



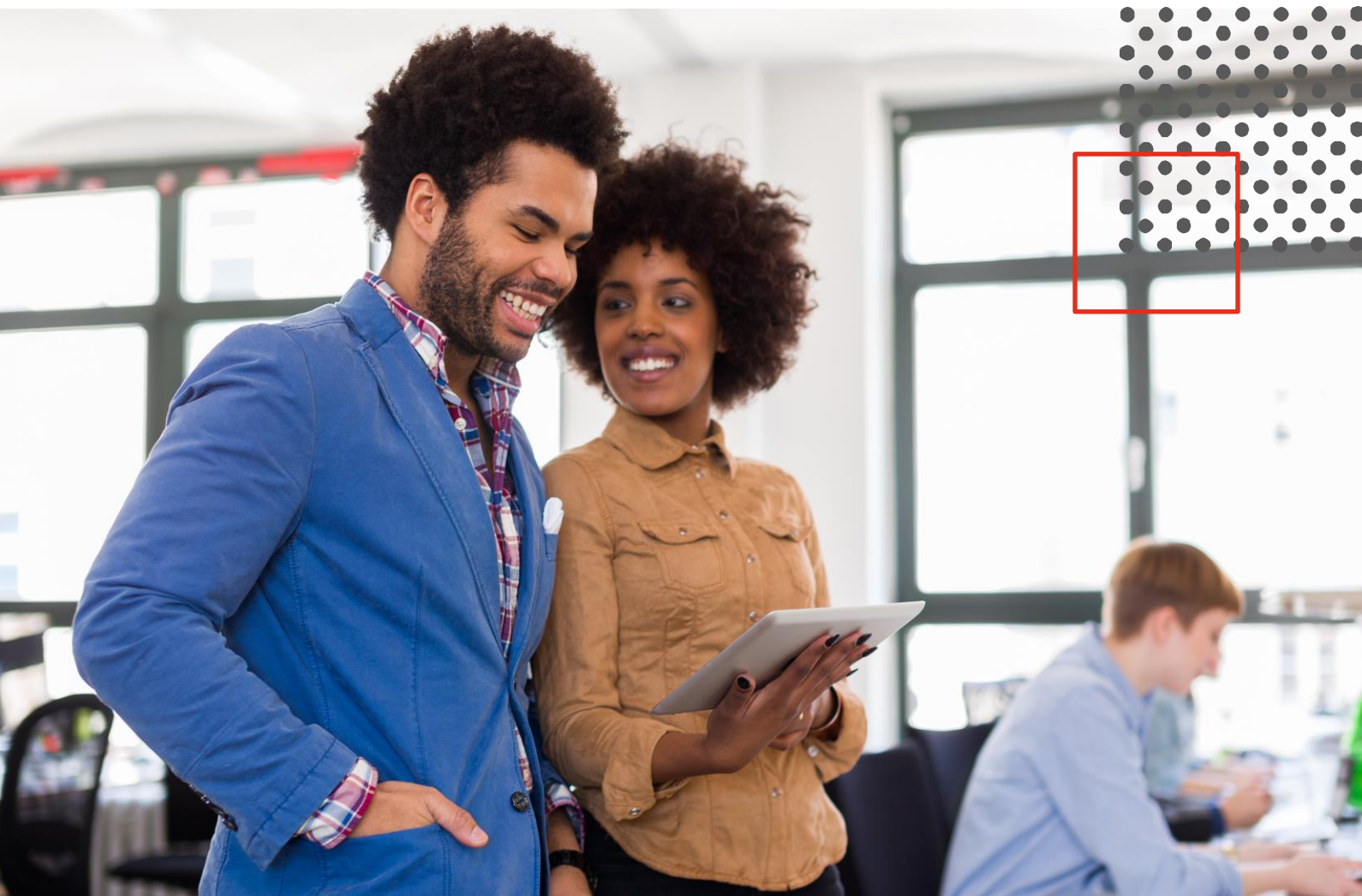
Budget insights 2025

The Beacons of Barbados' Renewal

Barbados 2025/26 national budget commentary
10 March 2025

Content

Territory Leader's observations	<u>04</u>
Proposed fiscal measures - Resilience	<u>11</u>
Proposed fiscal measures - Growth	<u>16</u>
Proposed fiscal measures - Revenue efficiency	<u>18</u>
Proposed fiscal measures - Wellbeing	<u>21</u>
Economic overview	<u>23</u>
Let's talk	<u>33</u>





Territory Leader's observations



Territory Leader's observations

“... to a Sustainable, Resilient & Inclusive Society!” - the headline coming out of this year’s budgetary proposals and financial statements presented by the Hon. Ryan Straughn M.P., Minister in the Ministry of Finance. With the nation’s citizens, residents and businesses eagerly anticipating what the future of Barbados holds, the people of Barbados were assured that the nation is continuing on its path of growth and sustainability.



Ross Parker
Territory Leader

In his conversation with the Barbadian public, Minister Straughn outlined a six-mission-oriented approach to governance with the objective of placing the nation’s citizens and their wellbeing at the centre of national development in order for economic prosperity. These missions are as follows:

- Mission 1: Climate resilience
- Mission 2: Social cohesion
- Mission 3: Food and water security
- Mission 4: Public health and safety
- Mission 5: Worker empowerment
- Mission 6: Digital transformation

These missions were said to be the backbone of the following five guiding principles:

- 1) Voices of accountability - encouraging Barbadian citizens to speak up and take responsibility when they see something going wrong in the country.
- 2) Guardians of cleanliness - promoting environmental cleanliness and urges Barbadians to keep their communities and beaches clean.
- 3) Agents of respect - emphasising the importance of respect in all interactions and relationships.
- 4) Creators of solutions - encouraging Barbadians to be proactive in creating solutions to the challenges they face.
- 5) Global citizenship - embracing global citizenship and recognising the interconnectedness of the world.

Territory Leader's observations

Micro and macro at a glance...

The Minister further outlined the robust growth of the Barbadian economy as it continues to be on an upward trajectory since the prior administration; taking debt-to-GDP of 158% in 2017 (the third highest in the world) down to 101% of GDP at the end of 2025. Pointing out that debt levels have not been under 100% of GDP since 2012, the Minister informed Barbadians that with the continued leadership, the country can expect to see its debt level fall to double digits by the end of the next fiscal year.

The country's international reserves, recovering from an all-time low of 6 weeks import cover at the end of 2018, rose to a healthy 31 weeks of imports at the end of December 2024. The increase in these reserves enhances economic resilience by providing a buffer against shocks, improving import cover to ensure the availability of essential goods during downturns and helping to stabilise the national currency, thereby reducing inflation.

These financial improvements, driven by robust tourism and higher tax receipts, lead to a more stable and prosperous economic environment, fostering growth and development while providing a safety net against potential economic challenges. Given the volatile geopolitical environment, a sustainable international reserve import cover is imperative to small island developing nations such as Barbados.

"Jobs! Jobs! Jobs!". Job creation was another key takeaway, as the Minister emphasised government's continued efforts to support and sustain the island's tourism sector. With construction in progress for six major hotel chains, the Minister alluded to additional jobs being created during and after construction - a benefit for Barbadians and the Barbadian economy.



Territory Leader's observations

The 2025/2026 budget focuses on four main areas:

1. **Resilience:** Measures to address climate change and build resilience against current and future shocks.
2. **Growth enhancement:** Initiatives to stimulate economic growth and create jobs.
3. **Revenue efficiency:** Improving the efficiency of revenue collection and management.
4. **Improving wellbeing:** Enhancing the quality of life for Barbadians through social programs and support.

Resilience

The Government established the Bridgetown Initiative several years ago with the overarching goal of changing the way we do things, shock-proofing the economy and increasing finance for strategic growth initiatives.

The Barbados 2035 Investment Plan identifies approximately \$23.2m in priority projects that are to be funded publicly and privately. The Plan is meant to spur climate resilience. Concrete financing arrangements have either been established or are in the process of negotiation with the World Bank, Inter-American Development Bank and Development Bank for Latin America. These are essentially contingent lines of credit meant to be quickly accessed in the event of a natural disaster or a public health emergency.

Government has now established the Resilience and Regeneration Fund which will annually benefit from the allocation of 0.25% of the prior year's nominal GDP.



Territory Leader's observations

Resilience (cont'd)

This target of 0.25% will not affect the Government's primary surplus target. The main purpose of the Fund is to assist businesses and individuals in the event of a catastrophe. It also has a focus in improving buildings before and after a major event. The Government has been successful in having multilateral lenders and commercial lenders accept the inclusion of natural disaster clause which offer moratoriums on debt service after a natural disaster.

Growth enhancement

The Government's growth enhancement measures can be summarised in two broad categories: initiatives to tackle barriers to growth and initiatives to modernise the economy.

Crime and Non-Communicable Diseases (NCD's) are seen as key barriers to growth. To address crime the Government plans to increase the size of the Barbados Police Service by recruiting additional special constables and transitioning some special constables into the police service.

As part of an effort to address the significant challenge of NCD's and change dietary habits and lifestyles, the Government is embarking on a \$1m annual public health education campaign. In addition, the Government is introducing a 20% excise tax on certain snacks with high salt content in an effort to deter unhealthy habits and raise revenue to offset health expenditure.



Territory Leader's observations

Growth enhancement (cont'd)

To spur growth, the Government is looking to modernise the Barbados economy by using fast-track work permit programs to attract highly skilled professionals in the areas of science and technology. There is also an effort to facilitate a digital transformation of the economy via the following:

- the deployment of a 5G network;
- the establishment of a data centre;
- the creation of a cyber security operations centre; and
- modernisation of the payments system.

These initiatives support the broader effort to establish Barbados as a hub for state-of-the-art industrial spaces - "Industrial Growth 4.0".

The Government is also attempting to facilitate investment in the manufacturing, energy and real estate sectors by modernising Customs procedures and processes, allowing greater flexibility in investments in national priorities, and increasing refinancing options available to SMEs for stalled renewable energy projects.

Revenue efficiency

The revenue efficiency measures outlined by the Government are designed to: reduce the financial strain on taxpayers; improve compliance rates; and streamline the administrative processes within the BRA and NIS. Some measures, such as elimination of the requirement for visitors driving permits and the elimination/reduction of late tax filing fees, will result in a loss of revenue, but will at the same time reduce the administrative burden on some government departments.

However, there are some new measures, such as a daily car rental levy, that will likely result in increased revenue collection for the government. The capping of interest on outstanding NIS contributions combined with full interest relief for settlement of all outstanding principal contributions within a 12-month period is one example of a measure designed to improve both compliance and collections.





Territory Leader's observations

Improving wellbeing

The Government's measures to improve the wellbeing of Bajans appear, in part, an attempt to continue to mitigate the impact of inflation over the last 3 years. These measures include: the removal Value Added Tax (VAT) for several food items, an automatic 2% annual increase in the national minimum wage and a solidarity allowance.

Other measures such as the 2-week extension of maternity leave and the introduction of a 3-week paternity leave will be welcomed by working parents-to-be.

Conclusion

Overall, this has been a budget delivered in light of Barbados' improved economic position, with record level international reserves, reduced debt to GDP spurred by the substantive return of tourism to pre-Covid levels and a booming construction sector, with the development of several large tourism projects and regeneration of other properties.

The budget, whilst light on substantive tax measures, has sought to build national resilience through the climate resilience fund; potable water storage requirements for residences and businesses; back-up power generation and gas storage for businesses; and actions to address NCD's through excise duty and VAT adjustments. It has also sought to spur growth and address social issues through tackling crime and the provision of additional maternity and paternity leave, allowances for the disabled and increased stipend for foster care.

What is not addressed and extremely hard to plan and budget for is the potential economic impact of uncertainties on the global stage, which may impact investor confidence, for example large hotel projects, tourism arrivals and imported inflation through increased costs.



Proposed fiscal measures



Proposed fiscal measures - Resilience

Overview

The Government in its Budget announced plans to proactively build resilience ahead of disaster to minimise the socio-economic effects and the costs associated with a catastrophe. Acknowledging that as a small island state, Barbados is on the 'front line' of the climate crisis, these new measures are designed to ensure that Barbados is well-positioned to respond to climate shocks and mitigate the adverse effects on businesses and individuals.

Resilience and Regeneration Fund ('the Fund')

Noting that the current Catastrophe Fund only contemplates post-disaster expenditures, several measures were announced to future-proof and repurpose the Catastrophe Fund, with a view to accelerating Barbados' efforts to build resilience.

Measures

Effective 1 April 2025, the following measures will take effect in relation to the Fund:

- up to 50% of unclaimed and undistributed assets, including dormant accounts in commercial banks, credit unions and other deposit-taking institutions, will be utilised to support the Fund;
- an increase in the contribution rate from 0.1% to 0.25% of income for contributions by employees and self-employed persons into the Fund;
- expansion of the contributor pool to require all employers to match the contribution of employees;
- the maximum insurable earnings ceiling will no longer apply for the purpose of making contributions to the Fund for employees, employers and self-employed persons;
- 0.25% of the previous year's GDP will be allocated annually into the Fund;





Proposed fiscal measures - Resilience

- an increase in the income threshold for eligible claims from \$25,000 to \$40,000 for claims by individuals and \$60,000 for joint income household claims;
- an increase in available grants for individuals and households from \$150,000 to \$175,000;
- for the purpose of rebuilding, regeneration and repair, the definition of chattel houses will be expanded to include houses constructed from wall and other materials;
- businesses with annual income not exceeding \$500,000 will be entitled to benefit from the Fund;
- businesses with annual income not exceeding \$500,000 will be entitled to benefit from up to \$50,000 in the event of a disaster, subject to being fully compliant with all applicable statutory obligations;
- micro insurance will be provided via collaboration between the Ministry of Finance and the General Insurance Industry for persons with income not exceeding \$120,000.

Our views

The Government's measures signal a comprehensive approach to resilience which strikes the balance between benefit and responsibility, as it broadens the parameters for contributions and eligibility for financial assistance.

These measures will result in increased short-term expenses for businesses and individuals alike. However, there is the potential for more robust longer-term financial support in the event of catastrophe.

Businesses will be incentivised to improve their compliance with statutory obligations to ensure eligibility for benefits from the Fund. It is hoped that this will result in some overall improvements in compliance with local legal requirements.

By offering micro insurance, individuals with limited financial means can access a safety net for unexpected events. This is a welcomed initiative which fosters a greater sense of financial security and stability when facing property loss or damage.

The allocation of a portion of GDP annually to support for the Fund demonstrates Government's commitment to ensuring that resources are consistently available. This is a proactive fiscal measure which will require Government to manage its fiscal affairs with this commitment in mind.



Proposed fiscal measures - Resilience

Water resilience

The waiver of customs duties and VAT on storage tanks and water pumps will be extended until 31 March 2028.

Effective 1 April 2025, the Rural and Urban Development Commission will gain access to funding from the Resilience and Regeneration Fund.

Starting 1 April 2025, the Commission will also implement the Household Water Resilience Programme. Households with an annual income of less than \$60,000 will be eligible to apply for this programme.

Beneficiaries of the Residential Water Resilience Programme will repay the assistance over a period of 2 to 3 years at an interest rate of 1%. Repayments will be managed through the utility bills issued by the Barbados Water Authority.

Our views

The Government is demonstrating its commitment to the issue of water resilience by extending the waiver on customs duties and VAT on storage tanks and water pumps, which was initially set to expire on 31 March 2026.

The extension, now valid until 31 March 2028, will provide homeowners with an extended opportunity to benefit from the waiver. This measure allows residents to acquire water tanks and septic tanks for residential properties without the upfront cost, offering a solution for those who frequently experience water outages.



Proposed fiscal measures - Resilience

Utilities resilience

Effective 1 April 2025, all new business planning applications must demonstrate access to potable water storage, backup electrical generation capacity, and for hotels, restaurants and food establishments, proper storage requirements for gas.

Existing businesses currently lacking potable water storage, backup electrical generation, and gas storage will have two years to address and rectify these deficiencies.

Our views

This new requirement will significantly impact new business planning applications, as well as hotels, restaurants and food establishments.

These initiatives, though costly, have the potential to foster a more proactive approach disaster preparedness and ensure improved business continuity during a catastrophe.

While this is commendable, we have observed that the announcement did not address the specifications for the water storage and backup electrical supplies, enforcement measures to be employed, or the possible penalties for non-compliance.



Proposed fiscal measures - Resilience

Agricultural resilience

The Climate Resilient Agriculture initiatives include offering 20 climate-smart vertical farms and 20 climate-smart broiler tunnels on a lease-to-own basis over seven years, through the Barbados Agricultural Development and Marketing Corporation, with an estimated \$4m from the Agricultural Development Fund.

With effect from 1 April 2025, water rates for registered small farmers will be reduced from \$1.80 to \$1.00 per cubic meter.

Our views

The Government's proposal to lease-to-own 20 climate-smart vertical farms and broiler tunnels over seven years, with an investment of \$4m, along with lowering water rates to \$1.00 per meter for small farmers, is a welcomed step in promoting sustainable farming and in supporting Barbados' overall food security objectives.

For farmers, these initiatives will provide access to cutting-edge technology at lower costs, which has potential to boost production and reduce expenses.

This investment demonstrates Government's dedication to building resilience in the agriculture sector in the face of climate change. It is hoped that these initiatives will positively impact long-term food security, while also providing much-needed support to local farmers.

Proposed fiscal measures - Growth

Overview

In highlighting Government's role in actively shaping markets and driving sustainable, resilient and inclusive growth, several measures were announced with the aim of spurring continued growth and sustainable development of Barbados' economy.

Measures

To achieve its growth objectives, the Government announced the following measures, which will in most cases be implemented by 1 April 2025.

- creation of a new refinancing facility for renewable energy projects offering refinancing at an interest rate of 3.75%;
- amendments to the Co-operatives Societies Act to allow credit unions to invest 25% of assets in productive sectors;
- amendments to the Mortgage Insurance Act to reduce the 12.5% corporate tax rate on income from loans over \$250,000 issued under this Act to 9% and impose a 4.5% corporate tax rate on profits from loans under \$250,000;
- an interest rate of 4% for loans insured under the Mortgage Insurance Act up to \$200,000 and a market rate for loans over \$200,000;
- enactment of legislative framework for the establishment of Real Estate Investment Trusts (REITs);





Proposed fiscal measures - Growth

Our views

- amendments to the Property Transfer Tax Act to allow for a 3-year exemption for family-owned plots (≤ 1 acre) transferred to children;
- imposition of a 20% excise tax on high salt content food and snacks (e.g., Pringles, Lays, salted nuts, etc.); and
- the removal of VAT and importation duties on certain assortments of food, from 1 June 2025.

Finance facilitates and supports the processes of production, economic growth and the prosperity of individuals and organisations more generally. The proposed corporate tax rates for loans under the Mortgage Insurance Act aligns with the objective of facilitating finance and encouraging investment in Barbados.

The creation of a legal framework for credit unions to invest in productive sectors, as well as for REITs, is likely to result in further diversification of capital and investment opportunities, which also align with the Government's stated growth objectives.

The imposition of a 20% excise tax on foods with high salt content is likely to increase the cost of living of Barbadians. However, the removal of VAT and import duties on healthier alternatives could encourage Barbadians to adopt healthier lifestyles, ultimately reducing the incidence of non-communicable diseases and the associated public health costs.

Proposed fiscal measures – Revenue efficiency

Overview

In his presentation, the Minister outlined several measures, which are aimed at allowing Barbados to continue to generate revenue efficiently and to alleviate unnecessary administrative burdens on taxpayers and tourists.


Measures

Effective 1 July 2025, visitor permits will be abolished and replaced with a daily car rental levy of \$10.50% of revenue generated from this levy will be allocated to the Barbados Oceans and Coastal Authority.

Effective 1 April 2025, the following tax compliance measures will apply:

- late filing fee for zero returns will be eliminated;
- late filing fee will be reduced from \$500 to \$100 for personal income tax returns;
- late filing fee will be reduced from \$500 to \$250 for corporate income tax returns;
- any penalties or interest applied will be offset against any tax refunds;
- total interest and penalties will be capped at no more than 25% of the tax payable;
- taxpayers permitted five (5) business days grace period to make payments after filing personal and corporate tax returns before late filing fees and interest are applied; and
- interest will be capped at 25% on outstanding national insurance contributions. Additionally, both employers and self-employed persons will receive full relief from interest once all outstanding principal contributions are settled within a twelve (12) month period.





Proposed fiscal measures - Revenue efficiency

For the period 1 July 2025 to 30 June 2026, the Air Travel and Tourism Development fee for regional passengers will be reduced from US\$35 to US\$20.

Effective 1 April 2025, the following measures will apply for restaurant businesses:

- the removal of duties and VAT on commercial kitchen equipment with respect to tariff headings 7321, 8418 restaurants and cookshops until 31 March 2027; and
- an extension of food and beverage concessions regarding wines and proteins currently given to hotels to restaurants not located within a hotel, who are earning more than sixty (60) percent of their revenue in foreign exchange upon registration under the Tourism Development Act.


Effective 1 January 2026, a digital stamp duty will be implemented.

Our views

Visitors to the island will be relieved that they no longer require drivers permits. This measure will modernise Barbados' approach in line with many larger countries and enable a more convenient car rental process. However, the introduction of the daily levy will increase the cost of car rentals on the island.

The proposal to contribute funds raised from the levy to the Barbados Oceans and Coastal Authority will assist mitigating the negative impacts of global warming and increased natural disasters.

The temporary reduction in the Air Travel and Tourism Development Fee for regional passengers, while not a significant reduction, should assist with mitigating some of the high costs associated with regional travel.



Proposed fiscal measures - Revenue efficiency

Our views

The extension of the food and beverage concessions afforded to hotels will be welcomed by entities operating restaurants as this will help to contain costs. This initiative would require restaurants to maintain concise records on the amount of foreign exchange earned on an annual basis in order to enjoy the concession.

The proposed reduction in the late tax filing fees for corporations would be appreciated by taxpayers. The burden of regularising non-compliance for multiple years tends to be a hindrance for taxpayers and hopefully this measure will assist with outstanding and future statutory compliance.

Taxpayers will also be pleased that there will be a grace period of five business days before penalties and interest are assessed on late corporate and income tax payments.

We are also pleased by the proposed measure to cap penalties and interest at 25% of tax payable.

The introduction of the digital stamp duty offers several advantages over traditional physical stamps, including enhanced security, ease of use and cost-effectiveness.

Proposed fiscal measures - Wellbeing

Improving the cost of living and wellbeing

In response to the persisting global inflationary pressures, the Government has unveiled a Budget aimed at stabilising import costs and alleviating the financial burden on both consumers and businesses. Recognising the significant impact of fluctuating prices on the economy, the new measures are strategically designed to foster predictability and financial stability, with a particular focus on protecting the interests of small and medium-sized enterprises (SMEs) and ordinary citizens.

Measures

- Freight costs for calculating customs duties were capped at 2019 levels from 15 March 2022 to 31 March 2024. The cap will remain in place until March 2027.
- VAT on gasoline and diesel, capped at 47 cents and 37 cents per litre respectively, which came into effect 16 March 2022, will both remain in place.
- The VAT reduction on electricity for households from 17.5% to 7.50% on the first 250 kilowatt-hours will be extended from 31 March 2025 to 31 March 2026.
- Meal allowances paid to hotel and restaurant workers will be exempt from Income tax once the required conditions are met.
- Certain essential goods will remain zero-rated from VAT, including feminine hygiene products, vitamins and diapers.
- The introduction of an automatic increase in the minimum wage by 2% per annum and a review of current minimum wage thresholds by the Minimum Wage Board.
- Effective 1 June 2025, the increase of maternity leave from twelve to fourteen weeks and the introduction of statutory paternity leave of three weeks.
- Increase in the income tax exemption threshold for pensioners to \$50,000 from income year 2025.





Proposed fiscal measures - Wellbeing

Our views

Impact on businesses

The measures introduced by the Barbados government are likely to have a positive impact on businesses. The capping of freight costs for customs duties and the reduction of VAT on fuel and electricity are expected to stabilise operational expenses, allowing businesses to better manage their budgets and financial planning. These measures provide a more predictable cost environment, which is crucial for businesses to thrive in a competitive market.

Additionally, the tax exemptions for meal allowances in the hospitality industry are likely to encourage provision of such benefits to lower income employees and boost employee satisfaction.

An anticipated increase in the national minimum wage by the Minimum Wage Board will particularly impact SME businesses who may not have budgeted for additional wage increases. The extent of this impact will depend on the pending review and increase of the current minimum wage rates.

Overall, these initiatives are anticipated to foster a more stable and growth-oriented business climate in Barbados.

Impact on individuals

The government's measures are a welcome contribution to improving the financial well-being of citizens. The zero-rating of essential items and the introduction of a national minimum wage with automatic annual increases will assist in the provision of fair compensation for low-income workers.

The increase in the income tax threshold for pensioners further mitigates the impact of inflation for pensioners in Barbados. In light of our aging population, the Government may wish to also consider tax relief for pension contributions to incentivise the current working population to adequately prepare for retirement. This would assist in ensuring financial security for those of pensionable age and reduce the future burden on the public welfare system.

The extension of maternity leave and the introduction of statutory paternity leave is a highly welcome measure to promote work-life balance and support working parents. The Government acknowledged the modern reality of dual-working households in the budget speech. However, the measures do not extend to the provision of tax credits for working parents to mitigate the rising cost of childcare.

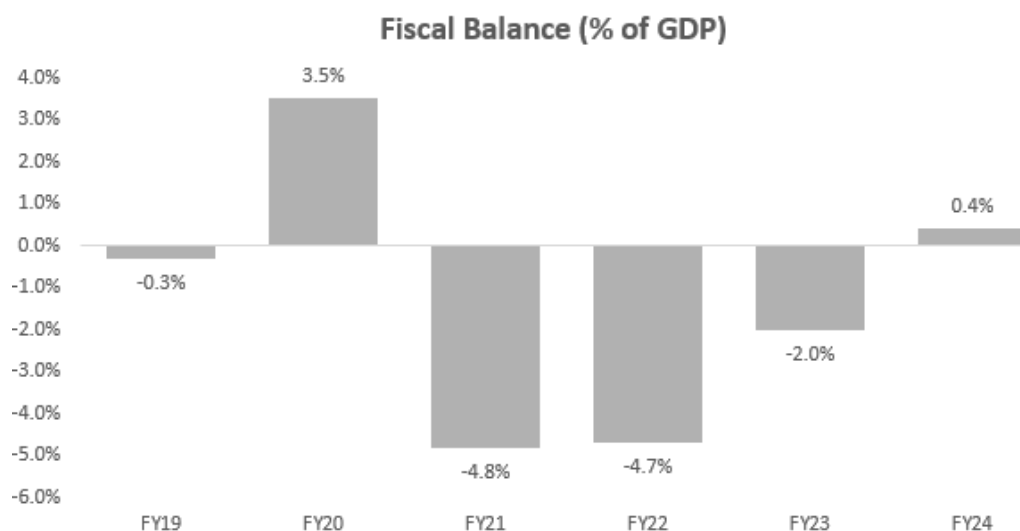
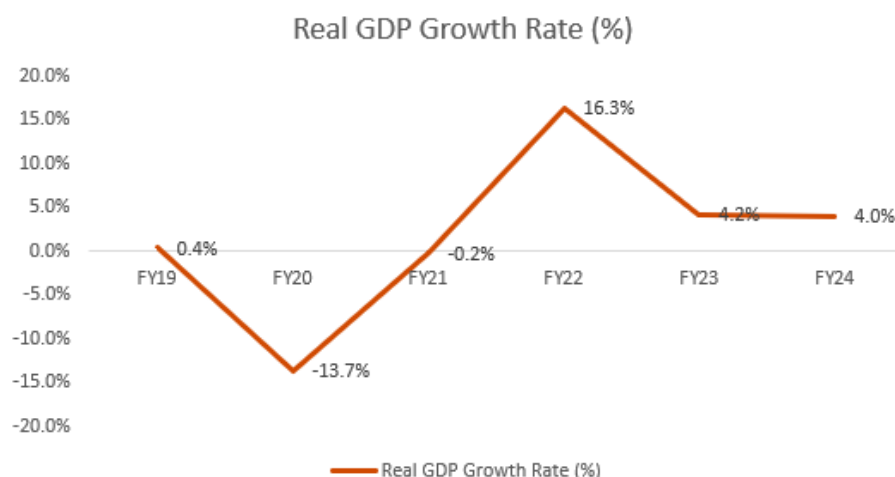
Overall, the measures introduced reflect a commitment to enhancing the quality of life for individuals in Barbados, contributing to a more equitable society.



Economic overview of Barbados 2024/25



Economic overview of Barbados 2024/25



The Barbados economy experienced a 4 percent growth year-over-year expansion during 2024, primarily driven by robust growth in tourism, business services, and construction sectors. Tourist arrivals surged compared to the same period in 2023, bolstered by increased visitors from the US, Canada and CARICOM, as well as the T20 Cricket World Cup and expanded airlift capacity. This upswing in tourism positively impacted hotel demand and stimulated related sectors such as wholesale and retail trade, entertainment, construction and manufacturing, particularly in food and beverages. GDP Growth is projected by the IMF to slow to 3 percent in 2025.

The current account deficit narrowed to 4.5 percent, supported by strong tourism, reduced global food and fuel prices. Gross international reserves reached an all-time high of \$3.2bn, equivalent to 31.2 weeks.

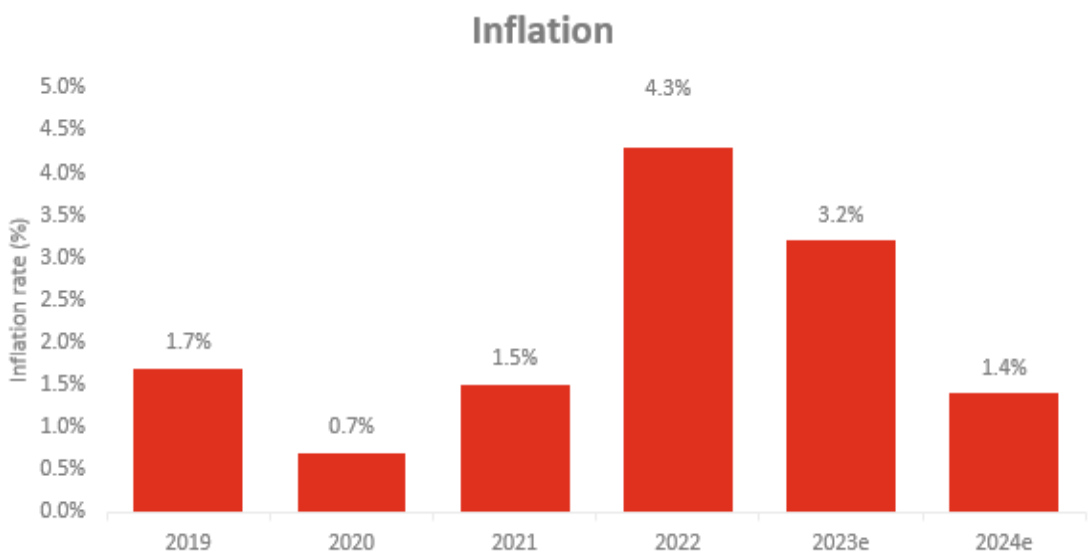
Economic overview of Barbados 2024/25

Continued



Inflation

Inflation stood at an estimated 12 month moving average of 1.4 percent showing a 180-basis point decline from 2023. This was due to lower international commodity prices and slower increases in domestic goods and services prices. Throughout 2024, the island experienced unfavourable weather conditions which resulted in higher prices for locally produced crops due to their scarcity.



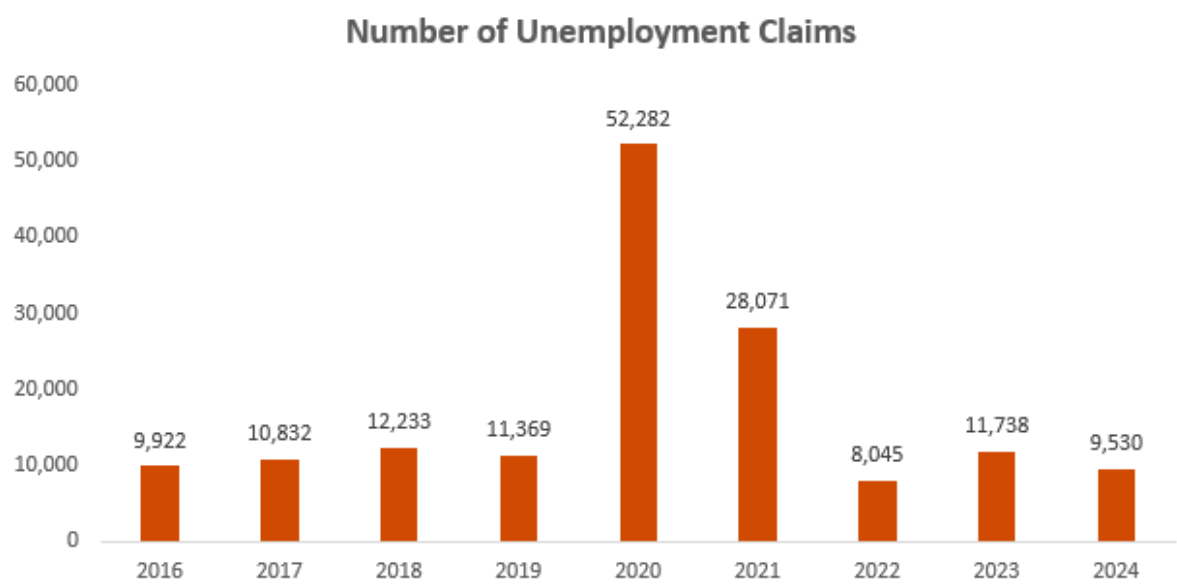
Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024

Economic overview of Barbados 2024/25

Continued

Unemployment

The unemployment outlook for 2024 showed signs of improvement as unemployment claims dropped by 18.8% and the unemployment rate dropped from 8.3% (September 2023) to 7.1% (September 2024).



Source: National Insurance and Social Security Service Statistics



Economic overview of Barbados 2024/25

Continued

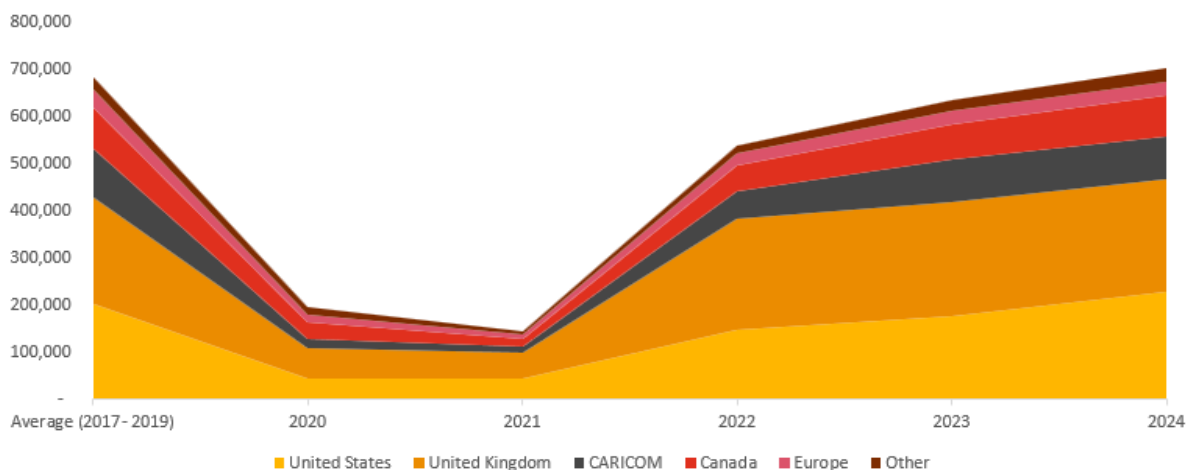
Economic sectors

With the continued trajectory of the Barbadian economy, results for 2024 indicate real GDP growth of 4 percent where the reported growth for 2023 stood at 4.2 percent. Various economic sectors saw signs of increased activity and strong performance. Real GDP growth of 3% is expected for 2025.

Tourism

Tourism in 2024 exceeded expectations, with long-stay arrivals to the island reaching a total of 67,800 visitors which was a 10.7% increase over the prior year. This surge is attributed to increased airline capacity, T-20 Cricket World Cup and the Crop Over festival. The US market contributed heavily to the increase in arrivals as this market grew by 29.2% which was reflective of an increase in flight capacity of 49.3%. Although there was a marginal 2% decline from 2023 in visitors from the UK, all other major markets experienced growth in visitor numbers. Cruise tourism reported a total of 621,878 passengers, up 40.8 percent from the previous year supported by 53 additional cruise calls.

Tourism Arrivals by Source Market



Source: The Barbados Statistical Service

Economic overview of Barbados 2024/25

Continued

Agriculture

Agricultural output continues to show volatile results primarily due to climate-related impacts. Fish landings increased by 15.2 percent due to strong catches in the first half of the year, although Hurricane Beryl negatively impacted the fleet later on. Livestock production also grew, with chicken and pork output rising by 2.6 percent and 3.5 percent, respectively. However, adverse weather conditions led to a 1.1 percent decline in overall agricultural output, with significant drops in sugarcane, fruit, vegetable and root crop yields.



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024

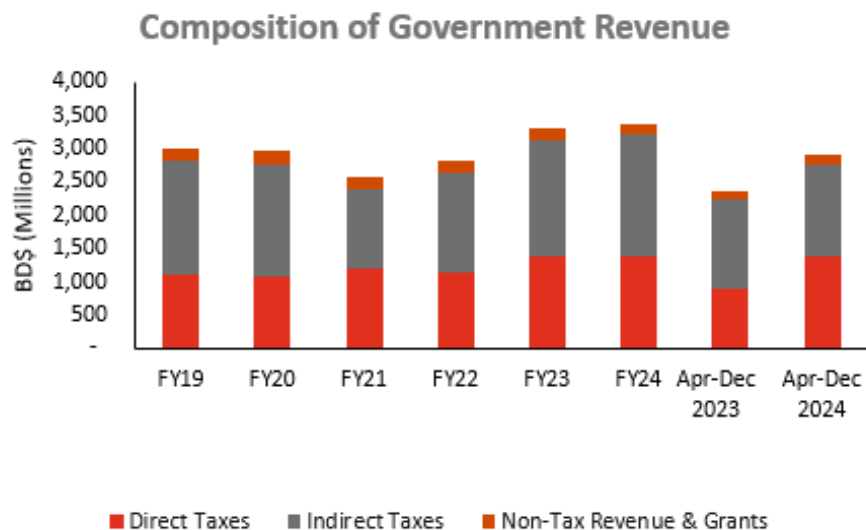
Fiscal balance

The fiscal position of Barbados has shown significant improvement over the past year with Government achieving a fiscal surplus of \$224.9m (1.5 percent of GDP) compared to the fiscal deficit of \$7.7m (-0.1 percent of GDP) in 2023. According to the Central Bank of Barbados, data suggests the primary contributor to such increases are the growth in revenue rising by \$548m due in part to the revised corporation tax collection methodology. Coupled with this, total expenditure increased by \$315.4m arriving at a total of \$2.7bn as at December 2024.

Economic overview of Barbados 2024/25

Continued

Revenue Collection



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024

Direct taxes

The direct tax regime collected an additional \$445.5m in revenue by the end of December 2024. This increase was said to be the result of:

- The monthly prepayment method introduced by the Barbados Revenue Authority and the increase in the corporation tax rate;
- the implementation of IFRS 17: Insurance Contracts framework which shifts the levels of required reserves thereby resulting in additional collections, which were not previously taxable; and
- additional collections for personal income tax (increasing by \$33.3m) and property taxes (increasing by \$15.3m) due to enhance collection efforts by the Barbados Revenue Authority.

Indirect taxes

Indirect taxes for the period ended December 2024 demonstrated a \$45.8m increase (or 3.5%) compared to the December 2023 calendar year. The main driver of indirect taxes continues to be net collections from Value-Added-Tax (an increase of \$32.2m) resulting from the expansion of import duties and excises as well as collections from the construction and tourism activities.

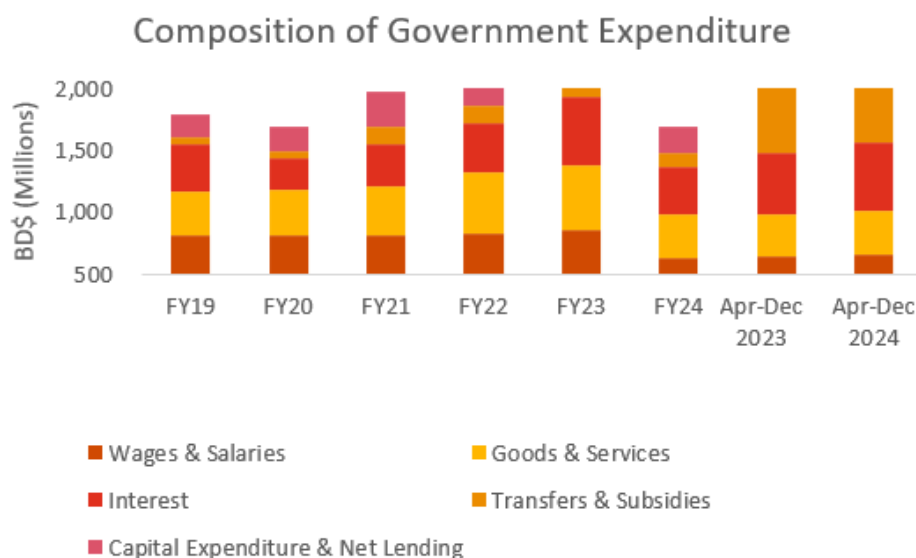
Economic overview of Barbados 2024/25

Continued

Expenditure control

Expenditure over the last fiscal period increased by \$315.4m due to the following main contributing factors:

- Transfers to institutions such as the Queen Elizabeth Hospital, Barbados Community College and the Caribbean Broadcasting Corporation increased by \$61m bringing the total transfer and subsidy balance to \$834.5m, an 11.1 percent increase from 2023.
- Increased interest expenditure for domestic obligations such as the BOSS+ bond issuances, step up rates on restructured debt as well as external financing commitments.
- Capital expenditure on major projects such as new truck fleets for the Sanitation Service Authority, land acquisitions for schools, ongoing construction of the geriatric hospital in Waterford and the digital innovation hub located in Newton Christ Church.



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024

Economic overview of Barbados 2024/25

Continued

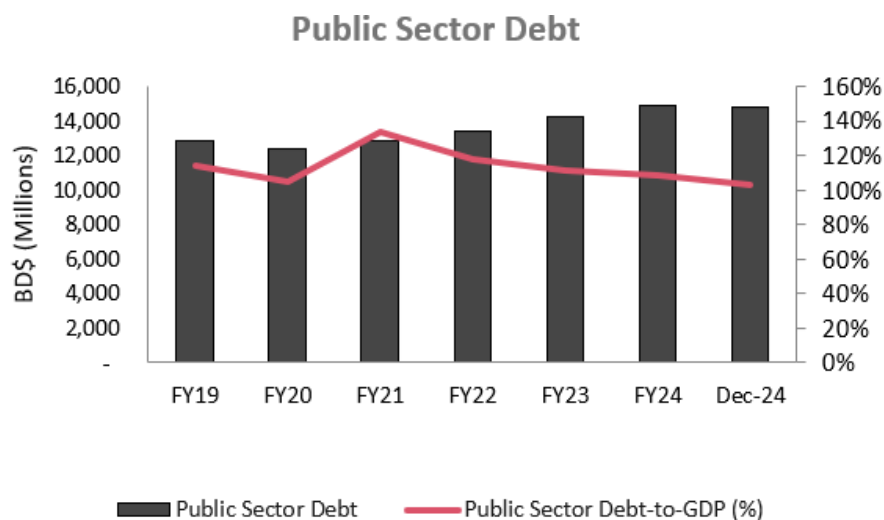
Government debt

During the last fiscal period, the gross financing requirement for Barbados increased by \$695.7m bringing government's total debt balance to \$1.732bn, an increase of 67 percent over the last fiscal period. This is primarily driven by increases in both the interest expense and amortisation. The debt-for-climate swap arrangement allows the Government to fund climate resilience projects and involves the exchange of expensive debt for cheaper debt via a commercial loan acquired at a low interest rate to repay a portion of Series B, D and E bonds that currently incur higher interest rates. The savings are intended to be used to finance Barbados' Climate Resilient South Coast Water Reclamation Project. These financing requirements primarily consisted of financial needs related to BOSS+ bond sales, debenture offerings as well as domestic loans obtained from local commercial banks valued at \$593m.

Reported debt service costs resulted in significant increases primarily due to:

- a) foreign interest payments increasing by \$31.6m arriving at a total of \$242.8m; caused by prior years' government borrowings as well as higher interest rates
- b) domestic interest expenses increasing by \$14.7m for a total of \$306.5m; caused by the sale of BOSS+ securities, treasury bills and the step-up interest rate feature on restructured domestic bonds.
- c) early payments for the debt-for-climate swap arrangement increasing by \$591.8m.

Public debt-to-GDP showed promising signs of decline this past year, standing at 109.8 percent of GDP as at December 2023 and falling to 103 percent of GDP as at December 2024. This reduction is driven by both domestic and external debt obligations; Government's partial retirement of their 2029 bond and the growth of the Barbadian economy.



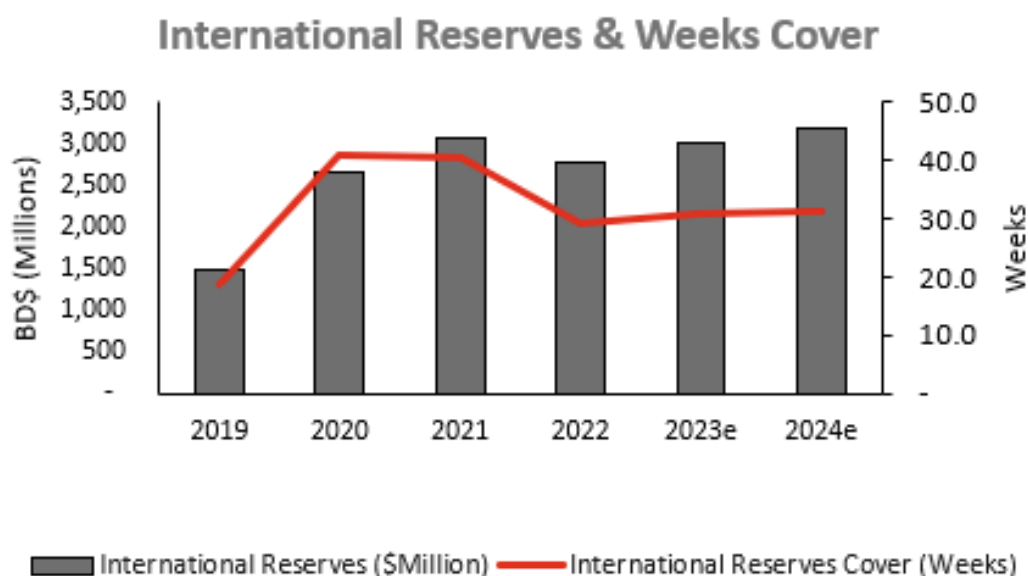
Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024

Economic overview of Barbados 2024/25

Continued

Foreign exchange reserves

International reserves increased by \$184.8m to \$3.18bn at the end of 2024, which is equivalent to 31.2 weeks of import cover. According to the Central Bank of Barbados, these reserves stand at the highest ever recorded. The international reserves balance has been propelled by improvements in the current account, particularly robust tourism activity and higher tax receipts. Despite reduced foreign borrowings and increased external debt servicing, which moderated growth, the reserve import cover remained significantly above the international benchmark of 12 weeks.



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2024



Let's talk



Let's talk

Connecting PwC tax services to your business

Our vision is to build a sustainable and competitive advantage by offering unique, efficient and professional tax solutions to our clients. We believe that in order to maximise client satisfaction a broad understanding of the tax laws and our client's needs is required. We offer a range of tax services and employ extensive tax and corporate secretarial expertise to cater to a variety of clients and their unique needs. This allows our clients the opportunity to focus on their core competencies in growing their sustainable businesses.

Our tax team	Email
Sophia Weekes	sophia.weekes@pwc.com
Ronaele Dathorne-Bayrd	ronaele.dathorne-bayrd@pwc.com
Gloria Eduardo	gloria.eduardo@pwc.com
Javier Lemoine	javier.lemoine@pwc.com
Amanda Layne	amanda.layne@pwc.com
Laurel Odle	laurel.odle@pwc.com
Feona Horsford	feona.horsford@pwc.com
Ava-Marissa Lee	ava-marissa.lee@pwc.com
Keron Cox	keron.cox@pwc.com
Lewis Haynes	lewis.haynes@pwc.com



Ross Parker
Territory Leader



Sophia Weekes
East Caribbean Tax
Engagement Leader

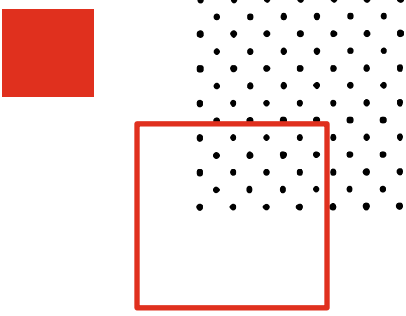


Ronaele Dathorne-Bayrd
Regional Tax & Legal
Services Leader



Thank you

Visit us online at: www.pwc.com/bb
Connect with us on [LinkedIn](#)



© 2025 PricewaterhouseCoopers SRL., a Barbados society with restricted liability. All rights reserved.

PwC refers PricewaterhouseCoopers SRL a member of PricewaterhouseCoopers International Ltd. and may sometime refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



This publication does not constitute legal, accounting or other professional advice. It is intended only to inform readers of developments as of the date of publication and is neither a definitive analysis of the law nor a substitute for professional advice. Readers should discuss with professional advisors how the information may apply to their specific situations. Unless prior written permission is granted by PwC, this publication may be displayed or printed only if for personal non-commercial use and unchanged (with all copyright and other notices retained). Any unauthorised reproduction is expressly prohibited.