (LLCs) which have emerged as Nevis's star product, are formed under the Nevis Limited Liability Company Ordinance, 1995.

All offshore finance businesses in the Federation need authorisation under the Financial Services (Regulations) Order, 1997. This includes deposit-taking business, investment business, insurance business, trust business and corporate service provision.

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[9] http://www.lowtax.net/lowtax/html/stkitts_nevis/jnvcfir.html

St Kitts and Nevis maintains a high level of confidentiality for offshore entities under the Confidential Relationships Act of 1985. The Confidentiality Act safeguards investors by prohibiting disclosure of any information obtained in the course of business. The law is considered to provide the most rigid secrecy in the Caribbean region as it applies to banks and professionals as well as Government officials. [10]

In St. Kitts and Nevis, foreign investment is the responsibility of the Ministry of Foreign Affairs, International Trade, Industry, Commerce and Consumer Affairs, along with the Ministry of Finance and the Ministry of Sustainable Development. In order to attract foreign investment, the Government offers a range of incentives to potential investors, particularly in the areas of tourism and hotel accommodation, and manufacturing. Fiscal incentives for foreign investment are granted under the Fiscal Incentives Act of 1974 and also available under different acts for investment in the tourism sector tment Regime.

Foreign investors may hold up to 100% of an investment. With one exception, foreign investment in Saint Kitts and Nevis is not subject to any restrictions, and foreign investors receive national treatment. The only restriction is the requirement to obtain an Alien Landholders Licence for foreign investors seeking to purchase property for residential or commercial purposes. The cost of these licences is 10% of the value of the land or of the interest in the real estate to be purchased. Licences are granted once properly submitted to Cabinet for consideration and payment of the licence fees. Foreign investors do not require a landholding licence for the purchase of land in certain parts of the island, such as Frigate Bay or the South East Peninsula.

Remittances to persons or entities abroad are subject to a 10% withholding tax. Additionally, where a company is not exempt, there is a 20% capital gains tax on profits unless an exemption is granted under the Act from the disposal of assets located in St. Kitts within a year of their acquisition.

Under the Citizenship by Investment Programme, foreign individuals can obtain citizenship in accordance with subsection (5) of Section 3 of the Citizenship Act of 1984, which grants the right of citizenship (without voting rights) by investment.

The minimum that would entitle an investor to qualify is US$350,000 in real estate. Applicants must also provide a full medical certificate; and evidence of the source of funds. In order to minimize the risk of unlawful duplication addition, the Government has introduced a Citizen by Investment Certificate.[11]

[10] http://www.lowtax.net/lowtax/html/stkitts_nevis/jnvoltr.html

[11] Government of St. Kitts and Nevis online information. Viewed at: http://www.skbfinancialservices.com/recentdevelopments.php.

5.3 Free Trade Zones

Eight industrial and commercial free-trade zones currently operate in St. Kitts and Nevis. They are located at Tacna, Ilo, Mollendo, Tumbes, Trujillo, Paita, Chimbote and Pisco. There are also four fully developed industrial sites where production facilities can be constructed to specification and leased at nominal rates. Projections are that factory space will increase annually by 15,000 sq. ft. in St. Kitts and 5,000 sq. ft. in Nevis. The sites are managed and serviced on behalf of the Government by the Development Bank of St. Kitts and Nevis.

Export processing free zones offer investors exemptions from customs duties for imports and exports, exemption from any St. Kitts and Nevisvian tax for 15 years, temporary labor agreements, and accounting in foreign currency. Special commercial treatment zones are generally located on the jungle frontier. They extend the following benefits to companies operating inside their borders: exemption from value-added taxes; a reduced 10 percent customs duty; and accounting is permitted in foreign currency.

5.4 Investment Agreements

St. Kitts and Nevis has not signed any bilateral investment agreements with any countries. It has double taxation agreements with Denmark, Norway, Sweden, the United Kingdom, and the United States.

6. ESTABLISHMENT OF BUSINESSES

6.1 Right to Private Ownership

The incorporation and registration of companies in the federation differs somewhat on its two constituent islands. In St. Kitts the process is regulated by the Companies Act No. 22 of 1996. The incorporation of companies in Nevis is regulated by the Nevis Island Business Corporation Ordinance No. 3 of 1984. Companies must register in the Companies Registry. There are no nationality restrictions for directors in a company, and in general, national treatment is applied. All registered companies must have a registered office in the Federation of St. Kitts

There is a social services levy of 8%, half of which is paid by the employer. Corporate tax is 35% of net profits for ordinary (not exempt) companies; there is no personal income tax. Corporate tax does not apply to trusts, limited partnerships, and exempt companies or to enterprises that have been granted a tax concession. There is a capital gains tax of 20% on profits or gains derived from a transaction relating to assets located in St. Kitts and Nevis that are disposed of within one year of their acquisition. A withholding tax of 10% is applied on remittances of certain categories of income abroad. These taxes are not applied to trusts, limited partnerships or exempt companies. A tax on land located in the Federation is charged at various rates, depending on the size and nature of the land concerned.

The operations of offshore (exempt) companies are also regulated by the Companies Act and the Nevis Island Business Corporation Ordinance. Exempt companies pay no income, capital gains, withholding, or stamp taxes for operations conducted outside the Federation of St. Kitts and Nevis. Offshore companies may also be registered as exempt limited partnerships under the Limited Partnership Act No. 24 of 1996, or as offshore trusts under the Trust Act No. 23 of 1996 or the Nevis International Exempt Trust Ordinance. Trusts are exempt from the same taxes as other offshore companies, and their beneficiaries do not lose their tax exemption for operations in St. Kitts and Nevis with respect to owning or leasing property, banking, or signing employment contracts. Offshore companies may open bank accounts onshore and may hold shares in onshore or offshore companies incorporated in St. Kitts and Nevis.

6.2 Establishing an Office

Within the Federation of St Kitts and Nevis, the island of Nevis has a considerable degree of autonomy, which it has used to establish offshore legislation which is different from that of the Federation. Enterprises in Nevis can therefore choose between Federation or Nevisvian forms, while enterprises in St Kitts can use only Federation forms.

1. St. Kitts and Nevis Private Company (St Kitts & Nevis)

Private companies may be limited by shares or by guarantee, and are formed under the Companies Act 1996, which has effect in St. Kitts and Nevis. They have the following characteristics:

- A minimum of one shareholder is required and a maximum of 50 are permitted.
- Either registered or bearer shares may be issued. Bearer shares must be deposited with a regulated company in St. Kitts. Nominee shareholder service is available for registered shares. Fractional and Treasury shares are permitted, but shares cannot be sold at a discount except for commission payments. Public offers of shares may not be made.
- A private company must have at least one director. Every company must have a secretary and may have one or more assistant secretaries who, or each of whom, may be an individual or a body corporate.
- Every company must hold an annual general meeting unless all the members of a private company agree in writing not to.
- No annual returns required.
- Certain words are prohibited in company names and the company's name must end in "Limited," "corporation" or their abbreviations.
- All companies must have a registered office in the Federation to which communications and notices may be addressed; however a registered agent is not required.
- Every company must keep a register of members.

One or more persons associated for a lawful purpose can form a company by subscribing their names to a Memorandum of Association written in the English language. Incorporators either adopt model Articles or draw up their own Articles of Association. These documents are submitted to the Registrar of Companies along with payment of a 540 East Caribbean dollars ($200) registration fee, after which a certificate is issued. In its Memorandum, a company limited by shares must state the maximum number of shares that the company is authorized to issue and the share value, which can be expressed in any currency but may not be printed on share certificates. A company limited by guarantee must state in its Memorandum the number of members it proposes to register and the amount of the guarantee expressed in any currency.

Since the doctrine of ultra vires has been abolished, a company has the capacity, rights, powers and privileges of an individual. Perpetuity options are a limited life-span (with the number of years specified) or an unlimited life-span.

2. St. Kitts and Nevis Public Company (St Kitts & Nevis)

A public company is one that has more than 50 members, and is permitted to make public offerings of its shares. It needs three directors, of whom a least two are not employed by the company or related companies. Assistant secretaries can be individuals or corporations.

Members' meetings can be conducted by electronic means, as long as members can hear each other's voices. Public companies must hold an annual general meeting while members of private companies can agree to dispense with this. The first general meeting must take place within 18 months after incorporation. Shareholders holding one-tenth of shares and members of a company limited by guarantee who hold one-tenth of voting rights can demand that directors call a general meeting. If directors do not comply, those who requisitioned a meeting (or requisitionists of the group holding one-half of voting rights) can call a meeting themselves. A quorum consists of a least two members present in person or by proxy (1) holding at least one-third of value of issued shares with voting rights; or (2) one-third of voting rights of a company limited by guarantee. Special resolutions require a two-thirds vote.

3. St. Kitts and Nevis Exempt Private Company (St Kitts & Nevis)

An exempt private company is a private company (as above), which pays no income, capital gains, withholding, or stamp taxes as long as it conducts business exclusively with persons who are not resident in the Federation.

An annual fee of US$200 is payable to the government on filing of the annual return. Although company details are kept on the public register, inspection of the register by persons who are not members or officers of the company is not permitted.

The law makes clear that an exempt company does not lose its tax waivers because of certain activities within the Federation including signing contracts or concluding arrangements for employing residents, purchasing goods and services, and exercising other powers to carry on its business such as holding directors' and members' meetings, transacting banking and reinsurance business, and conducting securities transactions or serving as adviser to Federation residents who enjoy exempt status.

4. St. Kitts and Nevis International Business Company (Nevis)

This type of company is formed under the Nevis Business Corporation Ordinance, 1984 as amended, particularly in 2000, and is suitable for use as a holding company or an investment company. The legislation closely follows Delaware law and is useful to those familiar with this legislation. Characteristics of the IBC are as follows:

- Nothing required to be maintained in the place of incorporation except the Registered Agent’s details.
- Total tax exemption is automatically provided by law for IBC companies.
- No minimum capital required.
- Prior approval required of company name. Some words are sensitive eg Assurance, Bank, Trust etc. Must end 'Limited', 'Corporation', 'Incorporated', 'Societe Anonymne' , Gesellschaft mit beschraenkter Haftung or their abbreviations.
- Incorporation takes one or two days.
- Shelf companies are available.
- Capital duty is US$ 200 based on an authorised share capital of 1,000 shares at no par value or on $100,000 of par value shares.
- The minimum number of shareholders is one.
- Bearer shares and shares of no par value must be held by a custodian.
- The minimum number of directors is three, however, if there are fewer than three shareholders then there may also be fewer than three directors.

- A secretary is required who may be a company.
- There is no requirement for a registered office, but there must be a registered agent.
- Information available publicly consists of the articles of incorporation and the name of the registered agent.
- There is no requirement for the production or filing of accounts, and no annual return is required.
- Annual fees amount to US$200.
- IBCs do not have access to St Kitts and Nevis double tax treaties.

5. St. Kitts and Nevis Limited Partnership (St Kitts & Nevis)

At least one general and one limited partner are needed to form a limited partnership, under the Companies Act, 1996. The law allows a corporation to be a general or limited partner and permits one person to be simultaneously a general as well as a limited partner in the same limited partnership.

Registration is a simple process of drawing up a declaration of formation of the limited partnership and delivering the document to the Registrar of Limited Partnerships accompanied by a $200 registration fee. The declaration, signed only by general partners, requires the name of the firm, term (if any) for which it is to exist (or, if for unlimited duration, a statement to that effect) and the general partner's names and addresses. The ongoing annual registration fee is US$100.

Contributions of a limited partnership to the firm may be in money (expressed in any currency), other property, and services. A limited partner is not liable for the firm's debts and obligations unless he participates in the management of the partnership, which is the function of general partners. However limited partners have the right to vote on a number of matters affecting the partnership without losing their limited status. Divestiture of a limited partner's interest in the partnership requires consent of all members.

A limited partnership's name must end with the words "limited partnership" or its abbreviation (LP) and may only contain the name of general partners. The firm must maintain an office in the Federation, where a register of limited partners must be kept. Legal proceedings by or against a limited partnership may only identify a general partner as the instigator or target of the action. Accurate accounts reflecting the partnership's financial position must be kept but auditing is not required. Records can be kept in electronic form. A limited partnership may invite the public to acquire units of the partnership's assets after a prospectus has been approved by the Minister of Finance.

If general partners drop out of the firm for any reason, the firm must be dissolved unless limited partners elect one or more general partners. The firm can be continued under the existing agreement or a subsequent agreement.

6. St. Kitts and Nevis Exempt Limited Partnership (St Kitts And Nevis)

A limited partnership can qualify for tax exemption if it refrains from doing business with Federation residents. Partners of an exempt limited partnership are not subject to income, capital gains, and withholding taxes. Furthermore, no estate, inheritance, succession or gift taxes have to be paid by any person regarding property owned by or securities created or issued by an exempt limited partnership. Also, stamp duties are not levied on any person with regard to transactions in securities issued or create in respect of an exempt limited partnership.

The rules for allowing an exempt limited partnership to carry on some onshore activities are the same as for a corporation (see above). The annual registration fee for an exempt limited partnership is US$200.

7. St. Kitts and Nevis Limited Liability Company (Nevis)

Nevis LLCs are formed under the Nevis Limited Liability Company Ordinance, 1995, whose features include:

- No corporate tax, income tax, withholding tax, stamp tax, asset tax, exchange controls or other fees or taxes are levied on assets or income originating outside of Nevis;
- Members may be individuals or business entities of any nationality or domicile; there may be a single member;
- No annual or other reports are required;
- Foreign Limited Liability Companies or other business entities may re-domicile to Nevis;
- Limited Liability Companies may have limited life.
- The name of an LLC must end in one of the following: "Limited Liability Company", "LLC", "L.L.C.", "LC" or "L.C.".
- Shelf companies are available immediately; the formation of a company normally takes 2 to 4 working days.[12]

6.3 Work Permit Requirements

Work permits are granted on application by employers, provided that no local worker is available, and involve the production of a number of documents, including health certificates.

The Nevisian Banking Ordinance gives discretion to the responsible Minister to reduce taxes and other conditions for the foreign employees of an enterprise which has had trouble sourcing suitable labour locally.

There is no personal income tax in St Kitts and Nevis but foreign nationals working in the country are required to obtain a work permit for which there is an annual charge of 1,500 East Caribbean dollars ($635). Persons or companies remitting payments to persons or companies outside of the nation must deduct a 10 percent withholding tax on profits, administration or management and head office expenses, technical service fees, accounting and audit expenses, royalties, non-life insurance premiums and rents.

[12] http://www.lowtax.net/lowtax/html/stkitts_nevis/jnvcos.html

6.4 Intellectual Property Rights

The administration of intellectual property laws in St. Kitts and Nevis is under the responsibility of the Attorney General. The registration of patents, trade marks, and service marks is administered by the High Court Registry. The 2000 Act created an Intellectual Property Office responsible for the administration of all laws relating to intellectual property, which began functioning in 2004.

6.4.1 Trade Marks

The Marks, Collective Marks and Trade Names Act No. 10 of 2000, entered into force in 2002 via the Appointed Day Order No. 22 of 2002. The exclusive right to a trade mark is acquired through registration in the Register of Marks. The Act extends protection to all marks, that is, all visible signs capable of distinguishing goods (trade marks) or services (service marks). It extends protection to collective marks and trade names, which were not protected under the previous Act. The term of protection is ten years, renewable for consecutive periods of ten years each. The Act provides for the right of priority of an earlier national or regional application filed by the applicant in any WTO Member or State party to the Paris Convention.

Infringement of the right to a mark may lead to a High Court injunction; an award of damages; an order to seize, forfeit or destroy any infringing product or article; or to other remedies as decided by the High Court. The High Court must also decide on infringement patents and copyright, based on the existing legislation. With the entry into force of the new trade marks legislation in 2002, Customs is now authorized to seize imports to prevent goods infringing marks from entering the country. Forging a mark or a collective mark, or importing products containing a forged mark or infringing the right to a mark is liable to a fine of not less than EC$15,000 but not more than EC$40,000, or to imprisonment of 5 to 12 years.

6.4.2 Patents

The Patents Act No. 9 of 2000 repealed the Patents Act, Cap 189, and the Registration of United Kingdom Patents Act, Cap 190 of the Laws of St. Kitts and Nevis. The new law entered into force in 2002 via Appointed Day Order No. 20 of 2002. Under the new Patents Act, patent protection is for 20 years up from a maximum of 14 years or the period of the foreign grant in the case of re-registrations under the previous Act. The new legislation limits the scope of patentability to new inventions involving an inventive step and capable of industrial application

The 2000 Act contains provisions to grant the right of priority to WTO Members and parties to the Paris Convention, and provisions on compulsory licensing in cases of public interest, in particular, national security, health or the development of vital sectors for the economy, or if the exploitation of the patent is deemed to be anti-competitive by the Government, or there has been non-use of a patent.

Under the 2000 Patents Act, a plaintiff in an infringement case is entitled to relief by the way of an injunction to restrain the defendant from causing the infringement; an order to deliver up or destroy the infringing product (this could lead to seizure of imports); damages; an account of the profits derived from the infringement by the defendant; or any other relief mandated by the Court.

6.4.3 Copyright

St. Kitts and Nevis passed new copyright legislation in 2000, which repealed the Copyright Act, Chapter 366 of 1919, as amended in 1956. The Copyright Act No. 8 of 2000, entered into force in 2002 via Appointed Day Order No. 21 of 2002. It extends copyright protection for life plus 50 years for literary, dramatic, musical, and artistic works, to 50 years for sound recordings, films, broadcasts, and cable programmes, and 25 years from the end of the calendar year in which the edition was first published for typographical arrangements of published editions.

The Act introduced copyright protection in audio-visual production made by foreign performers and foreign producers, as well as neighbouring rights in a broadcast made by a foreign broadcasting organization. Protection was broadened to include, within the meaning of literary works, computer programs and tables and compilations. The new legislation introduced provisions with respect to copyright licensing. The Copyright Act of 2000 also extends protection of moral rights to producers of phonograms and to performers. Copyright owned by international organizations is protected for 50 years from the date of creation of the work.

The new Copyright Act introduced provisions on civil and criminal proceedings for copyright infringement through the sale, hire or importation of goods. Remedies for infringement of economic rights include seizure of infringing copies and adjudication of damages; infringement of copyright is punishable by a fine of up to EC$250,000, up to five years imprisonment, or both.

6.5 Conversion and Transfer Policies

There are no exchange controls in Nevis and the invoicing of foreign trade transactions may be made in any currency. Importers are not required to make prior deposits in local funds and export proceeds do not have to be surrendered to Government authorities or to authorised banks. There are no controls on transfers of funds. The Government of Nevis guarantees the free transfers of profits and repatriation of capital.[13]

13 http://www.lowtax.net/lowtax/html/stkitts_nevis/jnvcfir.html

7. CULTURAL PRACTICES

7.1 Business Customs

Business Hours:
Government: Monday - Tuesday 8:00 am - noon; 1:00 pm -4:30pm
Wednesday - Friday 8:00 am - noon; 1:00 pm - 4:00 pm

Shopping: Monday - Saturday 8:00 am - noon; 1:00 pm - 4:00 pm

Banking: Monday - Thursday8:00 am - 3:00 pm; Friday- 8:00 am - 5:00 pm

7.2 Entry/Exit Requirements:

Citizens of Canada need only to present proof of citizenship – preferably a passport or birth certificate with the raised seal – in order to enter St. Kitts-Nevis. If the birth certificate is used, it must be accompanied by a government issued photo ID (a drivers licence, for example) showing the same name. Where applicable, documentation of a legal name change (for example, a marriage certificate) must also be presented. Citizens of the United States, however, are required to have passports in order to re-enter that country. As such a valid passport is a required travel document when travelling to the Caribbean.

Additionally, proof of sufficient funds and a return or onward passage might be required. There is a departure tax of $60 XCD (about $22 USD) payable in cash, or by credit card, at the airport. [14]

[14] http://www.stkittstourism.kn/DiscoverStKitts/Facts.asp