

The Virgin Islands Consortium

Shop Online? Get Ready To Pay Gross Receipt Tax On Goods Purchased Over Internet

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ST. CROIX -- As the government struggles to find ways to eliminate its structural deficit -- under pressure from the bond market which is refusing the territory's bonds -- Governor Kenneth Mapp, making the case for why his five-year economic growth plan, or something similar, needed to be immediately enacted into law, spoke of the type of taxes included in his measure that would generate funds to curtail the government's structural deficit, and bolster the bond market's confidence in the territory's ability to meet its covenants.

Most would be the so-called "sin" taxes, to include tobacco and rum products. But there are other taxes as well, including taxes on timeshare unit owners and, as made known

this morning by the governor during a press conference held at Government House here, gross receipt taxes on products purchased over the internet.

According to Dept. of Finance Commissioner and Public Finance Authority Executive Director Valdamier Collens, the taxes on products purchased over the internet -- whether from Amazon, Walmart or other U.S. retail outlets -- would be 5 percent, and would generate about \$3 to \$5 million annually for the government. Mr. Mapp said companies such as Amazon and Walmart have systems that track sales and could provide the government with realtime details relative to products purchased over the internet by Virgin Islanders. Mr. Mapp said the 5 percent tax would also encourage residents to buy local.

Altogether, the Mapp administration believes that the five-year plan will be enough to eliminate the government's structural deficit -- as requested by the bond market -- which comes to over \$100 million annually.

Refusal to pass the measure or failure to replace it with something comparable would mean "the curtailing of hours, it would mean furloughing employees, it would mean cutting services, in some areas completely to a halt — it would mean closing offices of the Government of the Virgin Islands in some areas. It would be a drastic impact to the operations of the Government of the Virgin Islands," Mr. Mapp said.

The governor said he did not believe that the Senate would fail to act on the measure, but he could not say for sure what it would do. He expressed hope, however, going based on his experience with the 31st Legislature — a body that for the most part worked well with Mr. Mapp — that the 32nd body would also be willing to meet the challenges facing the territory head on.

Mr. Mapp stressed that the Virgin Islands economy is on an upswing, citing data provided by the U.S. Bureau of Economic Analysis, which showed in its latest report that the territory's [gross domestic product had inched up by 0.2 percent](#) for the first time in five years.

The governor said his five-year plan had been approved by the bond market, and contended that once it was signed into law, not only would the territory be able to access the market for funds, it would also receive better interest rates than what is currently being proposed, which is unfavorable to the USVI because the territory's bonds are currently rated as junk. And he stressed that his administration had no desire to tax residents further on goods needed for everyday living.

"We're saying rum and tobacco and timeshare fees, levelized property tax obligations and sugar tax and the curtailment of government expenses," said the governor, referring to the "sin" taxes that would generate enough funds to meet the government's structural deficit.

Once the measure is signed into law, its implementation would begin this fiscal year, the governor said. And while the government may need to access the bond market for operation funds at least one more time before the five-year plan kicks in fully, Mr. Mapp said the market would have already favored the territory's bonds because of the steps taken to eliminate the structural deficit.

Whether the Senate heed the governor's urgent warning remains to be seen. The government can comfortably make payroll for its employees this month, but that will change next month if the measure, or one similar is not signed into law, and paying employees becomes virtually impossible, according to Mr. Mapp, in March and beyond, if the bond market continues to refuse the territory's bonds because of the inaction of the territory's leaders.

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