

High level overview of the profit tax system in Suriname

General

In Suriname the levy of profit tax is regulated in the same law as the levy of income tax for individuals/natural persons¹. The income tax law dates from 1922 and is therefore almost 100 years old at this moment. It has been amended and modernized in the course of time, but still lacks some features that you normally find in modern profit tax laws, like rules for transfer pricing.

Financial year

The taxable profit consists of the taxable income that is enjoyed during the financial year or calendar year of the company.

Fiscal profit

Article 20 Income Tax Law 1922 refers to articles 7, 7a, 10, first and second paragraph and article 11 for the determination of the fiscal profit. These articles apply, unless the Income Tax Law 1922, regulations based on the Income Tax Law 1922 or the differences in character between a legal entity and a natural person indicate otherwise.

One of the sources of income that is regulated in article 7 of the Income Tax Law 1922 is the source profit from an enterprise or profession.

Like in The Netherlands, Aruba and Curaçao, the profit of an enterprise in Suriname is determined according to sound business practice, considering a consistent policy, which policy can only be changed if special circumstances justify this, irrespective from the expected outcome². If a taxpayer ceases to enjoy taxable profit in Suriname, the profit which is realized with the ending of the business is taxable in the financial year the business activities in Suriname are ended³.

The profit that is realized with the ending of a business is only taxable in as far as this profit exceeds SRD 5,000, if the business was at least 5 years operated for the account of that taxpayer.

Transfer of the business

If the business is transferred by an individual to a limited liability company or in case of transfer of the company because of the death of the person for whose account the company is operated, the tax inspector is authorized to approve, at the request of the one who continues the company, that the profit that is realized with the transfer of the company is partly or completely not taxable.

If the individual for whose account the company is operated, reaches the age of 55 years, transfers the company to one or more of his own children, foster children or his/her wife or husband, the company is considered to be continued and not ceased, under the condition that the transferor and transferee request this in writing from the tax inspector. If approved by the tax inspector, the transferee is considered to have taken the place of the transferor.

If an entity has the intention to grant its employees' pension rights, it can form a provision for this pension obligation⁴.

Deductible costs

Costs of real estate that is used for business and private purposes is only deductible in as far the real estate is used for business purposes.

The benefit of free medical treatment is considered for the actual costs with a maximum of SRD 500 per year.

Limitation in the deduction of costs

No deduction is allowed for distributions of profit, except for:

- a) Distributions to Land Suriname, other than as shareholder;

- b) Distributions to supervisory directors, directors, and other personnel, living in Suriname, with respect to labour performed in the company.

The distributions to supervisory directors and directors cannot amount to more than 2% and 10% for respectively supervisory directors and directors and in total not more than 20% of the profit and not more than SRD 12,000. Profit is defined as the profit before the distributions to supervisory directors, directors and other personnel and before the offset of prior losses, in cases to be appointed by the Minister of Finance after proposal of the Director of the Tax Administration⁵.

No deduction is allowed for the payment of interest, or the payment for the use of goods, to persons and entities with a special relationship with respect to the taxpayer, unless it is substantiated that the legal acts that form the basis of the payments are in conformity with the usual way business are financed or payments for the use of goods take place ("arm's length"), in case no special relationship would exist between parties⁶.

No deduction is allowed for income tax or foreign tax, if a regulation for the avoidance of double taxation applies⁷.

Tax subject

Domestic entities

Domestic entities are subject to income tax in Suriname. Domestic entities are limited liability companies, limited partnerships with shares and other entities with a capital which are divided into shares. Also, co-operative associations and other associations on co-operative basis, insurance companies and associations which act as assurance company or credit institution and other private entities are subject to tax. Finally, associations without legal personality, if and insofar

¹ Income Tax Law 1922, published April 5, 1921, G.B. 1921, no. 112.

² Article 7, paragraph 4 Income Tax Law 1922.

³ Article 7, paragraph 5 Income Tax Law 1922.

⁴ Article 21 Income tax Law 1922.

⁵ Article 23, nr. 1, Income Tax Law 1922.

⁶ Article 23, nr. 2, Income Tax law 1922.

⁷ Article 23, nr. 3 Income Tax Law 1922.



they operate a business, other than solely a general interest, are subject to income tax.

Foreign entities

Foreign entities which enjoy income in Suriname are subject to income tax in Suriname in as far as the profit can be allocated to a permanent establishment in Suriname⁸. A permanent establishment includes a permanent representative.

A permanent establishment is deemed to be present in the following situations:

- a) Acting as an insurance company;
- b) To carry out building, construction, installation, digging, exploitation, dredging, removal, or other similar activities, for more than 183 days in a period of 12 months, or, as part of a project, by different companies, which exceeds a term of 183 days in a period of 12 months;
- c) Mapping activities by air and other activities, aimed at the inventory of natural resources;
- d) Exploration or exploitation of natural resources in the Suriname continental plateau, for which the Land Suriname granted a license or concession.

To a permanent establishment is allocated the full profit realized by the taxpayer on goods from Suriname origin, of which the ownership is transferred to the buyer in Suriname.

Real estate located in Suriname, which belongs to the assets of a company, which does not have a taxable presence based on the Income Tax Law 1922, is considered as a separate company asset. The profit realized with this asset is part of the taxable profit in Suriname.

Special tax regimes

Insurance companies

Insurance companies in Suriname can form a reserve to equalize risks⁹.

Insurance companies which are not established in Suriname, determine their taxable income based on 15% of their total income from life insurance and other insurance activities. As total income is considered, the total premiums from insured persons or entities in Suriname regarding risks in Suriname, the income from investment in movable and immovable property and other income.

Tax rate

Companies in Suriname are subject to 36% corporate income tax.

Participation exemption

Insurance companies in Suriname can form a reserve to equalize risks¹⁰.

Insurance companies which are not established in Suriname, determine their taxable income based on 15% of their total income from life insurance and other insurance activities. As total income is considered, the total premiums from insured persons or entities in Suriname regarding risks in Suriname, the income from investment in movable and immovable property and other income.

The following conditions apply:

- a) The distributions cannot be deducted by the distributing company, or deduction would not be allowed if the entity would be established in Suriname;
- b) The distributions are not be deductible from the book value of the

assets, according to sound business principles;

- c) The distributions should exceed the amount of the costs which relate to the distributions including the costs of the last 5 years;
- d) In case of a foreign participation, the distributing entity should be subject to tax.

If interest or other payments are not deductible because of article 23, number 2 (interest and other payment to persons and entities which have a special relationship to the taxpayer, unless the interest and other payments are at arm's length), the receipt of this interest and other payments is also not taxable for the receiving party.

Loss carry forward

Start-up losses can be offset indefinitely. Start-up losses are the losses suffered in the first 3 years of the operation of a business, provided that the company has a consistent administration with regular yearly closures. Normal losses can be carried forward for a period of 7 years¹¹.

Transfer pricing

No specific transfer pricing rules apply in Suriname.

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⁸Article 27, paragraph 2, letter c, number 1 Income Tax Law 1922.

⁹Article 22 Income Tax Law 1922.

¹⁰Article 22 Income Tax Law 1922.

¹¹Article 20, paragraph 3 Income Tax Law 1922.



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