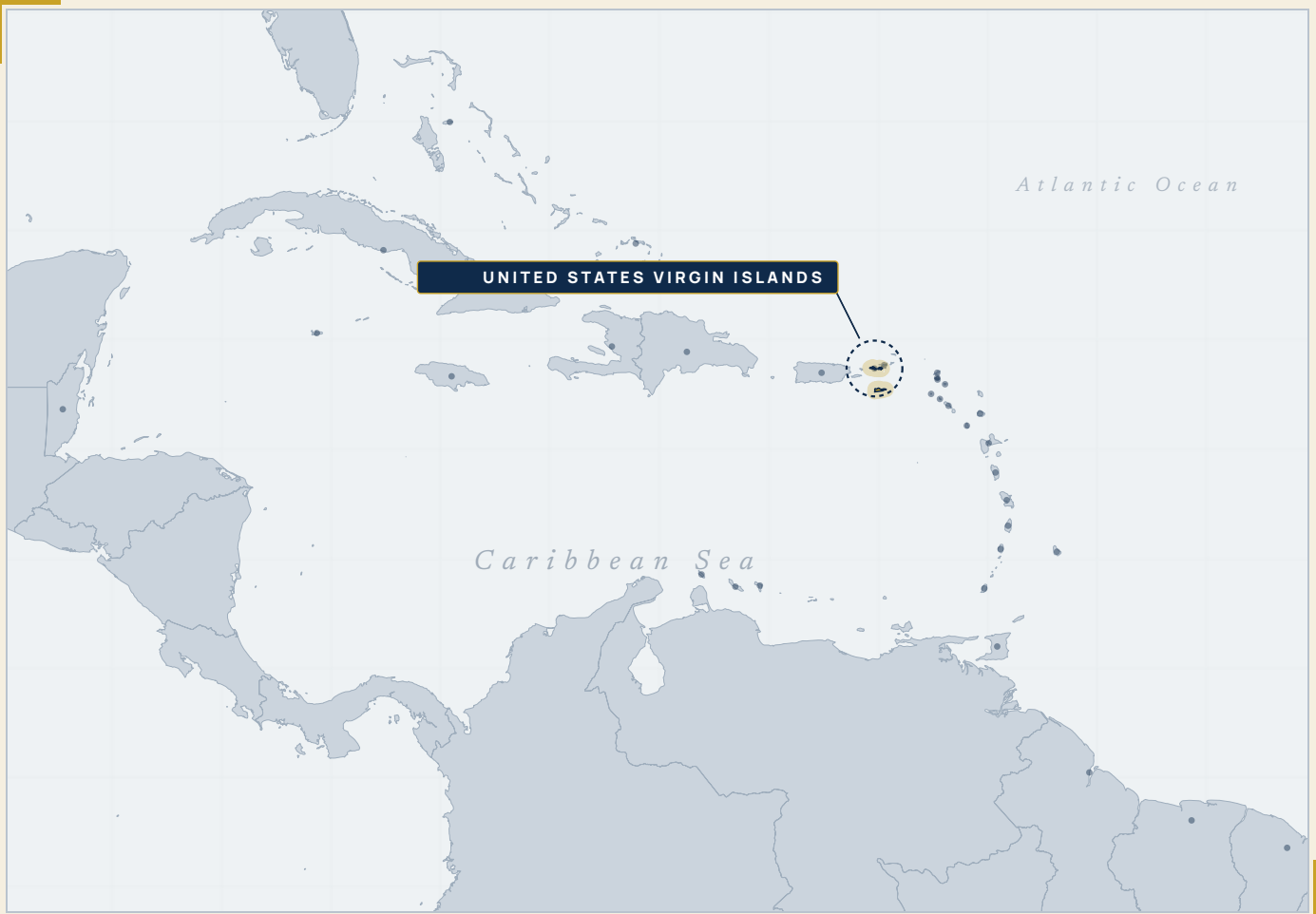




CARIBBEAN TAX SERVICE DESK · EASTERN CARIBBEAN

The United States Virgin Islands *Tax Guide*

A guide to corporate, personal and indirect taxes in the United States Virgin Islands

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FOREWORD

The United States Virgin Islands tax business and individuals under a mirror of the US Internal Revenue Code, administered locally. That makes the territory both familiar and distinctive.

Income tax follows US federal law, with the United States treated as a foreign country, a 10% surtax on corporations and generous Economic Development Commission benefits for approved businesses. Alongside it sit territory taxes on gross receipts, imported goods, hotel rooms, property and transfers of land, while Social Security and Medicare are paid to the Internal Revenue Service. Residence rules decide where an individual files, and they are strictly applied.

This guide explains the main taxes on companies and individuals in plain language, current to October 2026 and including the effect of the 2025 US federal tax legislation. It is written for investors, finance teams and individuals with interests in the territory.

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 the United States Virgin Islands. 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

The territory uses the US dollar, has no exchange controls and applies a mirror of the US Internal Revenue Code, administered by the Virgin Islands Bureau of Internal Revenue (BIR).

CORPORATE INCOME TAX**23.1% effective**

21% under the mirror code plus a 10% surtax on the tax

GROSS RECEIPTS TAX**5%**

First US\$9,000 a month excluded below US\$225,000 a year

PERSONAL INCOME TAX**10% to 37%**

Mirror of US federal brackets; no surtax for individuals

NON-RESIDENT WITHHOLDING**Generally 10%**

On territory-source passive income

EDC BENEFITS**90% credit**

Income tax credit for approved beneficiaries

VAT OR SALES TAX**None**

Excise on goods brought in; 12.5% hotel room tax

Currency and foreign exchange

The US dollar is legal tender. There are no exchange controls: profits, dividends and capital move freely, subject to Bank Secrecy Act checks.

Accounting and audit

Businesses usually prepare accounts under US GAAP. Lenders, regulators and the Economic Development Commission (EDC) may require audited financial statements, and the accounts support the income tax return.

Principal business entities

Corporation

Limited liability company

Foreign corporation or LLC

Partnership

Sole proprietor

Non-profit corporation

Corporations are taxed as separate entities. Partnerships, S corporations and LLCs taxed as partnerships pass income to their owners.

The tax system

The BIR administers income, gross receipts, excise and hotel taxes; the Office of the Lieutenant Governor, property and stamp taxes. Social Security and Medicare are paid to the IRS.

BUSINESS TAX

02 Corporate taxation

Territory corporations pay tax on worldwide income. Foreign corporations, including those formed on the US mainland, pay on territory-source and effectively connected income.

Residence and basis

Under the mirror code, "United States" is read as the Virgin Islands. A corporation organised in the territory is domestic, and the US mainland is foreign. Territory corporations file Form 1120 with the BIR; foreign corporations file Form 1120F.

Taxable income

- ◆ Ordinary and necessary business expenses are deductible
- ◆ Full expensing (100% bonus depreciation) for qualifying property acquired after 19 January 2025
- ◆ Domestic research and experimental costs deductible as incurred from 2025
- ◆ Business interest limited to 30% of adjusted taxable income
- ◆ Not deductible: fines, penalties and the 10% surtax

Taxpayer	Rate
Corporations (mirror code)	21%
Plus surtax on the tax due	10%, about 23.1% in total
EDC beneficiaries, on approved income	90% credit, about 2.31%
Enterprise zone beneficiaries	90% credit
Research and Technology Park beneficiaries	About 2.31%, initial term of 15 years
Exempt companies	Exempt, except on US-source and US business income

Surtax and minimum tax

The 10% surtax applies to the total income tax of every domestic and foreign corporation. It is paid with estimated payments, extension requests and the return, and is not deductible. The mirror code's corporate alternative minimum tax reaches only the largest groups; confirm its effect with the BIR.

A US corporation trading in the territory also files with the IRS on its worldwide income; coordination rules usually prevent double taxation.

BUSINESS TAX

03 Corporate taxation (continued)

Dividends

Dividends received by a territory corporation qualify for the mirror code's dividends-received deduction of 50%, 65% or 100%, depending on ownership. Dividends paid to non-residents are subject to withholding tax. The EDC reduction extends to dividends paid to bona fide resident shareholders.

Capital gains

Corporate capital gains are taxed at the ordinary rate plus surtax. Capital losses offset only capital gains, and may be carried back three years and forward five.

Losses

Net operating losses arising since 2018 carry forward indefinitely, but each year's deduction is limited to 80% of taxable income. There is generally no carry-back.

Foreign tax credit

Income taxes paid to the United States and other countries on non-territory income may be credited against territory tax, within the mirror code's limits.

Holding companies and groups

There is no separate holding company regime. Affiliated groups of territory corporations may generally file a consolidated return under the mirror rules.

Tax incentives in brief

Incentive	Main benefit
EDC benefits	90% income tax credit; exemption from gross receipts, excise and business property taxes; customs duty cut from 6% to 1% on raw materials
EDC terms	20 years on St Thomas and St John, 30 years on St Croix, with extensions available
EDC conditions	At least US\$100,000 invested, an EDC-set staff minimum, 80% resident staff, local purchasing and charitable giving
Enterprise zones	90% income tax credit, gross receipts and property tax relief
Technology park	EDC-style benefits for knowledge-based businesses
Film production	Tax credits and cash rebates

CROSS-BORDER PAYMENTS

04 Withholding taxes and tax treaties

Territory payers withhold tax from territory-source income paid to persons resident in neither the territory nor the United States who do not trade there, and pay it to the BIR.

Payment	Non-resident, no territory business	Paid by an EDC beneficiary	Notes
Dividends	Generally 10%	Reduced rate	90% reduction for bona fide resident shareholders
Interest	Generally 10%	Exempt	None on loans secured on territory property worth at least the loan
Royalties and other passive income	Generally 10%	10% (11% for corporations)	Reduced rate for technology park royalties
Disposal of territory real property	15% of the amount realised by a foreign person		Mirror of the US FIRPTA rules
Short visits by employees	Pay is not territory-source if up to US\$3,000 and 90 days, with conditions		Otherwise payroll withholding applies
Branch profits	Mirror code branch rules apply		Confirm the position with the BIR

Tax treaties

US tax treaties do not extend to the territory, which has no treaties or information exchange agreements of its own. Double tax relief comes from the mirror code's foreign tax credit and coordination rules.

Regional agreements

The territory is not party to the CARICOM tax agreement or any other regional tax agreement.

Coordination with the United States

Bona fide residents generally meet their US income tax obligations by filing with the BIR. US citizens and residents who are not bona fide residents but have territory income file with both, paying the territory's share using Form 8689.

INTERNATIONAL RULES

05 Anti-avoidance and international rules

Because the territory mirrors the Internal Revenue Code, US anti-avoidance rules apply with the territory treated as the home jurisdiction.

Transfer pricing

The arm's length rules of section 482 apply to transactions between related parties, including those between a territory business and its mainland or overseas affiliates. Contemporaneous documentation protects against accuracy penalties. EDC beneficiaries' pricing and sourcing of income are closely reviewed.

Interest limits

There are no separate thin capitalisation rules. Net business interest is limited to 30% of adjusted taxable income, calculated on an EBITDA basis from 2025, with an exception for small businesses.

CFC rules

The mirror of the US subpart F and net CFC tested income rules can tax territory shareholders on income of controlled corporations formed elsewhere.

General anti-avoidance

The economic substance doctrine and its penalties apply. Transactions without a real business purpose may be disregarded.

Economic substance

There is no separate economic substance regime. The residence and sourcing rules of section 937 and the EDC conditions require genuine presence and activity in the territory.

Pillar Two

The territory has not enacted a domestic minimum top-up tax. Groups with low-taxed EDC income should assess whether other countries' minimum tax rules reach it.

Information exchange and disclosure

- ◆ **FATCA:** territory financial institutions follow special US rules
- ◆ **CRS:** the territory does not participate
- ◆ **Reportable transactions:** disclosed under the mirror rules
- ◆ **Beneficial ownership:** US federal reporting rules apply

CORPORATE COMPLIANCE

06 Compliance for corporations

Corporations self-assess under the mirror code and file with the BIR, following US forms and deadlines.

Tax year and returns

A corporation may use the calendar year or a fiscal year. Affiliated territory corporations may file a consolidated return. The surtax is paid with each instalment and the return.

1

Estimated payments

A quarter of the year's estimated tax and surtax each time.

15 APR, JUN, SEP,
DEC

2

Annual return and balance

Form 1120 or 1120F, by the 15th day of the fourth month after year-end.

15 APR

3

Extended return

A six-month extension to file; tax is still due on the original date.

15 OCT

Penalties and interest

Penalties follow the mirror code: late filing up to 25% of the unpaid tax, a separate late payment penalty, and a charge for underpaid estimates. Interest runs on unpaid tax from the due date.

Audits, records and rulings

The BIR may generally assess within three years of filing, six for a substantial omission of income, and at any time for fraud or a missing return. Keep records for at least that long. Written guidance can be sought from the BIR.

Objections and appeals

Disputes start with the BIR's administrative review. The District Court of the Virgin Islands has jurisdiction over income tax proceedings, with appeal to the US Court of Appeals for the Third Circuit.

Practical points

Hand-file returns where possible and keep a stamped copy. Keep the BIR tax clearance letter current, since it is needed for business licences and government work. Reconcile gross receipts, payroll and withholding filings to the accounts before the annual return.

BEYOND INCOME TAX

07 Other taxes on corporations

Tax	Rate and base	Who pays
Gross receipts tax	5% of gross receipts, no deductions; first US\$9,000 a month excluded below US\$225,000 a year	Businesses
Excise tax	2% to 25% of invoice value plus 5% on goods brought in; specific rates on alcohol and tobacco	Importers
Hotel room tax	12.5% of room charges for stays under 90 days, including short-term rentals	Hotels and lessors
Property tax	Annual, on assessed value, at rates set by property class	Owners of real property
Stamp tax	2% to 3.5% of the value of real property transferred	Parties to the transfer
Franchise tax	Greater of US\$300 or 0.15% of capital used in the territory; cap US\$150,000 for corporations, none for LLCs	Corporations, LLCs
Partnership fee	US\$150 a year	Partnerships
Customs duty	6% on goods not made in the United States	Importers
Social Security and Medicare	6.2% to US\$184,500 (2026) and 1.45% of all wages, paid to the IRS	Employer
Unemployment insurance	VI rate set by experience on the first US\$32,100 (2026); federal FUTA	Employer
Capital duty	None	—

Workers' compensation cover is compulsory. Gross receipts, property and franchise taxes incurred in the business are generally deductible for income tax.

INDIVIDUALS

08 Personal taxation

Bona fide residents file with the BIR on worldwide income. Where others file depends on their citizenship and the source of their income.

Basis of taxation

- ◆ **Bona fide residents:** file with the BIR only, on worldwide income
- ◆ **US citizens and residents living elsewhere:** file with the IRS and the BIR if they have territory income, allocating tax on Form 8689
- ◆ **Other non-residents:** taxed on territory-source and connected income

Residence tests

A bona fide resident is usually present for at least 183 days in the year, or 549 days over three years with 60 in each. They must also have no tax home outside the territory and no closer connection elsewhere. Anyone with over US\$75,000 of gross income who becomes or stops being resident files Form 8898 with the IRS.

Filing status

US filing statuses apply: single, married filing jointly or separately, and head of household.

Rate (2026)	Single, over	Married jointly, over
10%	US\$0	US\$0
12%	US\$12,400	US\$24,800
22%	US\$50,400	US\$100,800
24%	US\$105,700	US\$211,400
32%	US\$201,775	US\$403,550
35%	US\$256,225	US\$512,450
37%	US\$640,600	US\$768,700

The rates were made permanent by the 2025 federal act. The corporate surtax does not apply to individuals.

Taxable income and allowances

Wages, business profits, rents, interest, dividends and gains are taxable. The 2026 standard deduction is US\$16,100 for single filers and US\$32,200 for married couples filing jointly; itemised deductions may be claimed instead.

INDIVIDUALS

09 Personal taxation (continued)

Capital gains

Long-term gains and qualified dividends are taxed at 0%, 15% or 20%; short-term gains as ordinary income. Gains that accrued before a person became a bona fide resident may stay subject to US tax under special rules.

Deductions and reliefs

- ◆ Home mortgage interest and charitable gifts, if itemising
- ◆ Temporary deductions for qualified tips and overtime pay, 2025 to 2028
- ◆ Retirement plan and IRA contributions, within US limits
- ◆ EDC owners who are bona fide residents: 90% reduction on EDC dividends and distributions; salaries fully taxable

Employment benefits

Benefits in kind are taxable unless a mirror code exclusion applies, such as qualifying health cover, retirement contributions and some fringe benefits.

Tax	Position for individuals
Social Security (employee)	6.2% of wages up to US\$184,500 (2026)
Medicare (employee)	1.45%, plus 0.9% on wages above US\$200,000
Self-employment tax	15.3% on net earnings, paid to the IRS
Net investment income tax	Application to bona fide residents is contested; take advice
Stamp tax	2% to 3.5% on transfers of real property
Property tax	Annual charge on assessed value
Estate and gift tax	US federal rules, with special rules for people whose citizenship derives from the territory
Net wealth tax	None
Capital acquisitions tax	None

INDIVIDUAL COMPLIANCE

10 Compliance for individuals

Employers withhold income tax for the BIR and Social Security and Medicare for the IRS. Individuals file annual returns on US forms.

Employees and withholding

The tax year is the calendar year. Employers withhold income tax under US withholding tables and deposit it with the BIR, filing Form 941VI by the end of the month after each quarter. Social Security and Medicare go to the IRS on Form 941. Forms W-2VI go to employees and the BIR by 31 January.

Returns and payments

When	What
15 April	Form 1040 for the prior year and any balance; first estimated payment
15 June, 15 September, 15 January	Further estimated payments
15 October	Extended return, if an extension was filed

An extension gives more time to file, not to pay. Penalties and interest follow the mirror code.

Non-residents and expatriates

- ◆ Each individual needs a Social Security number or individual taxpayer identification number
- ◆ Claims of bona fide residence are closely examined by the BIR and the IRS
- ◆ Form 8898 is due in the year residence starts or ends, where required
- ◆ Short visits of up to 90 days with pay up to US\$3,000 may fall outside territory tax
- ◆ Self-employed people pay self-employment tax to the IRS
- ◆ Foreign nationals need US visas or other authorisation to work

Tax clearance letter

Individuals and businesses may need a BIR tax clearance letter to obtain business licences, permits and government contracts.

INDIRECT TAXES

11 Gross receipts, excise and customs

There is no VAT or general sales tax. Indirect taxes are a gross receipts tax on turnover, excise on goods brought in, a hotel room tax and customs duty.

Tax	Rate and scope
Gross receipts tax	5% of gross receipts, with no deductions
Small business exclusion	Below US\$225,000 a year, first US\$9,000 a month excluded; unused amounts do not carry over
Excise tax	2% (clothing, medicines) to 25% (cigarettes), on invoice value plus 5%
Hotel room tax	12.5% of room charges for stays under 90 days
Customs duty	6% on non-US goods; 1% on EDC raw materials; US-made goods exempt

No input tax recovery

Gross receipts tax falls on turnover, and excise is a cost of the goods. There is no credit mechanism, so these taxes accumulate along the supply chain.

Imported and digital services

There is no specific regime for imported or digital services. Gross receipts tax applies to business carried on in the territory; remote suppliers should confirm their position with the BIR.

Customs and excise

The territory is outside the US customs area. US Customs and Border Protection operates the ports of entry, and the BIR collects excise before goods are released.

Registration and returns

Businesses register with the BIR. Gross receipts and hotel taxes are reported monthly, within 30 days of the month end. Businesses below US\$225,000 file an annual return by 30 January.

Rum cover-over

The United States returns to the territory federal excise collected on rum brought into the United States. The 2025 federal act made the US\$13.25 per proof gallon rate permanent, supporting public finances and the rum industry.

ADMINISTRATION

12 Tax calendar and administration

Main tax laws

The mirror Internal Revenue Code, applied under the Naval Service Appropriations Act 1921 and the Revised Organic Act 1954; Title 33 of the Virgin Islands Code (taxation and finance); the EDC provisions of Title 29; and Title 13 on corporations and franchise tax.

Authorities

The BIR administers income, gross receipts, excise and hotel taxes; the Office of the Lieutenant Governor, property and stamp taxes; the Economic Development Authority, EDC benefits; and the IRS, federal payroll taxes. Income tax cases go to the District Court of the Virgin Islands.

Recent and upcoming changes

- ◆ **2025:** federal act flows through the mirror code: permanent rates, full expensing, research costs, tips and overtime deductions; rum cover-over made permanent
- ◆ **2025/26:** 90-day amnesty on penalties and interest for overdue taxes, ended 17 February 2026
- ◆ **Ahead:** proposals to raise the room tax on short-term rentals; further federal changes

When	What
Within 30 days of month end	Gross receipts tax; hotel room tax
15 January	Final estimated payment for individuals
30 January	Annual gross receipts return for small businesses
31 January	Forms W-2VI to employees and the BIR
15 April	Corporate and individual returns; first estimated payments
15 June, 15 September	Estimated payments
30 June	Annual report and franchise tax
Month after each quarter	Forms 941VI and 941; unemployment insurance report
15 October	Extended returns
15 December	Final corporate estimated payment

Dates assume a calendar year. Property tax is billed annually by the Office of the Lieutenant Governor, with the due date on the bill.

YOUR PARTNER

13 How Dawgen Global helps

Our Caribbean Tax Service Desk, managed from Kingston, supports companies and individuals with every tax in the United States Virgin Islands, from registration to dispute.

Tax compliance

Corporate and personal returns, estimated tax, surtax and tax clearance letters.

Corporate tax advisory

Structuring, entity classification, depreciation, losses and transactions.

International tax and transfer pricing

Mirror code coordination, sourcing, withholding and documentation.

Indirect taxes (gross receipts and customs)

Gross receipts, excise and hotel taxes, and customs reviews.

Payroll and employment taxes

Withholding, Social Security, Medicare, unemployment insurance and W-2VI.

Tax disputes and authority engagement

BIR examinations, objections, penalty relief and settlement of arrears.

Incentives and investment planning

EDC, enterprise zone and technology park applications and compliance.

Private client and expatriate tax

Bona fide residence, Forms 8689 and 8898, property and assignees.

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 the United States Virgin Islands, 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 usvirginislands@dawgen.com or info@dawgen.global, or call (876) 926-5210.

Talk to the Caribbean Tax Service Desk about the United States Virgin Islands

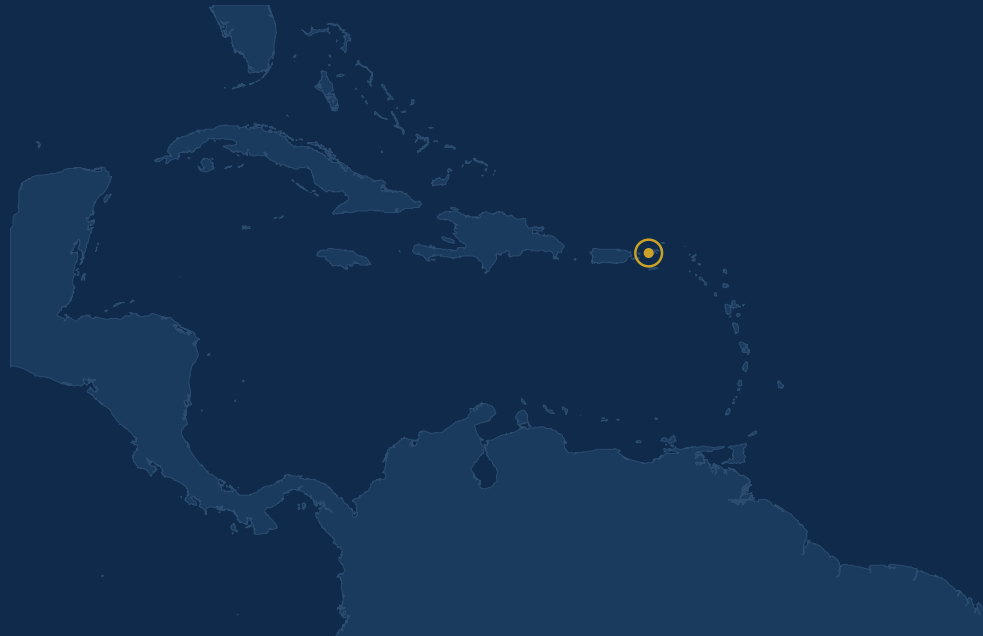
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Key official sources

- Virgin Islands Bureau of Internal Revenue (bir.vi.gov)
- Office of the Lieutenant Governor (ltg.gov.vi)
- Division of Corporations and Trademarks (corporationsandtrademarks.vi.gov)
- Virgin Islands Economic Development Authority (usvieda.org)
- Virgin Islands Department of Labor (vidol.gov)
- Legislature of the Virgin Islands (legvi.org)
- US Internal Revenue Service (irs.gov)
- US Customs and Border Protection (cbp.gov)



This publication contains general information only, current to October 2026, and is not professional advice. Tax rates, thresholds, incentive conditions and procedures change frequently, and US federal changes flow through to the territory's mirror code; confirm the current position with Dawgen Global or the Virgin Islands Bureau of Internal Revenue before acting. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request.

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