

# Dominica

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RISK & COMPLIANCE REPORT

DATE: March 2017

<b>Executive Summary - Dominica</b>	
<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	US Dept of State Money Laundering Assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Offshore Finance Centre Compliance of OECD Global Forum's information exchange standard
<b>Medium Risk Areas:</b>	Weakness in Government Legislation to combat Money Laundering Failed States Index (Political Issues)(Average Score)
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b></p> <p>bananas, citrus, mangos, root crops, coconuts, cocoa</p> <p>note: forest and fishery potential not exploited</p> <p><b>Industries:</b></p> <p>soap, coconut oil, tourism, copra, furniture, cement blocks, shoes</p> <p><b>Exports - commodities:</b></p> <p>bananas, soap, bay oil, vegetables, grapefruit, oranges</p> <p><b>Exports - partners:</b></p> <p>Japan 38.2%, Antigua and Barbuda 8.4%, Jamaica 7.4%, Guyana 7.1%, Paraguay 6.1%, Trinidad and Tobago 4.6% (2012)</p> <p><b>Imports - commodities:</b></p> <p>manufactured goods, machinery and equipment, food, chemicals</p>	

**Imports - partners:**

Japan 37.5%, US 14.9%, Trinidad and Tobago 14.2%, China 4.9%, Colombia 4% (2012)

**Investment Restrictions:**

The Government of the Commonwealth of Dominica strongly encourages foreign direct investment, particularly in industries that create jobs, earn foreign currency, and have a positive impact on its citizens.

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## Section 1 - Background

Dominica was the last of the Caribbean islands to be colonized by Europeans due chiefly to the fierce resistance of the native Caribs. France ceded possession to Great Britain in 1763, which made the island a colony in 1805. In 1980, two years after independence, Dominica's fortunes improved when a corrupt and tyrannical administration was replaced by that of Mary Eugenia CHARLES, the first female prime minister in the Caribbean, who remained in office for 15 years. Some 3,000 Carib Indians still living on Dominica are the only pre-Columbian population remaining in the eastern Caribbean.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

#### CFATF Statement re AML Strategic Deficiencies

**Date: 3 June 2013**

In November 2011, the CFATF brought to the attention of its Members several jurisdictions, including Dominica, with significant strategic deficiencies in their AML/CFT regime. With a view to encouraging expeditious rectification of the identified strategic deficiencies, the CFATF in conjunction with Dominica, developed an Action Plan with identified target dates to address the strategic deficiencies that existed in the national architecture to combat money laundering and the financing of terrorism.

The CFATF recommends that the status quo for Dominica remains at this time. However, the CFATF noted progress presented by Dominica, in particular, the enactment of legislation and issuance of relevant guidelines addressing AML/CFT deficiencies. Therefore, the CFATF recommends that Dominica bring into force mechanisms to address its AML/CFT deficiencies by November 2013. If Dominica fails to take such action, the CFATF will be issuing a further Public Statement on Dominica in November, 2013.

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Dominica was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Dominica was deemed Compliant for 2 and Largely Compliant for 5 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

### Key Findings from latest Mutual Evaluation Progress Report (2013):

On February 21, 2013, Dominica Gazetted the Money Laundering (Prevention) Regulations ML(P)R 2013. Additionally, on March 11, 2013, the Money Laundering (Prevention) (Amendment) Act 2013, ML(P)(A)2013 and Suppression of the Financing of Terrorism (Amendment) Act 2013 (SFT(A)2013) were passed by the Dominica Parliament. ML(P)R 2013 as Other Enforceable Means

The ML(P)R 2013 were made by the Minister of Legal Affairs in accordance to s.54 (1) of the Money Laundering Prevention Act, 8 of 2011 (MLPA). The ML(P)R 2013 are subject to negative resolution of Dominica's Parliament. Following gazetting on February 21, 2013 they were presented to Parliament on February 28, 2013. Consequently, pursuant to Section 30(2) &(3),

Chapter 3:01, of Dominica Revised Laws 1990, the ML(P)R 2013 is part of the laws of Dominica.

The mandatory language used in the ML(P)R 2013 clearly sets out customer due diligence provisions which a person carrying on a 'relevant business' is bound to comply with. The mandatory language is supported by Regulation 3 (2) where it is an offence for a person, whilst conducting a relevant business, forming a business relationship or carrying out any transaction with or for another person, to not have:

- a. Identification procedures in accordance with regulations 8, 9, 10 and 15;
- b. Record-keeping procedures in accordance with regulation 24 ;
- c. Internal reporting and internal controls procedures for preventing money laundering, in accordance with regulation 24 and 26 ;
- d. An audit function to test compliance with AML measures;
- e. Screening of employees when hiring; and
- f. Training of staff

8. The penalty for a breach of r.3 (2) has been set at a forty thousand dollar fine or imprisonment not exceeding two years. These criminal sanctions are predicated on s.54 (2) of the MLPA which empowers the Minister to make regulations prescribing penalties to be imposed, on summary conviction, for contravention of a regulation. The Minister is confined to sanctions of either a fifty thousand dollar fine or three-year imprisonment. The sanctions are not proportional in that there is a one-size-fit-all approach irrespective of the nature of the breach. Additionally, whilst there may be some measure of dissuasiveness on the part of individuals or the smaller persons, in terms of asset size, carrying on relevant business activities, the applicable fine may not be dissuasive for corporate or larger relevant businesses. Notwithstanding, all of the above the ML(P)R 2013 is part of the laws of Dominica and is therefore enforceable.

### **US Department of State Money Laundering assessment (INCSR)**

**Dominica is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.**

#### **OVERVIEW**

Dominica is an offshore center with a considerable IBC presence and internet gaming. Money laundering cases involve external proceeds from fraudulent investment schemes, advance fee fraud schemes, and the placement of euros related to questionable activities conducted in other surrounding jurisdictions. Domestic money laundering is chiefly linked to narcotics activities.

#### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Dominica is uniquely located between the French territories of Guadeloupe and Martinique and, due to its geographical location, the country is used as a transshipment point for narcotics and other criminal activities. For the past few years, money laundering cases involved fraudulent investment schemes, advance fee fraud schemes, credit card fraud schemes and the placement of euros from criminal activities into the financial system from the neighboring French territories of Marie Galante, Les Saintes, Guadeloupe, and Martinique.

Dominica hosts one internet gaming company, twelve offshore banks, and close to 19,000 IBCs. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs. The Eastern Caribbean Central Bank licenses and supervises domestic commercial banks. The Financial Services Unit (FSU) within Dominica's Ministry of Finance supervises and licenses offshore banks, credit unions, insurance companies, internet gaming companies, and the country's economic citizenship program.

Under Dominica's citizenship by investment program (CIP), individuals can obtain citizenship for approximately \$100,000 for an individual and \$200,000 for a family of up to four persons, or through an investment in real estate valued at a minimum of \$200,000. There is no residency requirement and passport holders may travel to most Commonwealth and EU countries without a visa. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Dominica's CIP has vulnerabilities that present AML and regional security risks and that may make it susceptible to abuse by criminal actors.

Furthermore, the porous borders pose a great challenge to law enforcement officials in effectively policing the various coastlines for drugs and smuggling of goods such as firearms and cash. Law enforcement officials continue to harness all available resources to curtail this illegal trade.

## **KEY AML LAWS AND REGULATIONS**

In Dominica, there are comprehensive AML laws and regulations. These include: the Money Laundering (Prevention) Act No. 8 of 2011, as amended; the Financial Services Unit Act, No. 18 of 2008; the Financial Intelligence Unit Act, No. 7 of 2011; the Proceeds of Crime Act, No. 4 of 1993, as amended; the Anti-Money Laundering and Counter-Financing of Terrorism Code of Practice, No. 10 of 2014; the Exchange of Information Act, No. 25 of 2001; the Mutual Assistance in Criminal Matters Act, Chap. 12:19; the Transnational Organized Crime (Prevention and Control) Act, No. 13 of 2013; and the Criminal Law and Procedure (Amendment) Act, No. 3 of 2014.

The government enacted legislation to combat money laundering. The Proceeds of Crime Act of 2014, which is cited as the Anti-Money Laundering and the Suppression of Terrorist Financing Code of Practice, highlights duties of the FIU and the FSU in ensuring that financial institutions and persons carrying on a relevant business put appropriate AML systems and controls in place. The legislation clearly sets out provisions with which relevant entities are bound to comply. There are offenses and penalties created for non-compliance.

Entities that must comply with KYC rules are banks, venture risk capital, money transmission services, money and securities brokers, traders in foreign exchange, money lending and pawning, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate businesses, car dealers, casinos, courier services, jewelry businesses, internet gaming and wagering entities, management companies, asset management and advice services, custodial and nominee service providers, registered agents, telecommunications companies, and utility companies.

Dominica is a member of the CFATF, a FATF-style regional body.

## **AML DEFICIENCIES**

Dominica has achieved technical compliance with international AML standards. The AML/CFT Code of Practice covers legal persons and also provides for enhanced due diligence for PEPs. It is not clear whether Dominica has the ability to maintain statistics on matters relevant to the effectiveness and efficiency of its AML regime. In addition, it has not commenced the process of monitoring agents licensed to incorporate IBCs.

Currently Dominica is not subject to any U.S. or international sanctions.

## **ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS**

The Proceeds of Crime Statutory Rules and Orders of 2014 ensures every entity puts proper controls in place to detect and prevent money laundering. Secondly, it provides guidance to every financial services entity and professional to appropriately apply the requirements of the Money Laundering Prevention Act of 2011. This update also promotes the use of an appropriate and proportionate risk-based approach to the detection and prevention of money laundering.

The 1988 UN Drug Convention was ratified on June 16, 1993. All pertinent Articles of the convention were incorporated into Dominica's legislation.

### **Current Weaknesses in Government Legislation (2014 INCRS Comparative Tables):**

According to the US State Department, Dominica does not conform with regard to the following government legislation: -

**Record Large Transactions** - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

### **EU White list of Equivalent Jurisdictions**

Dominica is not currently on the EU White list of Equivalent Jurisdictions

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

### **Offshore Financial Centre**

Dominica is considered to be an Offshore Financial Centre

### **US State Dept Narcotics Report 2017 (introduction):**

The seven independent countries of Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are collectively referred to in this report as the Eastern Caribbean (EC).

The region hosts abundant transshipment points for illicit narcotics, primarily from Venezuela destined for North American, European and domestic Caribbean markets. Local and international law enforcement believe traffickers are increasingly using yachts for drug transit, though “go-fast” boats, fishing trawlers, and cargo ships continue to play major transit roles. Homicide rates throughout the region remained at levels similar to those of 2015, although there was an increase in drug-related violent and non-violent crimes (including money laundering and bulk cash smuggling). Many of the homicides that do occur are a result of turf wars between organized groups fighting for control of drug distribution. Marijuana remains the most commonly used illicit drug within the region.

Eight consecutive years of declining macroeconomic growth leave EC law enforcement capacity increasingly beleaguered. EC governments made some improvements to still-antiquated criminal codes. However, in some countries, leaders failed to address public concerns about official corruption.

### **Conclusion**

The United States encourages the countries of the Eastern Caribbean to continue to embrace CBSI partnership and to fulfill their budgetary commitments to the RSS. The United States also encourages the Eastern Caribbean countries to support programming to increase regional counternarcotics operations and build regional capacity, through joint training and cooperation. The United States further encourages the seven countries to continue to pass legislation to modernize their criminal codes, making use of regional best practices in fighting transnational organized crime.

### **US State Dept Trafficking in Persons Report:**

No report available

### **US State Dept Terrorism Report**

No report available

## International Sanctions

None Applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	59
World Governance Indicator – Control of Corruption	72

## Corruption and Government Transparency - Report by US State Department

There have been widely publicized allegations against some government officials. None of those allegations have been substantiated in the courts.

Dominica has laws, regulations and penalties to combat corruption, and the government generally enforces national laws. Government agencies involved in enforcement of anti-corruption laws include the Commonwealth of Dominica Police Force, the Director of Public Prosecutions, the Financial Intelligence Unit, and the Integrity in Public Office Commission.

The country is also party to the Inter-American Convention against Corruption and Dominica acceded to the United Nations Convention against Corruption on 28 May 2010.

### Section 3 - Economy

The Dominican economy has been dependent on agriculture - primarily bananas - in years past, but increasingly has been driven by tourism as the government seeks to promote Dominica as an "ecotourism" destination. Moreover, Dominica has successfully developed an offshore medical education sector. In order to diversify the island's economy, the government is also attempting to develop an offshore financial industry and plans to sign agreements with the private sector to develop geothermal energy resources. In 2003, the government began a comprehensive restructuring of the economy - including elimination of price controls, privatization of the state banana company, and tax increases - to address an economic and financial crisis and to meet IMF requirements. In 2009, the economy contracted as a result of the global recession; growth remains anemic. Although public debt levels continue to exceed pre-recession levels, the debt burden declined from 78% of GDP in 2011 to approximately 70% in 2012, one of the lowest levels in the Eastern Caribbean.

#### **Agriculture - products:**

bananas, citrus, mangos, root crops, coconuts, cocoa

note: forest and fishery potential not exploited

#### **Industries:**

soap, coconut oil, tourism, copra, furniture, cement blocks, shoes

#### **Exports - commodities:**

bananas, soap, bay oil, vegetables, grapefruit, oranges

#### **Exports - partners:**

Japan 38.2%, Antigua and Barbuda 8.4%, Jamaica 7.4%, Guyana 7.1%, Paraguay 6.1%, Trinidad and Tobago 4.6% (2012)

#### **Imports - commodities:**

manufactured goods, machinery and equipment, food, chemicals

#### **Imports - partners:**

Japan 37.5%, US 14.9%, Trinidad and Tobago 14.2%, China 4.9%, Colombia 4% (2012)

### Stock Exchange

The Eastern Caribbean Securities Exchange (ECSE) is the first regional securities market in the Western Hemisphere, established by the Eastern Caribbean Central Bank to serve the eight (8) member states of Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat; St.

Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines. It is headquartered on the island of St. Kitts. It has been in operation since 1971, and the ECSE currently lists securities for about 14 companies.

### Executive Summary

Dominica's economy is expected to grow by 1.7% in 2014. Fueled by a public sector investment program, the government has undertaken a growth strategy to foster economic growth and create employment. Opportunities for investment exist in alternative energy, tourism services and education.

The Government of the Commonwealth of Dominica strongly encourages foreign direct investment, particularly in the sectors of hotel accommodation, including eco-lodges and flagship boutique hotels; nature and adventure tourism services; fine dining restaurants; information and technology services; film, music and video production; agro-processing; manufacturing; bulk water export and bottled water operations; medical and nursing schools; health and wellness tourism; geothermal and biomass industries; biodiversity; aquaculture; and English language training services.

The government has instituted a number of investment incentives for businesses considering the possibility of locating in Dominica, encouraging both domestic and foreign private investment. Government policies provide liberal tax holidays, duty-free import of equipment and materials, exemption from value added tax on some capital investments, and withholding tax exemptions on dividends, interest payments and some external payments and income.

Dominica employs a system of eminent domain to pay compensation when property needs to be acquired in the public interest. There have been no reported tendencies of the government to discriminate against U.S. investments, companies or landholdings. There are no laws forcing local ownership in specified sectors.

Foreign investors in Dominica can repatriate all profits, dividends and import capital. There are no restrictions on the repatriation of dividends for totally foreign-owned firms; however a mixed foreign-domestic company may repatriate profits to the extent of its foreign participation. Dominica bases its legal system on the British common law system.

Foreign investment in Dominica is not subject to any restrictions, and foreign investors are entitled to receive the same treatment as nationals of Dominica. Dominica uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety.

Dominica is a member of the Caribbean Basin Initiative, which permits duty free entry of many products manufactured or assembled in Dominica into markets of the United States. Dominica has no bilateral investment treaty with the United States but has a bilateral investment treaty with the United Kingdom and with Germany.

### 1. Openness To, and Restrictions Upon, Foreign Investment

The Government of the Commonwealth of Dominica strongly encourages foreign direct investment, particularly in industries that create jobs, earn foreign currency, and have a positive impact on its citizens.

The government has instituted a number of investment incentives for businesses considering the possibility of locating in Dominica, encouraging both domestic and foreign private investment. Government policies provide liberal tax holidays, duty-free import of equipment and materials, exemption from value added tax on some capital investments, and withholding tax exemptions on dividends, interest payments and some external payments and income. Fiscal incentives are provided under various laws to encourage the establishment and expansion of both foreign and domestic investment.

All proposals for investment concessions and incentives are reviewed by the Invest Dominica Authority to ensure that the project is consistent with the national interest and provides economic benefits to the country. The Invest Dominica Authority provides 'one-stop shop facilitation' services to investors to guide them through the various stages of the investment process. Dominica encourages investment in the following sectors: hotel accommodation including eco-lodges and flagship boutique hotels; nature and adventure tourism services; fine dining restaurants; information and technology services; film, music and video production; agro-processing; manufacturing; bulk water export and bottled water operations; medical and nursing schools; health and wellness tourism; geothermal and biomass industries; biodiversity; aquaculture; and English language training services. Additional sectors may also be considered.

Foreign nationals receive the same legal protections as local citizens. The police and court systems are unbiased in commercial matters. The judicial system generally upholds the sanctity of contracts, although court proceedings can last years. Dominica has a legal system based on British common law. The judiciary is independent, and trials are generally fair. Deregulation in the telecommunications industry has facilitated market access for new competitors, although historically the industry was monopolized. There are currently three service providers: Cable and Wireless (Lime), Digicel, and Marpin Telecommunications.

Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital. There is no general limit on the amount of foreign ownership or control in the establishment of a business. If fiscal incentives are being sought, depending upon the sector, an application is filed with the Invest Dominica Authority, where a screening committee reviews the application and makes a decision on the incentive application. The decision-making process is relatively fast, with the investor receiving a notice within two to four weeks. Where the investment is less than EC\$2 million, the decision is made by a subcommittee of the cabinet called the Approval Committee. If the investment is more than EC\$2 million, the matter is submitted to the cabinet for consideration and approval. It normally takes one month for the cabinet to make a decision.

There are some special license requirements as to acquisition of land, development of buildings and expansion of existing construction, and special standards for various aspects of the tourism industry. Individuals or corporate bodies who are not citizens and who are seeking to acquire land may require a license prior to the execution of the transactions, depending upon the amount of land in question. A foreign national may hold less than one acre of land for residential purposes or less than three acres for commercial purposes without obtaining an alien landholding license; if more land is required then a license must be obtained, and the applicant must pay a fee equivalent to 10% of the market value of the land. The Tourism Act of 2005 provides for the creation of standards for the tourism sector and

the government through the Discover Dominica Authority regulates and certifies certain tourism services, such as food and hotel services, vendors, travel agents, taxi operators, hair braiders, tour operators, tour guides and water sports activities.

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(41 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	63 of 177	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	(77 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	n/a	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD 6,440	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 2. Conversion and Transfer Policies

Foreign investors in Dominica can repatriate all profits, dividends and import capital. There are no restrictions on the repatriation of dividends for totally foreign-owned firms; however a mixed foreign-domestic company may repatriate profits to the extent of its foreign participation.

As a member of the Organization of Eastern Caribbean States, there are no exchange controls in Dominica 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 authorized banks. There are no controls on transfers of funds. The Government of the Commonwealth of Dominica guarantees the free transfers of profits and repatriation of capital.

### **3. Expropriation and Compensation**

There are no known pending expropriation cases involving American citizens. In such an event, Dominica would employ a system of eminent domain to pay compensation when property needs to be acquired in the public interest. There have been no reported tendencies of the government to discriminate against U.S. investments, companies or landholdings. There are no laws forcing local ownership in specified sectors.

### **4. Dispute Settlement**

Dominica bases its legal system on the British common law system. The magistrates and the High Court administer justice in Dominica. An appeal may be taken to the Organization of Eastern Caribbean States Court of Appeal, and final appeals are taken to the Judicial Committee of the Privy Council in the United Kingdom. In January 2014, Britain gave Dominica the stamp of approval to join the Caribbean Court of Justice and to recognize it as Dominica's final court, but it must be debated and passed in Dominica's parliament for changes to be made to the Constitution of Dominica.

The United States and Dominica are both parties to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolves disputes over WTO agreements, while courts of appropriate jurisdiction in both countries resolve private disputes.

### **5. Performance Requirements and Investment Incentives**

While there are no formal performance requirements, government officials strongly encourage investments they believe will create jobs and increase exports and foreign exchange earnings. There are no requirements for participation either by nationals or by the government in foreign investment projects.

There is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the government encourages local sourcing.

In an effort to increase investment, Dominica has implemented a series of investment incentives.

The Fiscal Incentives Act provides a list of incentives including:

- Tax holiday of up to 20 years for approved hotel and resort developments
- Exemption from customs duties on material and equipment deemed necessary to establish or update an enterprise
- Withholding tax exemptions on dividends, interest payments, and other relevant external payments
- Exemption from payment of import duty on plant, machinery, equipment, spare parts, raw and packaging materials, and vehicles
- Exemption from income tax on any income accrued from a source outside Dominica to a retired person who, prior to retirement, was not resident in Dominica

- Exemption from provisions of the value added tax for capital investments for the initial investment up to commencement of taxable activities, for direct imports of approved items on the master list consigned to the approved enterprise
- Other incentives may be granted where appropriate

#### *Corporate Tax Incentives*

Under the Fiscal Incentives Act, four types of enterprise qualify for tax holidays. The length of the tax holiday for the first three depends on the amount of value added in Dominica. The fourth type, known as enclave industry, must produce goods exclusively for export outside the CARICOM region.

Enterprise	Value Added	Maximum Tax Holiday
Group I	50% or more	15 years
Group II	25% to 50 %	12 years
Group III	10% to 25%	10 years
Enclave	Enclave	15 years

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

The Hotel Aids Act provides relief from customs duties on items brought into the country for use in construction, extension and equipping of a hotel of not less than five bedrooms. In addition, the Income Tax Act provides special tax relief benefits for hotels. These provide for granting of a tax holiday for up to 20 years for approved hotel and resort developments.

The standard corporate income tax rate is 30%. There is no capital gains tax. International Business Companies are exempt from tax. Corporate tax does not apply to exempt companies or to enterprises that have been granted tax concession.

#### *Customs Allowance*

Dominica provides companies with a further tax concession effective at the end of the tax holiday period. In effect, it is a rebate of a portion of the income tax paid based on export profits as a percentage of total profits. Full exemption from import duties on parts, raw materials, and production machinery is also available.

#### *Citizenship through Investment*

Under the Economic Citizenship Program, foreign individuals can obtain citizenship in accordance with section VII of the Constitution and the 1993 Amendment to the Citizenship Act, which grants the right of citizenship (without voting rights), by investment. The minimum that would entitle an investor to qualify is US\$75,000, or US\$100,000 for a family . Applicants must also provide a full medical certificate, undergo a background check and provide evidence of the source of funds before proceeding to the final stage of an interview. The

government introduced a Citizen by Investment Certificate in order to minimize the risk of unlawful duplication.

## **6. Right to Private Ownership and Establishment**

Foreign investment in Dominica is not subject to any restrictions, and foreign investors are entitled to receive the same treatment as nationals of Dominica. The only restriction is the requirement to obtain an Alien Landholders License for foreign investors seeking to purchase property for residential or commercial purposes (more than one acre for residential purposes, or more than three acres for commercial purposes). The cost of these licenses is 10% of the value of the land or of the interest in the real estate to be purchased. Licenses are granted once properly submitted to Cabinet for consideration.

## **7. Protection of Property Rights**

Civil law protects physical property and mortgage claims. Dominica is a member of the United Nations World Intellectual Property Organization (WIPO). Article 45 of the Protocol Amending the Treaty that established CARICOM commits all 15 members to implement stronger IP protection and enforcement.

The administration of intellectual property laws in Dominica are under the responsibility of the Attorney General. The registration of patents, trademarks, and service marks is administered by the Companies and Intellectual Property Office.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Jonelle Watson WatsonJM@state.gov

## **8. Transparency of the Regulatory System**

Though Dominica has laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety; some domestic and international investors have expressed concern about the transparency of dealings with various government regulators.

The Revised Treaty of Chaguaramas provides the competition policy applicable to CARICOM States. Member States are required to establish and maintain a national competition authority for facilitating the implementation of the rules of competition. At the CARICOM level, a regional Competition Commission is established to apply the rules of competition in respect of anti-competitive cross-border business conduct. The CARICOM competition policy addresses anti-competitive business conduct, such as agreements between enterprises, decisions by associations of enterprises, and concerted practices by enterprises that have as their object or effect the prevention, restriction or distortion of competition within the Community; and actions by which an enterprise abuses its dominant position within the Community. No legislation is yet in operation to regulate competition in Dominica. The Organization of Eastern Caribbean States (OECS) has agreed to establish a regional competition body to handle competition matters within its single market. The draft OECS bill has been submitted to the Ministry of Legal Affairs for review. However, regulation

of competition in the telecommunications field is provided for under the Telecommunications Act (2000).

An external company that wishes to carry on business in Dominica must first be registered in Dominica. Registration is done at the Companies and Intellectual Property Office.

Companies using or manufacturing chemicals must obtain a license of their environmental and health practices from the Dominica Bureau of Standards and the Environmental Health Unit.

## **9. Efficient Capital Markets and Portfolio Investment**

The Eastern Caribbean Central Bank (ECCB) controls the currencies of several island states including St. Dominica.

Dominica's monetary and exchange rate policies are determined by the ECCB. The ECCB regulates domestic banks. As a member of the OECS, Dominica is a member of the Eastern Caribbean Securities Exchange and the Regional Government Securities Market. The ECSE is a regional securities market established by the Eastern Caribbean Central Bank and licensed under the Securities Act of 2001, a uniform regional body of legislation governing securities market activities to facilitate the buying and selling of financial products for the eight member territories. Dominica is a member of this stock exchange, and is open to portfolio investment.

According to the most recent data available from the government, assets of commercial banks totaled US\$656.7 million in November 2012, and remained relatively consistent throughout the year. The reserve requirement for commercial banks was 6% of deposit liabilities.

## **10. Competition from State-Owned Enterprises**

The government has somewhat reduced its direct role in the economy, including elimination of price controls and privatization of the state banana company, is ongoing in Dominica. There are a very limited number of statutory corporations (state-owned enterprises) in Dominica. Those that exist do not generally pose a threat to investors.

## **11. Corporate Social Responsibility**

In Dominica, there is an awareness of corporate social responsibility (CSR) among both producers and consumers. The private sector is involved in projects that benefit society, including in support of environmental, social and cultural causes. Individuals benefit from business sponsored initiatives when local and foreign owned enterprises pursue volunteer opportunities and make monetary or in kind donations to local causes.

The NGO community, while comparatively small, is involved in fundraising and volunteerism in gender, health, environmental and community projects. The government at times partners with non-governmental organizations (NGO) in activities. The government encourages philanthropy.

## **12. Political Violence**

Dominica does not have a history of political violence.

### **13. Corruption**

There have been widely publicized allegations against some government officials. None of those allegations have been substantiated in the courts.

Dominica has laws, regulations and penalties to combat corruption, and the government generally enforces national laws. Government agencies involved in enforcement of anti-corruption laws include the Commonwealth of Dominica Police Force, the Director of Public Prosecutions, the Financial Intelligence Unit, and the Integrity in Public Office Commission.

The country is also party to the Inter-American Convention against Corruption and Dominica acceded to the United Nations Convention against Corruption on 28 May 2010.

### **14. Bilateral Investment Agreements**

Dominica has no bilateral investment treaty with the United States. Dominica has a bilateral investment treaty with the United Kingdom and with Germany.

#### *Caribbean Community (CARICOM)*

The Treaty of Chaguaramas established CARICOM in 1973. Its purpose is to promote economic integration among its fifteen (15) Member States. Investors operating in Dominica are given preferential access to the entire CARICOM market. The Revised Treaty of Chaguaramas goes further to establish the CARICOM Single Market and Economy (CSME), by permitting the free movement of goods, capital and labor within CARICOM States.

#### *Organization of Eastern Caribbean States*

The Revised Treaty of Basseterre establishes the Organization of Eastern Caribbean States. The OECS consists of seven full Member States of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadine, plus associate members Anguilla and the British Virgin Islands. The purpose of the Treaty is to promote harmonization among Member States in areas concerning foreign policy, defense and security, and economic affairs. The six independent countries of the OECS ratified the Revised Treaty of Basseterre establishing the OECS Economic Union on January 21, 2011. The Economic Union established a single financial and economic space within which all factors of production, including goods, services and people, move without hindrance.

#### *Economic Partnership Agreement (EPA)*

The Economic Partnership Agreement (EPA) was concluded between the CARIFORUM States and the European Community and its Member States. The EPA is designed to replace the now expired transitional trade regime of the Cotonou Agreement. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM, to promote regional integration and economic cooperation and to foster the gradual integration of the CARIFORUM states into the world economy by improving their trade capacity and creating an investment-conducive environment. The Agreement promotes trade related developments in areas such as competition, intellectual property, and public procurement, the environment and protection of personal data.

#### *Caribbean Basin Initiative (CBI)*

The objective of the Caribbean Basin Initiative is to promote economic development through private sector initiative in Central America and the Caribbean islands by expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports. It permits duty free entry of products manufactured or assembled in Dominica into markets of the USA.

*Caribbean / Canada Trade Agreement (CARIBCAN)*

CARIBCAN is an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free access to its national market for the majority of products which originate in Commonwealth Caribbean countries.

**15. OPIC and Other Investment Insurance Programs**

OPIC provides financing and political risk insurance to viable private sector projects, helps U.S. businesses invest overseas, and fosters economic development in new and emerging markets.

**16. Labor**

Dominica’s minimum wage was last raised in June 2008. It varies according to the category of worker, with the lowest minimum wage set at about US\$1.50 an hour and the maximum set at around US\$2.06 an hour. The standard workweek is 40 hours for five or six days of work. The law provides overtime pay for work in excess of the standard workweek.

Dominica has a labor force of about 25,000 persons, with a literacy rate of 94%. The country’s technical and training needs are met largely by the local state college, which offer courses in skilled labor, including, plumbing, electrical engineering, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, typing and basic hotel skills. There is also a pool of professionals to draw from, in fields such as law, medicine, business, information technology and accounting. Many of the professionals in Dominica trained in the United States, Canada or the United Kingdom, where many of them gained work experience before returning to Dominica.

**17. Foreign Trade Zones/Free Ports**

There are no foreign trade zones or free ports in Dominica.

**18. Foreign Direct Investment and Foreign Portfolio Investment Statistics**

**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Eastern Caribbean Central Bank		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
<b>Economic Data</b>	Year	Amount	Year	Amount	

Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2012	495.7	2012	479.6	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source*		USG or international statistical source		USG or international  Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	n/a	n/a	n/a	n/a	(BEA) click selections to reach.  • Bureau of Economic Analysis
Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	n/a	n/a	n/a	n/a	(BEA) click selections to reach  • Bureau of Economic Analysis
Total inbound stock of FDI as % host GDP (calculate)	n/a	n/a	2012	31	<a href="http://www.eclac.org">www.eclac.org</a>

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Common law based on the English model

### International organization participation:

ACP, AOSIS, C, Caricom, CD, CDB, CELAC, Commonwealth of Nations, ECCU, FAO, G-77, IAEA, IBRD, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, ISO (subscriber), ITU, ITUC (NGOs), MIGA, NAM, OAS, OECS, OIF, OPANAL, OPCW, Petrocaribe, UN, UNCTAD, UNESCO, UNIDO, UPU, WCL, WFTU, WHO, WIPO, WMO, WTO

## Section 6 - Tax

### Exchange control

For further information - <http://dominica.gov.dm/>

### Treaty and non-treaty withholding tax rates

Dominica has signed **31 agreements** (11 DTC and 20 TIEA agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Antigua and Barbuda	DTC	6 Jul 1994	30 Nov 1994	No	No	
Australia	TIEA	31 Mar 2010	8 Dec 2011	No	Yes	
Barbados	DTC	6 Jul 1994	30 Nov 1994	No	No	
Belgium	TIEA	26 Feb 2010	not yet in force	No	Yes	
Belize	DTC	6 Jul 1994	30 Nov 1994	No	No	
Canada	TIEA	29 Jun 2010	10 Jan 2012	No	Yes	
Denmark	TIEA	19 May 2010	1 Feb 2012	No	Yes	
Faroe Islands	TIEA	19 May 2010	not yet in force	No	Yes	
Finland	TIEA	19 May 2010	not yet in force	No	Yes	
France	TIEA	24 Dec 2010	14 Dec 2011	No	Yes	
Germany	TIEA	21 Sep 2010	not yet in force	No	Yes	
Greenland	TIEA	19 May 2010	not yet in force	No	Yes	
Grenada	DTC	6 Jul 1994	30 Nov 1994	No	No	
Guyana	DTC	6 Jul 1994	30 Nov 1994	No	No	
Iceland	TIEA	19 May 2010	7 Nov 2011	No	Yes	
Ireland	TIEA	8 Jul 2013	not yet in force	Unreviewed	Yes	
Jamaica	DTC	6 Jul 1994	30 Nov 1994	No	No	
Netherlands	TIEA	11 May 2010	1 Mar 2012	No	Yes	
New Zealand	TIEA	16 Mar 2010	not yet in force	No	Yes	
Norway	TIEA	19 May 2010	22 Jan 2012	No	Yes	
Poland	TIEA	10 Jul 2012	not yet in force	No	Yes	
Portugal	TIEA	5 Oct 2010	not yet in force	No	Yes	
Saint Kitts and Nevis	DTC	6 Jul 1994	30 Nov 1994	No	No	
Saint Lucia	DTC	6 Jul 1994	30 Nov 1994	No	No	
Saint Vincent and the Grenadines	DTC	6 Jul 1994	30 Nov 1994	No	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
South Africa	TIEA	7 Feb 2012	not yet in force	No	Yes	
Sweden	TIEA	19 May 2010	not yet in force	No	Yes	
Switzerland	DTC	20 Aug 1963	1 Jan 1961	No	No	
Trinidad and Tobago	DTC	6 Jul 1994	30 Nov 1994	No	No	
United Kingdom	TIEA	31 Mar 2010	13 Dec 2011	No	Yes	
United States	TIEA	1 Oct 1987	9 May 1988	No	No	

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
International Sanctions <a href="#">UN Sanctions</a> / <a href="#">US Sanctions</a> / <a href="#">EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International)</a> <a href="#">Control of corruption (WGI)</a> <a href="#">Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Gary Youinou

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