

Bill to Close Gross Receipt Tax Loophole for Off-Island Contractors Unanimously Supported in Senate

Bill 36-0063, sponsored by Senator Clifford Joseph, clarifies that all contractors working in the USVI, including those based off-island, must pay gross receipts tax. Lawmakers and officials say the measure could prevent millions in lost revenue.

Disaster Recovery / **Published On April 22, 2025 06:01 AM /**

Nelcia Charlemagne **April 22, 2025**

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Proposed legislation to close a loophole relating to the collection of gross receipts taxes on disaster recovery projects breezed through the Committee on Economic Development and Agriculture last week.

Bill 36-0063, sponsored by Senator Clifford Joseph, seeks to amend the relevant sections of Virgin Islands Code to “clarify that gross receipts taxes must be paid by all contractors doing

business in the Virgin Islands, regardless of physical location.”

Introducing the draft legislation on April 16, Joseph announced that “the measure tightens up the code so that, moving forward, all businesses doing work in the territory pay their fair share. We must collect all monies due to the government,” he urged. According to the lawmaker, the current language in the law allows contractors operating outside of the U.S. Virgin Islands to avoid paying the 5% gross receipt tax (GRT).

“We are rebuilding after the hurricanes, and there are millions of dollars, potentially, that would be lost if we do not make clear the responsibility that gross receipt taxes must be paid,” Joseph stated.



Senator Clifford Joseph (Credit: V.I. Legislature)

His bill has received the rubber stamp from the government’s financial team. Present to testify was Joel Lee, director of the Bureau of Internal Revenue. The proposed amendments, he said, will close any gaps in the law as written. “Excise and gross receipt taxes apply to all types of entities that perform business activities in the Virgin Islands, even if the entities are created, formed, managed, or even headquartered outside of the USVI,” Mr. Lee explained. Ensuring that the law is clearly interpreted “would prove useful, especially for those entities that are formed outside of the USVI that come to the USVI for economic gain.”

The amendment specifically targets contractors working on disaster recovery projects. Several engineering and architectural firms contracted by the government were formed and operate outside the territory.

The bill also received support from Office of Management & Budget Director Julio Rhymer. He lamented that the law, as written, is disadvantageous. “How the actual code reads, once they actually do services outside the territory, they’re exempt from the tax,” he noted. “We don’t get to proceed unless we change this loophole,” he said.

Lawmakers found little to no fault with the proposed legislation. “We need to get our fair share. It shouldn’t be leaving,” remarked Senator Avery Lewis. Senator Novelle Francis, too, commended the bill’s sponsor. “This [is a] critical loophole that has been plaguing us for quite some time. We perhaps have lost millions and millions of dollars already,” he noted.

Bill 36-0063, unanimously approved by all present committee members, will be heard once more in an upcoming meeting of the Committee on Rules and Judiciary.

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