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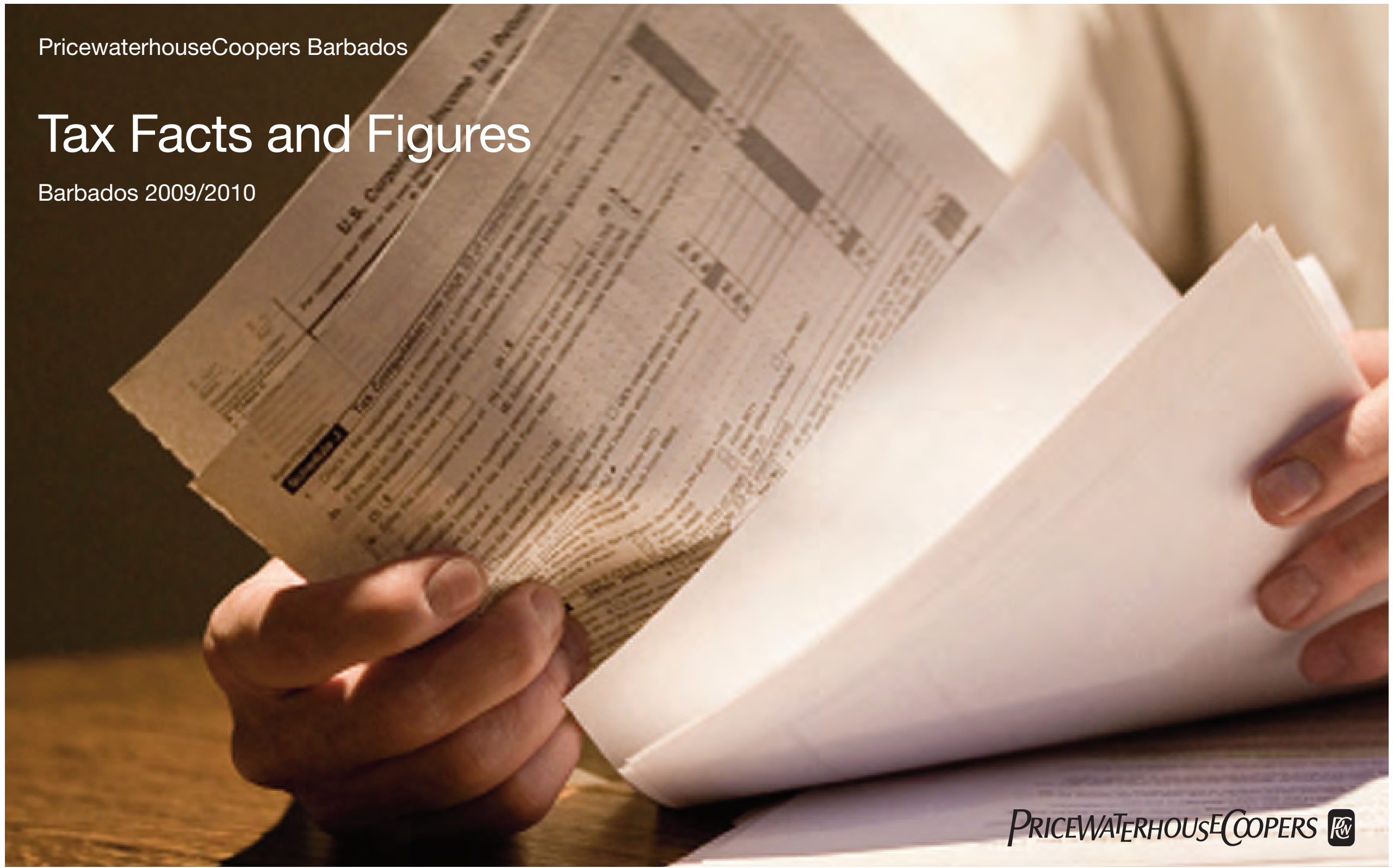
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PricewaterhouseCoopers Barbados

# Tax Facts and Figures

Barbados 2009/2010





# Foreword

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This edition of Tax Facts and Figures gives a synopsis of some information on direct and indirect taxes applicable to Barbados for income year 2009/2010. We have also included a summary of contributions due to be made by employers, employees and the self-employed to the National Insurance Scheme. All amounts are in Barbados dollars. Currently the Barbados dollar is pegged to the US dollar at a rate of Bds\$2 – US\$1.

Tax law is complex; therefore, in seeking to summarise the rules and to explain them briefly in this booklet, it has been necessary to simplify some of the complexities. Remember that in planning your affairs there is no substitute for professional advice.

**PricewaterhouseCoopers**  
**March 2010**



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# Individuals – Tax rates

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## ***Personal***

From income year 2006, the basic rate of income tax is 20% and the higher rate 35%. The basic rate applies to the first \$24,200 of taxable income and the higher rate to taxable income in excess of \$24,200.

From income year 2007, income from residential property is subject to tax at a rate of 15%.

## ***Tax on interest and dividends***

Withholding tax of 12.5% is deductible from local interest over \$100 paid or credited to the account of resident persons. For individuals, this represents their full tax liability on such interest.

No tax is withheld from interest paid to pensioners 60 years old and over.

Interest received by or credited to a special savings account designated as an “Education Savings Plan Account” is exempt from tax.

Withholding tax of 12.5% is deductible from ordinary dividends paid to resident individuals by local companies if the dividends are paid out of profits derived by the company after June 30, 1992. This represents the individual’s full tax liability on such dividends

Persons exempt from the payment of tax under the Income Tax Act (e.g. charities, pension funds) may claim a refund of the tax withheld from interest or dividend income or may apply to the Commissioner of Inland Revenue for a waiver of the tax.



# Individuals - Allowances

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## ***Personal allowance***

From income year 2007, the personal allowance is \$25,000.

Where an individual's spouse had no income during the year, an additional allowance of \$3,000 can be claimed. (This allowance can still be claimed notwithstanding that the spouse has received income during the year, providing it arises out of payment of interest and dividends and does not exceed \$800.)

From income year 2007, the personal allowance for individuals 60 years or over who receive a pension is \$40,000.

## ***Child allowance***

Up to a maximum of two children: under 18 years or between 18 and 25 years and receiving full-time instruction at an approved educational establishment - \$1,000 per child.

## ***Home allowances***

A home allowance of up to \$10,000 per owner-occupied property may be claimed annually to cover mortgage interest, insurance premiums, house repairs, renovations, energy saving or water saving devices from income year 2004. From income year 2007, \$2,000 of this may be claimed in respect of the cost of a household energy audit and any conversion systems recommended.

From income year 2002, a retrofitting allowance of up to \$2,500 per owner-occupied property may be claimed to cover expenditure incurred on roof straps and window shutters.

From income year 2007, a deduction of up to \$5,000 per owner-occupied property may be claimed in respect of the cost of the purchase or installation of "environmentally preferred products" in respect of residential property.

## ***Capital allowances***

Initial and annual allowances on expenditure on plant and machinery are available to individuals carrying on a business at rates identical to those available for corporations (see page 11).



# Individuals - Deductions from assessable income

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## ***Registered retirement plan contributions***

Contributions by a self-employed person or an employed person on his own behalf to a registered retirement plan - lower of 15% of assessable income or \$10,000. Contributions by an employer and employee to a registered retirement plan - up to 15% of the employee's assessable income.

## ***Registered retirement savings plan contributions***

Lower of 15% of assessable income or \$10,000.

Note: Where an individual contributes on his own behalf to both a registered retirement plan and a registered retirement savings plan, the maximum amount that may be deducted in total is the lower of 15% of assessable income or \$10,000.

## ***Deeds of covenant (for periods of not less than 3 years)***

Payments to a registered benevolent organisation – maximum of 10% of assessable income.

Payments to a minor, who is not the child of the settlor or to an incapacitated individual – maximum of 5% of assessable income.

## ***Rental of residential property***

From income year 2006, an amount up to the lower of \$3,000 or 20% of rent paid in respect of a residential property.

## ***Subscriptions to a registered trade union/statutory association***

Maximum of \$240 per annum.

## ***Subscriptions by a Parliamentarian to a political party***

The lesser of 10% of salary or \$5,000.



## Individuals - Deductions from assessable income (continued)

### ***Investments in new shares, shares in co-operative societies or mutual funds***

A deduction of up to \$10,000 per annum may be claimed for any combination of investments in mutual funds, shares in co-operative societies and/or purchases of new shares issued by a public company that is newly incorporated or is seeking to raise capital. In the case of investments in shares; the issue must be in accordance with a prospectus advertised to the public. In all cases the investment must be held for 5 years; otherwise the deduction previously claimed will be taxable in the year of disposition.

### ***Savings with a co-operative society***

With effect from income year 2008, annual savings deposited of up to \$3,000 per annum may be deducted. Where withdrawals are made within three years, the deduction previously claimed will be taxable in the year the withdrawal is made.

### ***Investments in venture capital funds***

A deduction of up to \$10,000 per annum may be claimed for contributions to venture capital funds, innovation funds or approved development financial institutions. The investment in venture capital funds must be held for 5 years; otherwise the deduction previously claimed will be taxable in the year of disposition.

### ***Investment of bonus in shares of employing company***

An employee may claim a deduction for annual bonus up to the lower of 75% of their annual bonus or \$7,500 converted into shares of their employing company. The shares must be held for 5 years; otherwise the deduction previously claimed will be taxable in the year of disposition.

### ***Investment of bonus in mutual funds or Government securities***

An employee, whose employer does not permit conversion of a portion of the annual bonus into shares, may claim a deduction for annual bonus up to the lower of 75% of their annual bonus or \$7,500 invested in bonds, debentures, stock of the Government of Barbados or mutual funds, within 4 months of the date on which payment of the annual bonus becomes due. The investment must be held for 5 years; otherwise the deduction previously claimed will be taxable in the year of disposition.



## Individuals - Taxable benefits

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### ***Housing***

The maximum taxable benefit where the employer provides the employee with rent-free accommodation is \$48,000 per annum. The employer may pay the tax on this benefit on behalf of the employee.

### ***Motor cars***

Where an employee is provided with a fully maintained motor car, the taxable benefit is 10% of the original cost of the motor car.

### ***Entertainment allowance***

Employees who are required to entertain during the course of carrying out their duties may be paid a tax-free entertainment allowance limited to the lesser of 12.5% of their basic salary or \$7,800 per annum.

### ***Travelling allowance***

Employees who are required to use their own motor car to travel during the course of carrying out their duties may be paid a tax-free travelling allowance limited to the lesser of 12.5% of their basic salary or \$7,200 per annum.

### ***Telephone***

The basic rental charge of an employee's home telephone paid by an employer is not treated as a taxable benefit if the telephone is required to be used during the course of carrying out the employee's duties.

### ***Other***

All other personal payments made on behalf of an employee will be treated as taxable benefits. Such payments include, but are not restricted to: school fees, electricity, water, natural gas and household help.



## Individuals - Special allowances, rebates and tax credits

### *Foreign currency earnings credit*

Persons carrying on business in Barbados may claim a tax credit of up to 93% of income tax on net profits from foreign currency earnings derived from certain prescribed activities.

### *Reverse tax credit*

A reverse tax credit is available to any employed individual who is resident in Barbados and is not a director of a company that is controlled by 5 or less persons. Annual and monthly earnings must be below certain limits as set out below.

Income year	Annual earnings less than	Monthly earnings not more than	Reverse tax credit
2007	\$15,000	\$1,250	\$800
2008	\$16,500	\$1,375	\$1,300
2009 and subsequent	\$18,000	\$1,500	\$1,300



# Corporations – Tax rates

## Corporate

Type of entity	Rate of tax	Effective from
Regular companies	25%	2006
Small companies*	15%	2007
Manufacturing companies**	15%	2007
Approved developers in special development areas	15%	2007
International business companies, international banks and international societies with restricted liabilities	2.5% - 1%	1991
Life insurance companies (computed on gross investment income)	5%	1985

## Premium taxes

### ■ Life insurance companies

From January 1, 2009, resident and foreign life insurance companies pay premium taxes on gross direct premium income as set out in the following table:

	Resident life insurance companies	Foreign life insurance companies
New business written for the income year	6%	6%
Renewal business	3%	5%

### ■ General insurance companies

From January 1, 2009, premium taxes are 4.75% of the gross direct premium in respect of property insurance business and 4% of the gross direct premium for other general insurance business.

\*This concessionary tax rate is available to any small company as defined in the Small Business Development Act

\*\* This concessionary tax rate is available only to companies registered as a manufacturer with Barbados customs.



## Corporations – Tax rates (continued)

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### ***Tax on interest and dividends***

In respect of income year 2007 and subsequent income years, amounts paid by a resident company as dividends, other than preference dividends, to a non-resident shareholder when the amount of dividends paid are derived from income earned from sources outside of Barbados are exempt from withholding tax.

Withholding tax of 12.5% is deductible from ordinary dividends paid to resident individuals by local companies if the dividends are paid out of profits derived by the company after June 30, 1992.

No withholding tax is deductible from dividends paid to resident individuals if paid out of profits derived by the company prior to July 1, 1992. However, such dividends must be grossed up by an amount withheld, subject to tax at the individual's marginal income tax rate and a credit claimed for the amount withheld.

The maximum rate of tax on interest earned by resident persons from securities of the Government is 12.5%.



# Corporations - Capital allowances

## ***Investment (Incentive allowances limited by statute to certain industries)***

Basic industry	20%
Businesses or persons entitled to export allowance for exports outside of Caricom	40%
Manufacture and refining of sugar	40%
Manufacture of clay and limestone products	40%

Note: This allowance is not deducted from the cost of the asset in calculating tax written down value.

## ***Initial***

Plant and machinery	20%
Industrial buildings	40%

## ***Annual***

Plant and machinery	Various rates
Industrial buildings	4%
Intellectual property	10% of 50% of the amount expended
Certain energy efficient expenditure	20%

## ***Manufacturing***

Capital allowances are more complex for companies involved in the manufacturing sector, who are granted an additional 50% of the annual allowance claimed in an income year. Such companies are also often able to claim investment allowances.

However, please note that any company who is able to claim an investment allowance cannot also claim an initial allowance.

## ***Commercial buildings***

1% of the property tax improved value.

10% of the property tax improved value if the building is registered with the National Trust.



## Corporations - Tax losses

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Tax losses may be carried forward for nine years after the income year in which they are incurred and may be applied in full against future taxable profits. Notwithstanding this, a tax loss incurred by a person in respect of residential property can only be deducted against assessable income earned by that person in respect of residential property. Tax losses cannot be carried back to offset income earned in a prior period.

The current trading losses (tax loss for the year excluding capital allowances) of a surrendering company may be set off against the profits of a claimant company, where both are members of the same group (defined as where one company is a 75% subsidiary of another, or both companies are 75% subsidiaries of a third company). This is known as group relief. Group relief is not available to a company operating in the international business and financial services sector or any other company which is operating under concessionary legislation.



## Corporations - Special allowances, rebates and tax credits

### ***Agricultural cash rebate***

The following rebate may be claimed on agricultural equipment that is new or imported into the island for the first time:

Sugar cane harvesters	10% or 15%
Other	18%

### ***Export allowance***

A tax credit may be claimed by manufacturing industries, data processing services and companies that purchase wholesale from local producers exclusively for export, and is based on the level of sales outside of Caricom.

### ***Foreign currency earnings credit***

Persons carrying on business in Barbados may claim a tax credit of up to 93% of corporation tax on net profits from foreign currency earnings derived from certain prescribed activities.

### ***Market research and development allowance***

Manufacturing and tourism industries are granted an allowance equivalent to 150% of certain expenditures incurred to develop markets outside of Caricom.



## Individuals and corporations - Withholding taxes

### **Resident individuals**

	%
Interest earned in excess of \$100	12.5 (1)
Interest on Government securities	12.5 (1)
Dividends paid out of profits earned after June 30, 1992	12.5 (1)
Investment withdrawn from a mutual fund within 5 years of being invested	20 (2)
Shares withdrawn from a co-operative society within 5 years of being invested	20 (2)
Savings withdrawn from a co-operative society within 3 years of being deposited	20 (2)

### **Non-resident persons**

Interest on Government securities	Nil
Branch profits remitted or deemed remitted	10 (3)
Covenants	20 (4)
Dividends paid out of taxed profits	15 (4)/(5)
Dividends paid out of tax exempt profits arising from income earned from sources inside Barbados	25 (4)
Dividends paid out of income earned from sources outside of Barbados	Nil
Interest	15 (4)/(5)
Management, administrative or technical fees	15 (4)/(5)
Royalties	15 (4)/(5)
Other services	25 (4)/(5)
Rent	25 (4)/(5)/(6)

See sections on personal/corporate taxation of interest and dividends (pages 3 and 11).

Withholding tax on these items should be remitted to the Department of Inland Revenue within 7 days of the tax being withheld.

Withholding tax on this item should be remitted to the Department of the Inland Revenue by June 30th following the end of the year of income.

Withholding tax on these items should be remitted to the Department of Inland Revenue by the 15th day of the month following the payment.

This represents the non-resident's full tax liability in Barbados.

A waiver may be granted if the individual habitually files returns and appoints a local agent.

Reduced rates apply under some Double Taxation Agreements.



# Individuals and corporations - Exempt Income

The following categories of income are exempt from tax in Barbados or partially exempt to the extent shown:

- 50% of royalties earned in Barbados by authors, songwriters and computer programmers;
- certain severance payments received;
- capital gains;
- dividends paid by a company from profits earned during its tax holiday under the Fiscal Incentives Act;
- dividends received by a resident Barbados company from a non-resident entity where the equity interest owned is at least 10 per cent of the non-resident company and
- the shareholding is not held solely for the purpose of portfolio investments;
- interest on holdings of National Development Bonds, National Housing Bonds and Savings Bonds up to a limit per issue and class of Bond of \$50,000;
- inter-company dividends where both companies are either registered or incorporated in Barbados; and
- income earned from Caricom sources.

## Exchange controls

Barbados has an exchange control system and most inflows and outflows of foreign currency require approval by the Exchange Control Authority (ECA). Authority for the approval of certain transactions within limits has been delegated to the commercial banks.

Non-residents must register funds coming into Barbados to make investments in order to facilitate repatriation of those funds at a later date. However, as of 2007, exchange controls have been removed with respect to the repatriation of the proceeds of sale of a property owned by a non-resident if the sale is to another non-resident and there is no net foreign exchange loss to the country.



# Individuals and corporations - Pay as you earn (PAYE)

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## ***Deductions***

Generally, persons paying salaries or wages or other emoluments must withhold tax from remuneration paid to employees. However, this requirement is waived where an employee's salary or wage is less than \$480.77 per week, \$2,083 per month or \$25,000 per annum.

Employers must remit tax withheld from employees' emoluments to the Department of Inland Revenue by the 15th day of the month following that in which the tax was deducted.

## ***Declaration by employees***

Each employee is required to provide his employer with a tax declaration form giving details of his personal allowances and deductions. The employer then allocates a tax code number to determine the tax to be withheld by reference to tax tables provided by the Department of Inland Revenue.

## ***Returns of remuneration***

Every employer is required to furnish employees with a copy of the Statement of Remuneration Paid and Deductions form (A47:009) by February 28 of the year following the year in which the remuneration was paid. Copies of the same forms are to be sent to the Commissioner of Inland Revenue by the same date, along with a Summary Statement of Remuneration Paid and Deductions (A47:010). Failure to do so could result in a fine not exceeding \$10 for every day throughout which the failure continues. From 2009, these forms may be filed with the Barbados Department of Inland Revenue electronically.



## Individuals and corporations - National Insurance contributions

Every individual between the ages of 16 and 65, who is gainfully employed in Barbados under a contract of service, must be insured under the National Insurance and Social Security Act. The current pensionable age is 65.5 (from January 1, 2006). This will be increased from January 1, 2010 to 66, with further increases of six months each scheduled for January 1, 2014 and January 1, 2018, until the new standard retirement age of 67 is achieved. Contributions are determined as a percentage of insurable earnings up to a maximum of \$3,720 per month or \$858 per week for 2009 and \$3,900 per month or \$900 per week from January 2010. Employers must remit National Insurance contributions by the 15th day of the following month. The National Insurance contribution rates and other collections of the National Insurance office are currently as follows:

### *Employed persons in the private sector*

	Total %	Employee %	Employer %
<b>Between 16 and 65 years</b>			
National Insurance	13.50	6.75	6.75
Non-contributory	4.00	2.00	2.00
Employment injury	0.75	-	0.75
Unemployment	1.50	0.75	0.75
Severance fund	0.50	-	0.50
Training fund levy	1.00	0.50	0.50
Catastrophe Fund	0.10	0.10	-
	<b>21.35</b>	<b>10.10</b>	<b>11.25</b>
<b>Under 16 or 65 years and over</b>			
Employment injury	0.75	-	0.75
Training fund levy	1.00	0.50	0.50
Catastrophe Fund	0.10	0.10	-
	<b>1.85</b>	<b>0.60</b>	<b>1.25</b>

### *Self-employed persons*

	%
National Insurance	13.50
Non-contributory	2.00
Training Fund	0.50
Catastrophe Fund	0.10
	<b>16.10</b>



# Individuals and corporations - Important dates

## *Filing of returns*

Corporations with fiscal years ending between January 1 and September 30	March 15 of the following year
Corporations with fiscal years ending between October 1 and December 31	June 15 of the following year
Individuals	April 30

From 2009, both corporations and individuals can file their returns for income year 2008 and onwards electronically with the Barbados Department of Inland Revenue.

## *Payment of taxes*

### ■ Corporations

Corporations with fiscal years ending between January 1 and September 30 must make a prepayment of corporation tax for the income year in which the fiscal period ends on or before September 15 of that year. The prepayment is 50% of the net corporation tax payable for the prior income year. The remainder of corporation tax due (if any) must be paid on filing of the corporation tax return by March 15 of the following year.

Corporations with fiscal years ending between October 1 and December 31 must make two prepayments of corporation tax, for the income year in which the fiscal period ends, on or before December 15 of that year and March 15 of the following year. The prepayments are each 50% of the net corporation tax payable for the prior income year. The remainder of corporation tax due (if any) must be paid on filing of the corporation tax return by June 15 of the following year. It is sometimes possible to reduce these prepayments, providing certain conditions are met.

### ■ Individuals

Individuals earning more than 25% of their total assessable income from business or rent must pay three instalments, each representing 25% of the previous year's income tax liability, on June 15, September 15 and December 15. The balance must be paid on filing of the income tax return on April 30 of the following year. Other individuals must pay 50% of the income tax due on filing the income tax return on April 30 and the remainder on September 30.



# Individuals and corporations - Penalties and interest

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## ***Corporations***

The penalty for failure to deliver the corporation tax return by the due date is \$100.00, in addition to 5% of the corporation tax due, plus interest at 1% per month on the corporation tax and penalties outstanding.

The penalty for non-payment of corporation tax by the due date is 5% of the corporation tax due, plus interest at 1% per month on the corporation tax and penalty outstanding.

The penalty for failing to make a prepayment of corporation tax by the due date is 10% of the corporation tax prepayment due, plus interest at 0.5% per month on the corporation tax prepayment and penalty outstanding.

## ***Individuals***

The penalty for failure to deliver an income tax return by the due date is \$100.00, in addition to 5% of the income tax due, plus interest at 1% per month on the income tax and penalties outstanding.

The penalty for late payment of income tax by the due date is 5% of the income tax due or \$10 whichever is the greater, plus interest at 1% per month on the income tax and penalty outstanding.

## ***Withholding taxes***

The penalty for non-payment of withholding taxes by the due date is 10% of the withholding tax, plus interest at 0.5% per month.

## ***Additional penalties***

The penalty for knowingly evading the payment of tax, or knowingly failing to deduct or withhold tax is 100% of the tax that should have been paid or withheld.



# Incentive legislation

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## ***Exempt Insurance Act***

Objective: to encourage the development of Barbados as an international financial centre. Exempt insurance business is business for which both the risks and the premiums originate outside of Barbados. An Exempt Insurance company is taxed at 0% for the first 15 years, after which only the first \$500,000 of assessable income is subject to tax, at a rate of 2%.

An annual licence fee of \$20,000 is charged.

## ***Fiscal Incentives Act***

Objective: to encourage the development of the manufacturing sector by granting tax holidays between 11 - 15 years to enterprises producing products approved by the Minister.

## ***Housing Incentives Act***

Objective: to encourage developers who implement low income housing projects by granting corporation tax, import duty, withholding tax and other concessions.

Approved developers are subject to tax at a rate of 15%.

## ***International Business Companies Act***

Objective: to encourage the development of Barbados as an international financial services centre by providing incentives such as reduced taxes, exemptions and benefits for international manufacturing and international trade and commerce from within Barbados.

An annual licence fee of \$850 is charged.

Companies licensed under the International Business Companies Act are subject to corporate tax rates at between 2.5% to 1%.



## Incentive legislation (continued)

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### ***International Financial Services Act***

Objective: to encourage the development of Barbados as an international financial services centre by providing incentives such as reduced taxes, exemptions and benefits for international banking carried on from within Barbados.

An annual licence fee of \$100,000 is charged for IFSA licencees that take third party deposits, while IFSA licensees who take related party deposits are charged \$50,000.

Companies licensed under the International Financial Services Act are subject to corporate tax at rates between 2.5% to 1%.

### ***Shipping (Incentives) Act***

Objective: to encourage the development of Barbados shipping activities by granting corporation tax, import duty, withholding tax and other concessions.

### ***Small Business Development Act***

Objective: to encourage the development of the small business sector by granting of corporation tax, import duty, withholding tax and other concessions.

Qualifying companies are subject to corporate tax at a rate of 15%.

### ***Societies with Restricted Liability Act***

Objective: to encourage the development of Barbados as an international financial services centre by providing incentives such as reduced taxes, exemptions and benefits for international trade and commerce from within Barbados.

International Societies with Restricted Liability are subject to corporate tax at rates between 2.5% to 1%. Other Societies with Restricted Liability are subject to corporate tax at the same rate as that for regular business companies.

An annual licence fee of \$850 is charged.



## Incentive legislation (continued)

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### ***Special Development Areas Act***

Objective: to encourage the development of special areas in Barbados by granting of corporation tax, import duty, withholding tax, land tax, property transfer tax and other concessions.

Qualifying companies are subject to corporate tax at a rate of 15%.

### ***Tourism Development Act***

Objective: to encourage the development of the tourism industry by granting corporation tax, import duty, withholding tax and other concessions.

### ***Concessions for International Holding Companies***

Legislation has now passed, effective November 23, 2009, that exempts from the payment of Property Transfer Tax and Stamp Duty any transfer of shares to a person who is resident outside of Barbados, whether or not the transferor is resident in Barbados, where the assets of the company concerned, as well as its income, is derived solely from sources outside Barbados.



## Other taxes - Value added tax

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Persons operating under Barbados' VAT regime must be registered for VAT. The threshold for VAT registration is \$60,000, but voluntary registration is permitted for persons whose annual turnover is less than \$60,000.

VAT is levied at the rate of 15% on the value of a wide range of goods and services imported or supplied in Barbados by VAT registered persons. A number of services, including financial services, real estate, medical services, and education, are exempt. Intergroup transactions are taxable.

Certain supplies are zero-rated, including exports, basic food items, prescription drugs, crude oil, and the supply of certain items to the international financial services sector, e.g. legal and accounting fees. There is a concessionary rate of 7.5% applicable to the supply of accommodation by guest houses, hotels, inns, or any similar place, including a dwelling house normally let or rented for use as a vacation or holiday home.

Registered persons may deduct input tax from their output tax in calculating the tax payable for that VAT accounting period. Where input tax exceeds output tax, the registrant will be entitled to a refund of VAT.

Every registrant is required to file a VAT return with the Comptroller within 21 days after the end of each taxable period, whether or not he makes a taxable supply during the taxable period. A registrant who fails to file a return within the time prescribed shall pay to the Comptroller a penalty of Bds\$100.

Every registrant shall, within 21 days after the end of each taxable period, pay to the Comptroller all output tax payable by him for that period. A registrant who defaults in paying the total amount of output tax payable by him for a taxable period by the day prescribed shall, in addition to the amount of output tax in default, pay to the Comptroller

- (a) penalty equal to 10% of the amount of the output tax in default; and
- interest at 1% for each month or part of a month during which any amount of tax and penalty remaining unpaid on the largest amount of tax and penalty that was due and unpaid at any time in that month.



## Other taxes - Land tax

The following rates are effective for the period commencing April 1, 2008.

### **Improved land**

On which there is a dwelling house that is used exclusively for residential purposes:	
On first \$150,000	Nil
On amounts between \$150,000 and \$400,000	0.10% of the improved value
On amounts between \$400,000 and \$1,000,000	0.45% of the improved value
On amounts exceeding \$1,000,000	0.75% of the improved value
On the improved value of each parcel of land on which there is a building other than a residence	0.65% of the improved value

### **Unimproved land**

On the site value of each parcel of unimproved land:	0.60% of the site value
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The following concessions have been granted for land taxes:

- for villas as defined, land tax is calculated and payable on only 75% of the improved value of the property;
- for hotels, as defined by the Tourism Development Act, land tax is calculated and payable on only 50% of the improved value of the property;
- for pensioners occupying their own homes, land tax is calculated and payable on only 50% of the improved value of the property in excess of \$150,000 (effective from April 1, 2008); and
- for land used for agricultural purposes, a rebate of 50% of the land tax paid is granted.

A 10% discount is granted if the land tax is paid within 30 days from the date of the tax demand notice or 5% if it is paid within 60 days.\*

\*At the time of publication there is some confusion as to whether or not a cap is in operation with regard to residential and villa properties.



## Other taxes - Property transfer tax

Shares of companies listed on the Barbados Stock Exchange	Exempt
Shares of private companies*	2.5% of value or amount of gross consideration above \$50,000
Land with a building	2.5% of value or amount of gross consideration above \$150,000
Land with no building	2.5% of value or amount of gross consideration
Leases of 25 years or more or short-term leases that are continuously renewed for a period equal to 25 years or more	2.5% of value or amount of gross consideration

## Land development duty

Where a person disposes of property situated in a specially designated development area within 15 years of the date specified by statute, duty may be charged. This may be at rates of up to 50% on the excess of the value of the consideration over the improved value at the specified base date, plus certain other expenses and an amount representing capital appreciation of the property.

## Stamp duty

On sale of shares of companies listed on the Barbados Stock Exchange	Nil
On sale of real estate, leases and shares in public companies*	\$10 per \$1,000 or part thereof
On mortgages	\$3 on each \$500 or part thereof

\*Any transfer of shares to a person who is resident outside of Barbados, whether or not the transferor is resident in Barbados, where the assets of the company concerned, as well as its income, is derived solely from sources outside Barbados, will not be subject to transfer taxes in Barbados



## Other Taxes - Customs duty

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Customs duty is levied on a wide range of imported goods at rates specified in Part 1 of the First Schedule of the Customs Act. Barbados' Customs Tariff is based on the Common External Tariff of the Caribbean Common Market (Caricom) with special derogations for certain items, e.g. spirituous beverages. Customs duty is calculated on either an "ad valorem" basis or at specific quantitative rates. The ad valorem rates for most items vary between 0% and 20%, but certain goods regarded as luxury items are subject to higher rates (e.g. jewellery 60%). In addition, a select group of items that are produced within Barbados and Caricom (including some agricultural products) are subject to a duty rate of 60% when imported from outside the region.

Manufacturers and agriculturists, including persons involved in fishing and horticulture, are exempt from the payment of duty on inputs (including packaging materials, machinery, equipment and spares) imported for use in their businesses.

The various departments and institutions, international bodies and organisations listed in Part II-B of the Customs Tariff are exempt from the payment of customs duty. Specific goods (e.g. computers), also mentioned in Part II-B, are exempt from customs duty.

## Environmental levy

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An environmental levy is in force in Barbados and its main purpose is to defray the cost of the disposal of refuse generated by the use of goods imported into Barbados. The general rates are either 2% or 3% of the CIF value of all goods, both imported and local, but some items are subject to specific rates, e.g. motor vehicles \$1,500 per vehicle and \$300 for other vehicles. Certain persons are exempt from the payment of this levy, including those organisations listed in Part II-B of the Customs Tariff, the international financial services sector, manufacturers and the diplomatic corps.

## Excise tax

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Excise taxes existed in Barbados prior to the introduction of VAT in 1997, but these were confined to products of the rum industry. From January 1, 1997, four categories of goods (both locally manufactured as well as imported) became subject to excise taxes. These are motor vehicles, spirituous beverages, tobacco products and petroleum products. Most excisable goods are subject to the tax at a specific rate, with the exception of motor vehicles, which are subject to ad valorem rates.



## Other Taxes - Excise tax (continued)

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A few persons and goods are exempt from excise taxes. These include motor vehicles imported by the diplomatic corps, and other organisations exempt from customs duty under Part II-B of the Customs Tariff, goods imported for temporary use or for a temporary purpose that will be re-exported within 3 months, goods (other than spirits) intended to be used as raw materials for the manufacture or production in Barbados of other taxable goods.



# PricewaterhouseCoopers

## *Profile*

PricewaterhouseCoopers East Caribbean is the largest professional services firm in its markets. The Firm provides industry-focused assurance, tax, advisory and corporate services to local, regional and international clients from offices in Barbados, Antigua, St. Lucia, St. Kitts-Nevis and the British Virgin Islands. The East Caribbean Firm is a member of the regional grouping of PricewaterhouseCoopers firms in the Caribbean, each of which belongs to the network of member firms of PricewaterhouseCoopers International Limited and is a separate and independent legal entity.

## *Our services*

While providing the services noted below, the Firm has organised itself to provide expertise in various industry segments in order to provide knowledgeable advice to clients in that particular industry. These segments include:

### **Financial services**

- Banking
- Insurance
- Funds

### **Commercial and industrial products**

- Retail
- Manufacturing
- Other services and products

### **Real estate**

- Residential
- Commercial
- Real estate developments

### **Tourism**

- Hotels
- Airlines
- Tourism infrastructure



# PricewaterhouseCoopers (continued)

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## Private Clients Services (PCS)

Private companies which may or may not be involved in the areas above.

For each of these segments the Firm can provide the following services:

- Audit and assurance services
- Tax services
- Business advisory services
- Corporate secretarial services
- Client accounting

Our structure enables us to assemble multi-disciplinary teams to help our clients solve complex business problems, build value, manage risk and improve performance.



# PricewaterhouseCoopers (continued)

## *Tax services*

Our Tax practice combines in-depth skills, market sector knowledge and experience to provide a full range of taxation and related services to businesses and individuals. We help them plan their affairs tax efficiently and to find the most effective solutions to their tax issues.

To assist in keeping our clients abreast of recent developments in the area of taxation, PricewaterhouseCoopers prepares and distributes to its clients frequent bulletins. In particular, we prepare a report on the annual budget, which gives up to date details on any taxation changes. We also prepare an economic analysis on the budgetary proposals.

Specialist taxation services include:

- corporate and business tax planning;
- corporate tax compliance;
- VAT planning;
- VAT compliance;
- customs and stamp duty advice;
- employee remuneration and benefits planning;
- personal tax advice and compliance;
- advice and assistance in connection with tax objections, investigations, etc.;
- structuring and restructuring of operations;
- advice on fiscal incentives;
- advice on international financial services sector legislation;
- severance payments.

For further details, regarding any of the above services, please contact any of the following tax partners or directors:

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# PricewaterhouseCoopers (continued)

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## PricewaterhouseCoopers (continued)

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