


DIRECT DOMESTIC INVESTMENT POLICY





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1. Background


Direct Domestic Investment (DDI) as defined in the National Investment Policy 2023 is a category of investment made by a resident entity in an economy (direct investor) with the objective of establishing a lasting interest in an enterprise resident in that economy.

Direct domestic investments play a crucial role in the economic development of a country. They stimulate job creation, increase production and productivity, promote innovation, and contribute to the creation of a middle class and growing purchasing power. This improves the living conditions of citizens and reduces poverty. The impact of these investments helps to identify priority sectors where local investment should be encouraged, as well as the program measures needed to promote an investment-friendly environment.

Investment incentives currently favor foreign direct investment (FDI) investors, leading to disproportionate benefits for them. Consequently, there is a pressing need for the establishment of a distinct investment framework that prioritizes domestic investment. Such a regime would stimulate the growth of local businesses and expand the pool of beneficiaries of TCIG incentives and concessions. It is imperative to streamline the application process for these incentives, ensure their value is competitive, and minimize the time required to access these benefits. These measures are essential to incentivize greater participation and uptake among domestic investors.

The vision of the Direct Domestic Investment Policy is to further enhance Invest Turks and Caicos Agency ability to provide incentives and support that enables Turks and Caicos Islanders businesses to adopt more efficient and innovative practices, which improves their competitiveness and long-term success. The intention of the DDI Policy is not to increase the concessions offered beyond what is applicable per the Investment Policy.

The Investment Policy 23's primary goal is to help achieve a high quality of life for all citizens, residents, and future generations of these islands. The goals of the DDI Policy align closely with those of the Investment Policy, but it extends its vision further by aiming to establish a more streamlined and direct pathway for local investments to access incentives per the Encouragement for Development (Amendment) Ordinance 2014 and to convey the message that investment incentives are not restricted to FDI investors. The incentives within the DDI are exclusively reserved for participation by Heritage Turks and Caicos Islanders.



The Encouragement of Development Ordinance provides for any enterprise to be declared a development enterprise if, the Governor is satisfied that:

- It is either a new enterprise or the substantial expansion of an existing enterprise
- It will have a beneficial effect on employment and the economy of the islands and
- It is expedient in the public interest to do so

Since the inception of the Agency in 2015, the number of domestic enterprises that are Turks and Caicos Islander owned to benefit from incentives under the Ordinance have been less than 10%.

Overall, the global trend with incentivizing direct domestic investments reflects a concerted effort by governments to create conducive environments that stimulate economic activity, foster entrepreneurship, and drive inclusive growth. However, the specific strategies and approaches adopted vary widely depending on local contexts and priorities. While the MSME program offers incentives to small businesses, these incentives primarily target start-ups and smaller local businesses.

The direct domestic investment policy as an addendum to the Investment Policy is important to level the playing field for local investors who are already operating within the economy or for new entrants who are considering entering the market. The accompanying benefits are also important for the survival of local businesses and governments are to ensure that no player has an added advantage because of their size or lack of access to capital.

2. Incentives

Section 4 of the existing National Investment Policy 2023 provides for investment incentives and considerations. Schedule B outlines the criteria used to determine the extent of concessions to be awarded.

- 4.1 Import Duty Exemption up to 100%
- 4.2 Stamp Duty Exemption up to 100%
- 4.3 Share Transfer Duty Exemption up to 50%

- 4.4 Labor Protocol Document to obtain work permits for personnel under the authority of a Labor Protocol Document (LPD) concluded as part of the Development agreement.
- 4.6 Equilibrium Clause to offer protection from the enactment of any new law, regulation or policy enacted by Government of the Turks and Caicos Islands which has a material and adverse effect on the development.
- 4.8 Additional Priority Sector Incentives for projects that are in key sectors and/or locations, in addition to incentives per island:
 - Expedited work permits and licenses
 - Training subsidies
 - Exemption from license and/or permit fees where applicable per the relevant Ordinance.
- 4.9 Housing Provisions for housing projects that are majority owned by Turks and Caicos Islander may be entitled to standard concessions per the Investment Policy.

Section 4.7 also provides for additional incentives for Turks and Caicos Islanders:

- i. Projects that are 100% Turks and Caicos Islander owned will be eligible for the following benefits, provided that the investment is retained for not less than 10 years, otherwise subject to repayment of exemptions:
 - Up to 100% exemption on import customs duty and stamp duty on the initial purchase of land.
 - Expedited work permits and licenses, reduced fees on work permits for senior managers, exemption from license and/or permit fees where applicable per the relevant Ordinance. Ordinance.
- ii. 100% import duty exemption on 'capital investment' on business owned by Turks and Caicos Islanders in the following categories: specialty schools, agriculture, aqua-culture and fishing.
 - a. List of specialty areas for consideration are:
 - i) Education schools/programs focused on: medicine, marine biology, hospitality, business, and technical vocational training.
 - ii) Tourism & Hospitality: Ecotourism and cultural tourism

3. Eligibility Criteria

To qualify for this policy, the applicant must meet the following eligibility criteria:

- i. Must be a Turks and Caicos Islander 2 owned entity.
- ii. Must be an entity incorporated in the Turks and Caicos Islands
- iii. Must have a valid business license.
- iv. Must present a business plan
- v. Must have a minimum level of investment value of not less than \$2.5m, otherwise eligibility maybe considered under the MSME program.
- vi. Restaurants registered for HRTT may be considered eligible.
- vii. Must meet the requirements for a heritage Turks and Caicos Islander per Schedule A attached.

4. Non- Eligible Entities

The following entities are NOT eligible under the direct domestic investment framework namely:

- i. Entities partially owned by Turks and Caicos Islanders
- ii. Entities without relevant business license and incorporation documents.
- iii. Entities eligible under the MSME programme
- iv. Entities currently receiving concessions through an existing TCIG incentive programme
- v. Entities that are not in “Good Standing 3 ” with the TCI Government.
- vi. Entities /projects that are not approved by Planning Department.
- vii. Retail outlets and restaurants not registered for HRTT
- viii. Developments where land sales contracts are separate from the building contract, except for residential developments that may not qualify under the Housing Policy.

5. Eligible Expenditures

The following are the types of expenditures eligible to claim the duty exemption, namely:

- i. Construction materials defined under Generally Accepted Accounting Principles (GAAP) that are required to alter or renovate or upgrade the facilities. This can consist of projects for establishment, renovation or expansion.
- ii. Furnishings, fixtures and fittings defined under GAAP required for the project.

6. Other Policy Conditions

- i. A business license must be retained, and the entity must become operational within the period per the Development Agreement.
- ii. The concession period must not exceed the construction or installation period or extend beyond a 5yr period; whichever is earlier.
- iii. Refunds for expenditure will not be considered unless the expenditure was incurred post the approval date.

7. Application Process

The DDI policy application forms must be completed and submitted through Invest TCI's online platform. Invest Turks and Caicos will review and based on an internal checklist, make recommendations to Cabinet for approval. Feedback will be provided on incomplete applications and allowed for resubmission.

If the project has been previously approved for a Development Agreement and/or Development Order, the proponent should provide a copy of the Development Order.

- i. Submit completed forms detailing investment incentives being sought along with supporting documents to Invest Turks and Caicos.
- ii. Invest TCI will process the application and submit the same to for a determination.
- iii. A site visit / inspection may be required.

² Applicants must be a valid Turks and Caicos Islander status card holder.

³ In good standing means the entity should not have any outstanding liabilities to TCIG and/or its SBs. The entity should not have any pending litigation with TCIG. Invest Turks and Caicos will be guided by its due diligence policy.

iv. Depending on the nature of the proposed business activity, the relevant Government department or Agency would be consulted for input:

- Planning
- DECR
- AGC
- Ministry of Housing
- Or any other relevant government department per Section I of the Investment Policy.

v. Once a determination has been made, Invest TCI will communicate to the applicant in writing.

vi. Within two weeks Invest TCI will either notify the applicant, in writing, of its recommendation to progress to Cabinet, or request that additional information be submitted. Once the review is complete Invest TCI will prepare a Cabinet paper for submission. Once Cabinet provides approval, the proponent will be notified and provided with a Development Order in the prescribed form for execution. Estimated time for completion would be eight weeks.

8. Application Form(s)

1. DDI Personal History Form
2. DDI Application Form

9. Supporting Documents

- Business plan
- Copy of valid Passport
- Proof of status
- Valid Police record
- Valid Business License
- Proof of financial capability from a reputable financial institution
- Proposed site plans for development

10. Timeline

A determination is communicated within 60 days following the submission of a completed application and supporting documents.

11. Monitoring

- i. Concessions would be monitored through:
 - a. Audits: Conduct annual audits of the concessionaire's operations to verify compliance with contractual obligations, financial transparency, and adherence to regulations.
 - b. Site Inspections: Conduct annual on-site inspections to assess the quality of services provided, cleanliness, safety standards, and overall adherence to operational guidelines.

- ii. Managing the asset:
 - a. The asset must be held for a minimum of 10 years without transferring the assets or more than majority share ownership. The entity must be operational during this period.
 - b. The DA outlines a process for transferring shares, assets etc. It must only be done with the consent of TCIG otherwise it would be considered a breach.

12. Evaluation

The policy will be reviewed and evaluated bi-annually to gain comprehensive insights into the effectiveness and impact of the program. This will enable informed decisions for adjustments as necessary.

A Cost-Benefit Analysis will be conducted annually to evaluate the costs and benefits of implementing the policy compared to the expected outcomes and benefits it provides. Compliance Monitoring will also be carried out to ensure that beneficiaries adhere to its regulations and requirements.

13. Risks

Implementing a new policy involves various potential risks that can impede achieving its objectives and impact its success. Potential risks include operational issues like resource shortages and inefficient processes, legal and regulatory compliance issues with beneficiaries are possible, communication breakdowns with stakeholders as well as dependency risks on stakeholders are all risks factors. There also exists the inherent risk that beneficiaries may not utilize the program benefits in the manner intended. Mitigation strategies will be considered and implemented to reduce policy risks and ensure program success.

Schedule A

A Heritage Turks and Caicos Islander is defined as a Turks and Caicos Islander who meets one of the following criteria:

- Holds a valid Turks and Caicos Islander status card.
- Can demonstrate lineage to a parent or grandparent who held Turks and Caicos Islander status prior to the enactment of the Turks and Caicos Islands 1976 constitution.
- Can establish direct parent or grandparent lineage spanning three generations of Turks and Caicos Islanders.