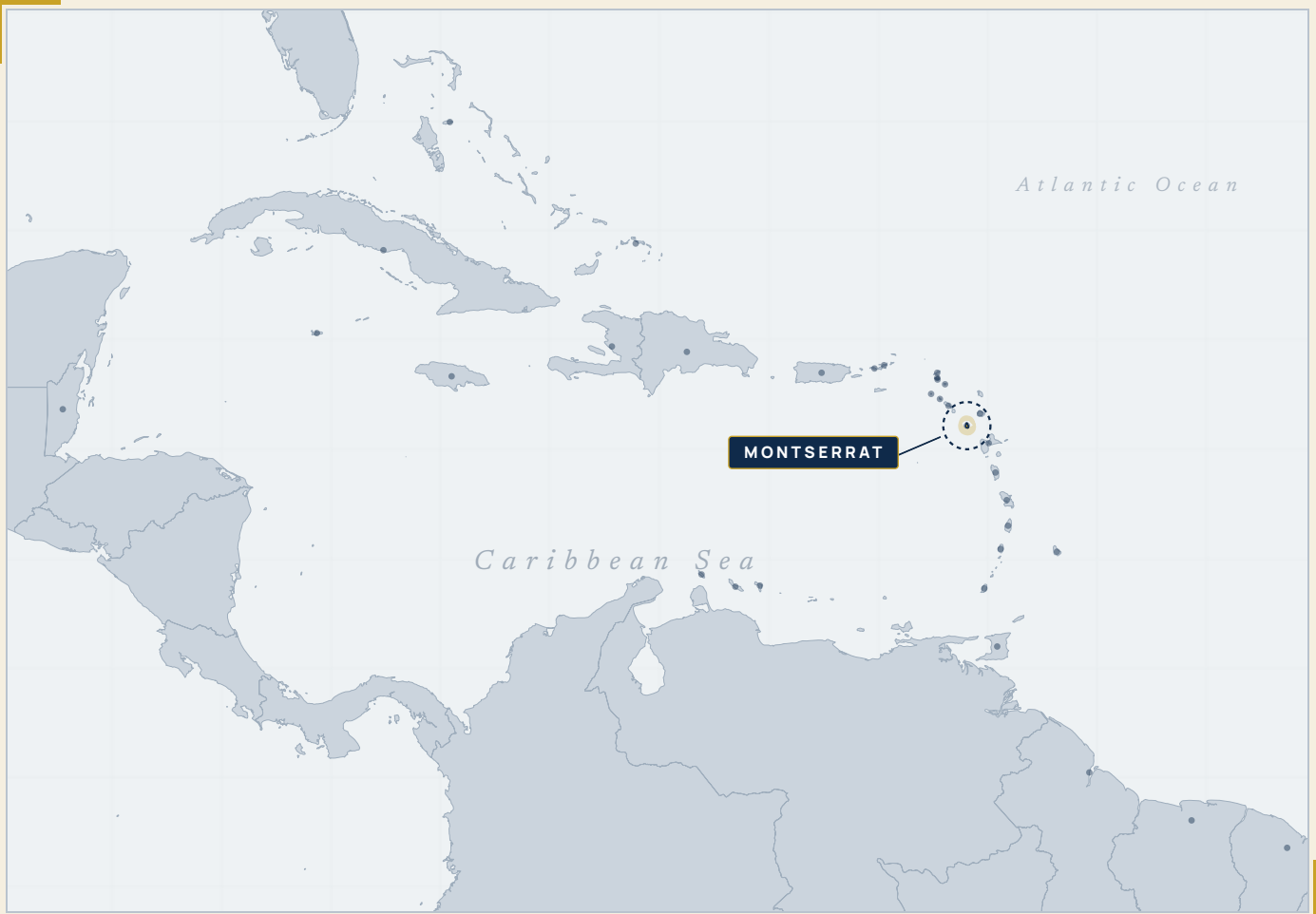




CARIBBEAN TAX SERVICE DESK · EASTERN CARIBBEAN

Montserrat

Tax Guide

A guide to corporate, personal and indirect taxes in Montserrat

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FOREWORD

Montserrat taxes income, not sales. Its tax system is compact, but customs charges, payroll contributions and land rules reach most businesses from the first day.

Montserrat levies income tax on companies at a flat 30% and on individuals at graduated rates up to 40%. There is no VAT or general sales tax: customs duty and consumption tax are charged on imports instead. Social security contributions, property tax, stamp duty and the licence needed by non-belongers to hold land complete the picture, and the Tax Administration Act 2023 now sets common rules for filing, penalties and appeals.

This guide explains the main taxes on companies and individuals in plain language, current to October 2026 and including the 2026/27 Budget, which introduced no new taxes. It is written for investors, finance teams, returning nationals and individuals with interests in Montserrat.

Tax matters are handled by Dawgen Global's Caribbean Tax Service Desk, managed from Kingston. We would be glad to help you plan, comply and resolve issues with confidence.

Dr. Dawkins Brown, Ph.D., MCMI, ACFE

Executive Chairman, Dawgen Global

How to use this guide

This guide summarises the main taxes that apply to companies and individuals in Montserrat. It is general information, current to October 2026, and is not a substitute for advice on your circumstances. Rates and rules change; speak to us before you act. Our companion Doing Business guide covers set-up, employment and regulation.

FOUNDATIONS

01 Investment basics

Montserrat uses the Eastern Caribbean dollar, has no exchange controls and follows IFRS-based reporting. Taxes are administered by the Montserrat Customs and Revenue Service (MCRS).

CORPORATE INCOME TAX**30%**

Flat rate on companies' chargeable income

PERSONAL INCOME TAX**5% to 40%**

After an XCD 18,000 personal allowance; 40% above XCD 150,000

VAT OR SALES TAX**None**

Customs duty and consumption tax on imports instead

CAPITAL GAINS**None**

Stamp duty applies to transfers of land

SOCIAL SECURITY**7% + 8%**

Employee and employer shares from 2026, up to an earnings ceiling

NON-RESIDENT PAYMENTS**Withholding**

Tax deducted at source at the rates in the Act

Currency and foreign exchange

The Eastern Caribbean dollar (XCD) has been pegged at XCD 2.70 to US\$1 since 1976. There are no exchange controls: profits, dividends and capital move freely, subject to anti-money laundering checks. Tax is assessed and paid in XCD.

Accounting and audit

Companies generally report under IFRS, or IFRS for SMEs where eligible, and larger companies may need audited accounts. Companies file an annual return with the Companies and Intellectual Property Office (CIPO), and financial statements accompany the income tax return.

Principal business entities

Private company

Public company

External company

Partnership

Sole trader

Company limited by guarantee

Companies are taxed as separate entities. Partners and sole traders are taxed personally on their share of profits.

The tax system

MCRS collects income tax, PAYE, withholding tax, property tax, stamp duty, customs duty and consumption tax. The Social Security Fund collects contributions.

BUSINESS TAX

02 Corporate taxation

Companies pay income tax at a flat 30% on income arising in Montserrat or elsewhere. Non-resident companies are taxed on profits from business carried on in Montserrat.

Residence and basis

Companies and other bodies established in Montserrat are generally treated as resident, and central management and control is also relevant. An external company or branch is taxed on its Montserrat profits at the same rate, and profits it remits abroad are subject to withholding tax.

Taxable income

- ◆ Gains or profits from trade, business, rents, interest, royalties and other annual profits
- ◆ Expenses deductible if incurred wholly and exclusively in producing income
- ◆ Capital allowances replace book depreciation
- ◆ Management charges paid to non-residents limited to 5% of other deductible expenses, unless MCRS allows more
- ◆ Payments to non-residents deductible only once the withholding tax is paid

Taxpayer	Rate
Companies, building societies and other bodies of persons	30%
External companies on Montserrat profits	30%, plus withholding on remitted profits
Approved enterprises under the Fiscal Incentives Act	Tax holiday of up to 15 years
Projects and contractors granted an exemption order	As set out in the order

Capital allowances

Asset	Allowance
Industrial buildings	Initial one-tenth of cost, plus annual wear and tear
Plant and machinery	Initial one-fifth of cost, plus annual wear and tear
Commercial buildings	5% a year for buildings completed after 31 March 2003

Minimum tax and surtax

There is no corporate surtax, minimum tax or turnover tax. A balancing adjustment applies when assets that attracted allowances are sold.

BUSINESS TAX

03 Corporate taxation (continued)

Dividends

Dividends form part of a shareholder's income under the Income and Corporation Tax Act. Dividends paid to non-residents are subject to withholding tax. Dividends paid from approved hotel profits relieved under the Act are exempt in the shareholder's hands.

Capital gains

There is no capital gains tax. Gains are taxed only where they form part of a trade.

Losses

Trading losses may be set against other income of the year and carried forward for six years. Set-off in any year is limited so that tax is not reduced below half of what would otherwise be payable. There is no carry-back.

Foreign tax credit

Relief is given under the double taxation arrangement with the United Kingdom and the Act's double taxation relief provisions. Foreign tax is not deductible except to the extent it is not otherwise relieved.

Holding companies and groups

There is no participation exemption or holding company regime. Group taxation and transfers of losses between companies are not available: each company is taxed on its own income.

Tax incentives in brief

Incentive	Main benefit
Fiscal Incentives Act	Tax holidays of up to 15 years and duty-free imports for approved manufacturing
Hotel relief	Relief for approved hotel profits, with exempt dividends
Exemption orders	Income tax and duty relief granted by order for approved projects and contractors
Concession orders	Duty and consumption tax relief for developers, home builders and returning nationals, under review
Building materials	5% customs duty and 5% consumption tax on listed materials to 31 March 2028

CROSS-BORDER PAYMENTS

04 Withholding taxes and tax treaties

Anyone making a payment to a non-resident must deduct tax at source at the rates in the Income and Corporation Tax Act and pay it to MCRS. Payments to an address outside Montserrat are presumed to be made to a non-resident.

Payment	Resident recipient	Non-resident recipient	Treaty position
Dividends	Taxed through the return	Rate in the Act	UK arrangement may reduce
Interest	Taxed through the return; government stock interest taxed at source	Rate in the Act	UK arrangement may reduce
Royalties and licence fees	Taxed through the return	Rate in the Act	UK arrangement may reduce
Management and service fees	Taxed through the return	Rate in the Act; deduction limited	UK arrangement may reduce
Branch profits	—	Withholding on profits remitted abroad	

Confirm the current rate for each payment with MCRS before paying. Where an international agreement provides a lower rate, MCRS may direct that it applies.

Double taxation arrangements

An arrangement with the United Kingdom from 1947, as amended, and a few older arrangements. Confirm with MCRS whether relief under the CARICOM double taxation agreement is available before relying on it.

Information exchange

Tax information exchange agreements signed from 2009, including with the Netherlands, and the multilateral convention on mutual administrative assistance, extended by the United Kingdom.

Practical points

Withholding tax is the payer's liability, and the deduction is denied until it is paid. Keep evidence of each recipient's residence.

INTERNATIONAL RULES

05 Anti-avoidance and international rules

Montserrat has a general anti-avoidance rule and arm's-length powers, but no thin capitalisation or CFC rules. It joined the OECD Inclusive Framework on BEPS in 2017.

Transfer pricing

There are no detailed transfer pricing documentation rules. Under the Tax Administration Act, MCRS may adjust dealings between related persons to arm's-length terms, and business arrangements between a non-resident and a connected resident may be assessed in the resident's name. Keep evidence that related-party pricing is commercial.

Interest limits

There are no thin capitalisation rules. Interest must relate to capital used in producing income, and interest paid to non-residents is deductible only once the withholding tax is paid.

CFC rules

There is no controlled foreign company regime, although resident companies are taxed on income arising elsewhere.

General anti-avoidance

MCRS may disregard artificial transactions and, where a main purpose of a scheme is a tax benefit obtained by misuse of the law, assess as if the scheme had not happened. Undistributed income of closely held companies may be treated as distributed.

Pillar Two and reporting

Montserrat has not legislated a domestic minimum tax, and country-by-country reporting has not yet been introduced. Large groups should model the effect of Montserrat incentives on their global minimum tax position.

Information exchange

- ◆ **FATCA:** Model 1 agreement with the United States
- ◆ **CRS:** automatic exchange under 2016 regulations, amended in 2025
- ◆ **Multilateral Instrument:** not signed
- ◆ **Beneficial ownership:** filed with CIPO; public register

CORPORATE COMPLIANCE

06 Compliance for corporations

Companies file an annual return of income with financial statements. The Tax Administration Act 2023 sets common rules on registration, records, penalties and disputes.

Tax year and returns

The year of assessment is the calendar year, and tax is charged on the income of the basic year before it. There are no consolidated returns: each company files its own. Each taxpayer has a taxpayer identification number and must register within 30 days of starting a taxable activity.

1

Instalments

FEB, APR, JUN

Traders pay three equal instalments based on the last tax assessed.

2

Annual return

31 MAR

Within 90 days after the end of the basic year, with financial statements.

3

Balance of tax

30 JUN

Or within the period allowed after an assessment notice, if later.

Penalties and interest

Late filing attracts a penalty based on the tax owing and the length of delay, subject to caps. Late payment attracts a 5% fee and simple interest at a rate set under the Act. Tax withheld is held in trust for the Crown.

Audits, records and rulings

Keep records in English in Montserrat for seven years. MCRS may generally assess within seven years after the tax period, or twelve years in cases of fraud or wilful neglect. MCRS issues public rulings and, on request, advance rulings on proposed transactions.

Objections and appeals

Ask MCRS in writing to reconsider a decision within 30 days. Appeal to the Commissioners within 60 days of the review decision, then on points of law to the High Court within 30 days and on to the Court of Appeal.

Practical points

Ask for any extension before the due date, reconcile payroll and withholding filings to the accounts, and answer MCRS queries in writing on time.

BEYOND INCOME TAX

07 Other taxes on corporations

Tax	Rate and base	Who pays
Social security	Employer 8% (including 1% employment injury) and employee 7% of insurable earnings, up to a ceiling set by regulation	Employer, with employee share deducted
PAYE	Income tax deducted from employees' pay and paid monthly	Employer, on employees' behalf
Property tax	Annual tax on the market value of land and buildings, at rates set by order; 5% rebate for paying by the due date	Owner on 1 January
Stamp duty	On land transfers and other instruments, at rates set by law and collected by MCRS	Usually the buyer
Alien Landholding Licence	5% of the price, or XCD 2,500 if greater	Non-belongers, including foreign-owned companies
Customs duty and consumption tax	On imports by tariff item; consumption tax also on goods made in Montserrat	Importers, manufacturers
Processing fee	5% of CIF value on imports exempted from duty or consumption tax	Importers with concessions
Capital duty	None; company registration and annual return fees apply	—
Financial services and insurance	Licence fees set by the Financial Services Commission	Licensed entities

Property tax reliefs include exemptions for new dwellings for three years and new commercial buildings for five years, and a 50% reduction for certified agricultural land. Surcharges may apply to some undeveloped residential land owned by non-Montserratians. Business taxes incurred in producing income are usually deductible.

INDIVIDUALS

08 Personal taxation

Residents pay income tax on income arising in Montserrat or elsewhere, after an annual personal allowance, at rates rising to 40%.

Basis of taxation

- ◆ **Resident:** income from Montserrat and elsewhere
- ◆ **Not ordinarily resident or not domiciled:** foreign income taxed only when received in Montserrat
- ◆ **Temporary visitors** present under six months: foreign income not taxed
- ◆ **Non-resident:** Montserrat income, with tax withheld on many payments

Residence tests

An individual is generally resident with a permanent place of abode in Montserrat and physical presence of at least 183 days in the basic year.

Filing status

Each individual files and is assessed separately.

Chargeable income (XCD)	Rate
First 18,000 (personal allowance)	0%
18,001 to 25,000	5%
25,001 to 35,000	20%
35,001 to 45,000	25%
45,001 to 150,000	30%
Above 150,000	40%

Rates and the XCD 18,000 allowance apply from year of assessment 2024.

Taxable income

Employment income including allowances and benefits, business and professional profits, rents, dividends, royalties and other annual profits. Overtime is taxed at normal rates.

Allowances

XCD 1,500 for each child, up to three, and XCD 2,400 for each incapacitated dependant, in addition to the personal allowance.

INDIVIDUALS

09 Personal taxation (continued)

Capital gains

There is no capital gains tax. Stamp duty applies when land changes hands, and non-belongers need an Alien Landholding Licence to acquire land.

Deductions and reliefs

- ◆ Life and health insurance premiums, up to XCD 4,000 a year
- ◆ Mortgage interest on a residential property, up to XCD 8,000 a year
- ◆ Social security contributions paid on one's own behalf
- ◆ Contributions for the advancement of sport and culture
- ◆ Expenses incurred wholly and exclusively in earning business income

Pensions and employment benefits

Pensions from schemes approved by the Governor and gratuities on termination of a contract of employment are exempt. Quarters, board, residence and other benefits of employment are taxable at their estimated value. Interest on individuals' savings and deposit accounts is exempt.

Tax	Position for individuals
Social security (employee)	7% of insurable earnings up to the ceiling
Social security (self-employed)	12% from 1 January 2026
Stamp duty	On land transfers and other instruments
Property tax	Annual, on land and buildings; XCD 150,000 deducted from a dwelling's value
Alien Landholding Licence	5% of the price, or XCD 2,500 if greater
Inheritance and gift tax	None
Net wealth tax	None
Capital acquisitions tax	None

Returning Montserratians may qualify for relief from duty and consumption tax on household goods, a vehicle and materials for a family home, subject to conditions.

INDIVIDUAL COMPLIANCE

10 Compliance for individuals

Most employees meet their obligations through PAYE. Individuals with business, rental or foreign income must file a return each year.

Employees and PAYE

The year of assessment is the calendar year. Employers deduct PAYE and social security contributions from pay and remit them monthly for the previous month, and file returns of employees' earnings for the previous year by 28 February. Late remittance of tax deducted attracts penalties and interest.

Self-employed and other income

When	What
February, April, June	Instalments for those carrying on a trade, based on the last tax assessed
31 March	Income tax return for the previous year
30 June	Balance of tax, or within the period allowed after an assessment notice

Late filing and payment attract penalties and interest under the Tax Administration Act.

Non-residents and expatriates

- ◆ Each taxpayer needs a taxpayer identification number from MCRS
- ◆ Pay for work done in Montserrat is taxable, whoever pays it
- ◆ Tax is withheld from many payments to non-residents
- ◆ Foreign income of those not ordinarily resident or not domiciled is taxed only when received in Montserrat
- ◆ The UK arrangement may relieve some income of UK residents
- ◆ Foreign staff need a work permit, approved by the Governor acting on Cabinet's advice

Unpaid tax

MCRS can issue a certificate of non-compliance that prevents a person with unpaid tax from leaving Montserrat until the debt is settled or secured.

INDIRECT TAXES

11 Customs duty and consumption tax

Montserrat has no VAT, GST or general sales tax, and the 2026/27 Budget introduced none. Indirect tax is raised through customs duty and consumption tax on imports.

Charge	Applies to
Customs duty	Imports, at the rate for each tariff item, following the CARICOM Common External Tariff
Consumption tax	Imports, on customs value plus duty; also goods made in Montserrat, except exports
CARICOM origin	Exempt from duty; consumption tax at 10% with a valid certificate of origin
Building materials	5% duty and 5% consumption tax, 1 September 2025 to 31 March 2028
Processing fee	5% of CIF value where an exemption is granted

Valuation

Duty is charged on customs value. From the 2025/26 Budget, the freight element used to calculate import charges was cut by half.

Registration and returns

There is no registration threshold or periodic return for a general sales tax. Importers declare goods to MCRS and pay duty and consumption tax before release.

Input tax recovery

Consumption tax is not recoverable as input tax. It forms part of the cost of goods and is generally deductible for income tax as a business expense.

Imported and digital services

Services, including digital services supplied from abroad, are not subject to a sales tax. Payments to non-resident suppliers may be subject to withholding tax.

Exemptions and concessions

Exemptions are available for listed goods and persons, approved enterprises, project orders and returning nationals. Concessions must be in place before goods arrive.

ADMINISTRATION

12 Tax calendar and administration

Main tax laws

Income and Corporation Tax Act; Tax Administration Act, 2023; Revenue Laws (Consequential Amendments) Act, 2023; Customs Duties and Consumption Tax Act; Customs (Control and Management) Act; Property Tax Act; Fiscal Incentives Act; Social Security Act; Tax Information Exchange Act; Companies Act, 2023.

Authorities

MCRS administers income tax, PAYE, property tax and stamp duty through its Inland Revenue Division, and customs duty and consumption tax through Customs. Appeals go to the Commissioners, then the High Court and Court of Appeal.

Recent and upcoming changes

- ◆ **2024:** Tax Administration Act in force from 1 January; XCD 18,000 allowance and new bands
- ◆ **2025/26:** child allowance reinstated; overtime taxed at normal rates; freight element halved; building materials relief to March 2028
- ◆ **2026/27:** no new taxes; focus on tax administration and compliance; social security reaches 7% and 8%

When	What
Monthly	PAYE and social security for the previous month; withholding tax on payments to non-residents
February, April, June	Instalments of income tax by traders
28 February	Employer returns of employees' earnings for the previous year
31 March	Income tax returns for the previous year; property tax, or two months after the demand if later
1 April	Annual return to CIPO; start of the government's financial year
30 June	Balance of income tax for the year of assessment
Each year	Renewal of licences and work permits

Dates assume a calendar year. When a due date falls on a day MCRS is closed, the next business day applies.

YOUR PARTNER

13 How Dawgen Global helps

Our Caribbean Tax Service Desk, managed from Kingston, supports companies and individuals with every Montserrat tax, from registration to dispute.

Tax compliance

Corporate and personal returns, instalments, registrations and MCRS correspondence.

Corporate tax advisory

Structuring, capital allowances, losses, dividends and transactions.

International tax and transfer pricing

Withholding tax, treaty relief, related-party pricing and information exchange.

Indirect taxes (customs and consumption tax)

Tariff classification, valuation, concessions and customs reviews.

Payroll and employment taxes

PAYE, social security, employer annual returns and benefit reviews.

Tax disputes and authority engagement

MCRS audits, reviews, appeals to the Commissioners and settlement of arrears.

Incentives and investment planning

Fiscal incentives, exemption orders, concessions and land holding licences.

Private client and expatriate tax

Residence, remittance basis, property and returning nationals.

Tax technology and reporting

Tax calendars, provisions, data and reporting processes.

Start with a conversation

Tell us about your plans or your tax question in Montserrat, and we will set out the steps and timeline for your situation. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request. Fees are tailored to each client's circumstances and set out in an engagement letter. Email montserrat@dawgen.com or info@dawgen.global, or call (876) 926-5210.

Talk to the Caribbean Tax Service Desk about Montserrat

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Key official sources

- Montserrat Customs and Revenue Service (gov.ms)
- Ministry of Finance and Economic Management (gov.ms)
- Government of Montserrat (gov.ms)
- Legislative Assembly of Montserrat (parliament.ms)
- Financial Services Commission (fscmontserrat.org)
- Companies and Intellectual Property Office (cipo.fsc.ms)
- Montserrat Social Security Fund (socialsecurity.ms)
- Eastern Caribbean Central Bank (eccb-centralbank.org)

