



Budget insights

Resilience in uncertain times

Barbados 2026/27 national
budget commentary



National budget 2026

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Territory
Leader's thoughts

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Territory Leader's thoughts

"Greater Will Our Nation Grow" is the title of the 2026 Budgetary Proposals and Financial Statement delivered by the Hon. Ryan Straughn M.P., Minister of Finance, on 16 March 2026. In stark contrast to last year's budget, which was delivered against a backdrop of improved economic conditions and relative calm, this year's budget has been shaped, and in some respects reshaped at short notice, by a dramatic deterioration in the global environment.

A budget defined by crisis and response

These are, as the Minister himself acknowledged, "not ordinary times." The global oil market has experienced its most severe supply disruption in history over the past two weeks, with joint air strikes on Iran and the near-closure of the Strait of Hormuz sending Brent crude from US\$64 per barrel in mid-February to just below US\$106 per barrel, a 66% increase, at the time of the budget presentation. Some commentators have speculated prices could reach US\$150 to US\$200 per barrel. For context, oil was last at US\$127 per barrel immediately before the 2008 global financial crisis, a period that brought severe economic disruption worldwide. The potential for prices to exceed that level should not be underestimated.

This is a budget that recognises the limits of what a small island developing state can fiscally absorb in the face of a global energy shock, whilst simultaneously refusing to stand idle. The Minister was candid in stating that there is no fiscal response the Government can undertake to fully absorb the impact should the worst-case scenarios materialise. That candour sets the tone: this is a budget grounded in realism and is an honest conversation with the Barbadian people about what Government can and cannot do.

The wider economic risks

Beyond the immediate cost of living pressures, it is important to consider the broader implications for the Barbadian economy. Tourism, the island's most important productive sector, recorded a record 727,310 long-stay visitors in 2025. A prolonged period of elevated oil prices will increase airfares from key source markets, the United States, Canada and the United Kingdom, at a time when these economies are themselves navigating uncertainty from trade tensions, tariffs and slowing investment. Higher travel costs combined with weakening consumer confidence could translate into a meaningful shortfall in tourism arrivals, with direct consequences for hotels, restaurants, ground transportation and the thousands of Bajans employed across those sub-sectors.

The labour market, which saw unemployment fall to 6.6% at the end of September 2025, is particularly exposed. Barbados currently has a significant pipeline of foreign direct investment in tourism accommodation, including projects such as Royalton, Pendry and Apes Hill Villas, alongside airport and seaport expansion. Net foreign direct investment reached BBD\$709.5m in 2025, the highest recorded in recent history. Sustained oil price volatility and rising construction material costs have the potential to slow or delay these projects, impacting both the construction sector's strong 9.8% growth and the employment it supports. In our view, this is where the crisis moves from being a cost of living concern to a structural economic risk, and the Government will need to monitor these indicators closely should the elevated oil prices persist beyond the initial three-month hedge window.

Territory Leader's thoughts

Protecting those least able to absorb the impact

The standout feature of this budget is a distinct and deserving focus on those with the least ability to absorb the impact. The Government has responded on three fronts: securing fuel supply and protecting electricity bills, moderating fuel costs through targeted tax measures, and addressing spiralling freight costs. Specifically, the Government will absorb 50% of the increase in the Fuel Clause Adjustment on electricity bills for three months while VAT on fuel will remain capped. Excise taxes on fuel will also be temporarily reduced and BNECL will halve its loss recovery fee from 9 cents to 4 cents per litre. These measures seek to deliver a cumulative reduction of 15 cents per litre at the pump. The use of free-on-board values for calculating customs duty on food, personal care items and construction materials provides a further shield against imported inflation.

The Minister indicated that the budget had originally contemplated going further with income tax cuts for the middle class, but that the geopolitical crisis required a recalibration. We view this as a pragmatic pivot, with fiscal caution today protecting the ability to deliver more tomorrow. The measures for pensioners and the vulnerable, including increasing the pensioner tax allowance from \$50,000 to \$75,000, a \$100 monthly cost of living credit for persons over 65 without pension income, and a 30% increase in welfare rates, demonstrate an acute awareness that fixed-income households bear a disproportionate burden when prices rise.

Whilst the scope of income tax reform was moderate, the Government has still reduced the personal income tax rate for those earning between \$25,000 and \$75,000 from 12.5% to 11.5%, and for those above \$75,000 from 28.5% to 27.5%, returning \$26.1m annually to working Barbadians.

The renewable energy question

The Minister made an important observation, noting the "serious irony" that as oil prices rise, renewable energy becomes more relevant and affordable, and that Barbados "must confront the regulatory hurdles that have confronted us with the expansion of renewable energy in the last five years." PwC shares this view. Had the regulatory and infrastructural framework for renewable energy generation progressed further in earlier years, Barbados would today have a lower dependence on imported fuel oil and would be better insulated from the current crisis.

The Minister's acknowledgement that "the day must come when it does not require an external force to guide our internal focus on what is right for our people" should serve as a call to action for all stakeholders to work collaboratively to remove the remaining barriers. The extension of the excise and VAT holiday on electric vehicles and the income tax deduction for replacement batteries are welcome steps, but the larger prize remains accelerating the transition of the national electricity grid.

Territory Leader's thoughts

Building for the long term: GIGA and economic resilience through diversification

What distinguishes this budget from a purely defensive response is its determination to advance Barbados' longer-term economic transformation. The launch of the Green Industrialisation Gateway Advantage (GIGA) strategy aims to reposition the island as a hub for advanced manufacturing, AI infrastructure, life sciences and global digital services across four industrial corridors and six specialised zones. The targets are bold: expanding export earnings from US\$700m to US\$4 to US\$6bn annually within a decade and increasing the industrial sector's contribution to GDP from less than 6% to 25%.

Critically, GIGA is also about resilience. The current crisis is a sharp reminder that an economy heavily concentrated in tourism and financial services, with a dependence on imported fossil fuel is acutely vulnerable to external shocks it cannot control. Diversifying the productive base, building new export earning capacity and reducing the proportion of GDP dependent on any single sector is itself a form of economic resilience.

If GIGA delivers on even a meaningful portion of its ambition, Barbados will enter the next global crisis with a more diversified economic base and expanded sources of employment, foreign exchange, and fiscal revenue. Realising this potential will depend on consistent execution and sustained long-term commitment from the Government and key stakeholders.

Citizen security, health and social investment

The budget rightly recognises that economic growth cannot be sustained without addressing the social fabric. The Minister's direct confrontation of rising crime, stating that "citizen safety is the first duty of the State", has direct economic implications for tourism arrivals and investor confidence.

The Government's plans for a third debt-for-climate swap targeting healthcare, the revitalisation of Bridgetown, and the continued commitment to special needs including the Accessible Bridgetown Pilot and the Special Needs Trust Framework, all contribute to a more inclusive development agenda.

Strong foundations under pressure

This budget is delivered against genuine economic progress: 19 consecutive quarters of expansion, debt-to-GDP at 93.3%, international reserves of \$3.045bn covering 27.4 weeks of imports, and a primary surplus of \$541.7m. It is precisely these buffers, built since the BERT programme commenced in 2018, that provide the fiscal space to respond, thereby vindicating the approach of building fiscal resilience during periods of stability. However, financial reserves alone cannot be a substitute for structural reforms, particularly in energy and economic diversification, which reduce the economy's underlying exposure to external shocks.

Territory Leader's thoughts

Conclusion

Just three weeks ago, Barbados was expecting a strong economic performance buoyed by a lower debt to GDP ratio, high foreign reserves position and significant foreign direct investment driving the growth in the hospitality and construction sector. In a time of heightened global uncertainty, this is a budget that seeks to alleviate the impact of disruption in global oil markets on Barbadian society, with a distinct and deserving focus on those with the least ability to absorb that impact.

It is equally a budget that looks beyond the current crisis through the GIGA initiative, infrastructure investment, health, citizen security and the creative economy. The challenge will be in the execution of these measures. The GIGA targets are ambitious, the crime statistics demand results, the tourism sector faces headwinds from the likelihood of higher airfares and ongoing FDI projects could face cost pressures.

The Minister's candid acknowledgement that regulatory reform in renewable energy should have come sooner is a moment of important reflection. We would encourage that recognition be matched by sustained action. As the Minister reflected, it has clearly been the Government's lot to be in perpetual crisis mode, not through any fault of Barbados, but through forces beyond its control. Recent history assures us that the next economic stress or crisis will very likely come. This budget, through its focus on renewable energy, GIGA and economic diversification, seeks to position Barbados to be less dependent on imported fossil fuel and better equipped to absorb whatever comes next. That ambition, if realised, is the most enduring form of resilience any budget can deliver.

Should you wish to discuss the impact of any of the proposed measures on your organisation, please reach out to our Tax and Legal Services team.



The Budget pairs targeted short-term relief with a forward-looking agenda designed to strengthen the foundations of economic resilience and future growth.

Ross Parker

Territory Leader

PwC East Caribbean



Tax Leader's thoughts

02

Tax Leader's thoughts

The 2026 budget delivers a package of fiscal measures shaped by two competing realities: the need to provide immediate relief from an energy-driven cost crisis, and the need to continue creating the conditions for businesses and individuals to grow.

For business leaders, the headline message is clear. There are no new taxes. In a year where the Government could have sought additional revenue to fund its crisis response, it has instead chosen to absorb costs, reduce taxes and extend concessions. That is a positive signal for the business community.

Measures impacting individuals

The personal income tax reductions, from 12.5% to 11.5% for those earning between \$25,000 and \$75,000 and from 28.5% to 27.5% for those above \$75,000, will return \$26.1m annually to working Barbadians. Businesses should note that these measures will increase disposable income for employees across the middle-income bracket, which should support domestic consumer spending even in a period of rising imported costs.

The expansion of the Reverse Tax Credit from \$1,300 to \$1,700 for persons earning up to \$25,000, and the extension of eligibility to those earning up to \$35,000 at a credit of \$750, combined with the increase in the Compensatory Income Credit threshold from \$35,000 to \$50,000, represent a meaningful commitment to lower and middle-income earners. For employers, these are measures that put money directly into the pockets of their workforce without increasing the wage bill, which in an inflationary environment is a constructive approach.

For pensioners, the increase in the tax-free allowance to \$75,000 and the \$100 monthly cost of living cash credit for those with income below \$50,000 are welcomed.

Energy and cost relief for businesses and consumers

The energy and freight measures are the most immediately impactful for businesses. The Government's absorption of 50% of the Fuel Clause Adjustment increase on electricity bills for three months, the capping of VAT on gasoline and diesel, the temporary reduction in excise taxes on fuel and the halving of the Barbados National Energy Company Limited's loss recovery fee from 9 cents to 4 cents per litre collectively provide short-term relief. However, businesses should plan on the basis that these measures are temporary. The VAT caps remain until 31 March 2027, but the excise reduction and the electricity subsidy will be reviewed in three months. If oil prices persist above US\$100 per barrel, energy costs will remain elevated and businesses will need to manage their cost bases accordingly.

The shift to free-on-board values for calculating customs duty on food, personal care items and construction materials, and the capping of container values at US\$3,000 for 20ft and US\$6,000 for 40ft containers for the calculation of customs duties and VAT on cost, insurance and freight shipments, are particularly relevant for importers and retailers. These measures directly reduce the tax cost of importing goods during a period of surging freight rates and should therefore help to contain the pass-through of shipping costs to consumers.

Tax Leader's thoughts

Tourism sector measures

The tourism sector has received specific attention. The automatic three-year extension of concessions under the Tourism Development Act for properties with concessions issued on or after 1 January 2005 addresses a gap that the industry has been advocating for over time. This provides certainty for hotel operators whose concession periods were effectively eroded by the pandemic years. The granting of access to duty free concessions on spirits for standalone restaurants, the reduction of VAT for eligible car rental companies from 17.5% to 10%, and the eligibility of car rental companies for duty, excise and VAT exemptions on hybrid and electric vehicles all serve to bring ancillary tourism services into a more competitive tax position. The continued reduction of the Air Travel and Tourism Development fee for regional passengers from US\$35 to US\$20 should support the growth in CARICOM arrivals, which reached 98,336 in 2025.

These measures are important in the current environment. Rising airfares from source markets will test the competitiveness of Barbados as a destination. Reducing the tax burden on tourism operators and ancillary services helps to ensure that prices remain as competitive as possible when external cost pressures are largely beyond the control of domestic players.

Small business and growth measures

For micro and small businesses, the increase in the VAT registration threshold from \$200,000 to \$350,000 effective 1 October 2026 is a meaningful reduction in the administrative burden. The establishment of a collateral registry, allowing businesses without fixed assets greater access to financing, and the creation of a \$3m factoring facility to provide small businesses with working capital, are practical measures that address real constraints on small business growth. The increase in Trust Loan limits from \$10,000 to \$20,000 further supports access to finance for the smallest enterprises.

The extension of the 100% tax credit for digitisation and business process reengineering for a further two years from income year 2026 is a welcome continuation of a measure that directly supports business modernisation and productivity improvement.

Tax Leader's thoughts

Corporate transparency, transfer pricing and compliance

The establishment of a Beneficial Ownership Register and a Business Compliance Unit, with a target to be functional by May 2027, reflect Barbados' continued alignment with international standards on corporate transparency, anti-money laundering and tax evasion. For the global business sector, which remains Barbados' second largest industry, these measures reinforce the country's credibility as a well-regulated jurisdiction. However, it is imperative that these measures be implemented in a manner that does not add to very real existing challenges with business facilitation.

The Minister also indicated that transfer pricing legislation will shortly be laid before Parliament. This is a development that has been discussed and anticipated for several years but has not yet been delivered. Transfer pricing rules are a standard feature of modern tax systems globally and are a key component of the OECD framework to which Barbados has committed. Their introduction will be of direct relevance to multinational enterprises operating in Barbados, particularly those with cross-border related party transactions. While the Minister framed the legislation in the context of regulating the pricing of commodities handled by related companies acting as intermediaries, the implications will be broader. Businesses with intercompany arrangements, whether in goods, services, financing or intellectual property, should begin reviewing their transfer pricing positions in advance of the legislation being enacted. PwC supports the implementation of transfer pricing rules in Barbados as a necessary step in the maturation of the tax system, and we welcome the Minister's stated intent to bring this legislation forward. We would encourage that the timeline be adhered to, given the number of years this has been in discussion.

The role of government and the private sector

A theme running through this budget is the Government's role as an enabler rather than the sole driver of economic growth. The Minister stated that the Government "cannot do this alone" and that the measures taken "only buy us time." This framing is important. Government has provided the fiscal framework: reduced tax rates, extended concessions, capped duties, shielded energy costs and created financing facilities. It is now for the private sector to invest, innovate, hire and grow within that framework.

The Green Industrialisation Gateway Advantage (GIGA) initiative, the Economic Growth and Diversification Fund and the Competitiveness and Productivity Commission all create platforms, but it is ultimately private sector enterprise and investment that will deliver the jobs, exports and diversification that Barbados needs. These platforms must be implemented with clarity and the right level of efficiency to be effective, allowing business leaders to engage proactively with these initiatives and the agencies charged with delivering them, including Invest Barbados and Export Barbados. It is only with collaboration and clarity that opportunities envisioned will be realised.

Tax Leader's thoughts

Our tax team stands ready to assist clients in understanding and responding to the fiscal measures outlined in this budget. We encourage businesses to review how the changes to customs duty calculations, excise tax adjustments and VAT rate modifications will flow through their import costs, pricing structures and compliance processes. Equally, businesses should assess the opportunities presented by the tourism concession extensions, the digitisation tax credit, the new financing facilities and the incentives available through GIGA and the Economic Growth and Diversification Fund. Our team can assist in quantifying both the administrative impacts and the potential benefits to ensure your business is well positioned to navigate the current environment and take full advantage of the measures available.



No new taxes. Lower rates. Broad relief. This Budget sends a clear message; the Government is investing in the resilience of its people and the competitiveness of its economy.

Sophia Weekes

Partner, Tax Services

PwC East Caribbean



Budget economics 2026 overview

03

Budget economics 2026 overview



Real GDP growth of 2.7% in 2025
19 consecutive quarters of expansion



Debt-to-GDP ratio of 93.3% in 2025
Down from 178.9% in 2018, target of 60% by 2035



Gross International Reserves of BD\$3.1billion
27.4 weeks or 6.3 months of import cover



Unemployment of 6.1% at the end of 2025
A historic low with 142,800 persons employed



Budget economics 2026 overview



Real GDP Growth

2.7%



Nominal GDP

\$16.3bn



Primary Surplus

\$541.8m



**Capital Expenditure
Target**

\$875m



Long stay arrivals

658,266



Total Visitor spend

\$3.7bn



**Foreign Direct
Investment**

\$709.5m



**Gross International
Reserves**

\$3.0bn



**Current Transfer
Receipts**

\$468m



Proposed
fiscal measures

04

Proposed fiscal measures

Measures – Tax credits vs. tax allowances

The Government has chosen to increase tax credits rather than tax allowances in order to maintain greater fiscal flexibility. The rationale is that if the Government cannot afford to pay the credit in any given year, it retains the discretion not to do so. Tax allowances, by contrast, are embedded into the tax calculation and offer less flexibility during an economic crisis.

Our views

This is a strategically sound approach from a fiscal management perspective. Unlike tax allowances, tax credits allow relief to be calibrated in response to economic conditions. This flexibility ensures that personal tax relief can be sustained responsibly over time, while remaining responsive to changing circumstances. With this policy context in mind, we turn first to the specific personal tax measures announced.

Measures – Personal income tax rate reductions

With effect from income year 2026, the personal income tax rate for individuals earning between \$25,000 and \$75,000 has been reduced from 12.5% to 11.5%. For those earning above \$75,000, the rate has been reduced from 28.5% to 27.5%.

Our views

We view these rate reductions as a measured and responsible step toward easing the personal income tax burden on working Barbadians. The one (1) percentage point reduction in each bracket delivers a tangible benefit across a broad taxpayer base and signals the Government's continued commitment to progressive tax reform. Importantly, the retention of a tiered structure ensures that the principle of ability to pay remains intact.

Proposed fiscal measures

	FY25	FY26	FY25	FY26
	BBD\$	BBD\$	BBD\$	BBD\$
Basic salary	60,000	60,000	100,000	100,000
Bonus	6,000	6,000	6,000	6,000
Total employment income	66,000	66,000	106,000	106,000
<u>Less: Allowances and deductions</u>				
Personal allowance	(25,000)	(25,000)	(25,000)	(25,000)
Taxable income	41,000	41,000	81,000	81,000
Income tax payable				
First \$50k at 12.5%/11.5%	5,125	4,715	6,250	5,750
Balance at 28.5%/27.5%	-	-	8,835	8,525
Total tax payable	5,125	4,715	15,085	14,275
Net pay after tax	60,875	61,285	90,915	91,725
Increase in net pay		410		810

Proposed fiscal measures

Measures - Compensatory Income Credit (CIC)

Building on these rate reductions, the Government has also expanded the Compensatory Income Credit. With effect from income year 2025, the income limit for the CIC will increase from \$35,000 to \$50,000. The CIC is designed to ensure that lower and middle-income earners retain more of their income through reduced tax liability, such that more money stays in the pockets of ordinary Barbadians.

Our views

Raising the CIC threshold from \$35,000 to \$50,000 represents one of the most impactful personal tax measures in this Budget. By bringing additional taxpayers within the scope of this credit, the Government expands the safety net for middle-income earners who have been increasingly affected by inflation and rising costs. This measure strikes the right balance between broad-based relief and responsible fiscal management.

Measures - Reverse Tax Credit (RTC)

Complementing the CIC, the Government has also enhanced the Reverse Tax Credit to provide targeted support at the lower end of the income scale. For income year 2025, the RTC will increase from \$1,300 to \$1,700 for persons earning up to \$25,000 per annum.

Additionally, a new tier has been added for persons earning between \$25,000 and \$35,000 per annum, where the individuals in this new bracket will receive an RTC of \$750.

Our views

The enhancement of the RTC is a well-targeted measure that delivers direct financial relief to the most vulnerable segment of the working population. The increase to \$1,700 for those earning up to \$25,000, combined with the expansion of eligibility to \$35,000 at a \$750 credit, demonstrates a deliberate and layered approach to income support.

Measures - Special Needs Trust Framework: Personal Income Tax Exemption

Looking beyond direct income relief, the Government will introduce a Special Needs Trust framework effective 1 April 2026. This framework will allow parents and guardians to create Special Needs Trusts for disabled beneficiaries. Trust income and distributions used for the care of disabled persons will be exempt from personal income tax, the tax treatment of trustees will be clarified, and the objectives of the national disability policy will be supported.

Our views

The introduction of a Special Needs Trust framework is a notable addition to Barbados' tax and legal landscape. By exempting trust income and distributions from personal income tax when used for the care of disabled persons, this measure provides families with a clearer and more tax-efficient pathway for long-term financial planning. It also reinforces the Government's alignment with the objectives of the National Policy for Improving the Lives of Persons with Disabilities.

Proposed fiscal measures

Measures - Taxable allowance for pensioners

Turning to those on fixed incomes, the Government has moved to ease the tax burden on pensioners. With effect from income year 2025, the taxable allowance for pensioners will increase to \$75,000.

Our views

This is one of the most welcome measures in the Budget for the senior population. Pensioners, by the very nature of their fixed income, are among the most exposed to inflationary pressures, and the increase of the taxable allowance to \$75,000 provides meaningful and immediate relief. Many pensioners earning in this range will see a significant reduction, or in some cases complete elimination, of their income tax obligation. This demonstrates the Government's commitment to protecting those who have contributed to the development of Barbados throughout their working lives.

	FY24	FY25	FY24	FY25
	BBD\$	BBD\$	BBD\$	BBD\$
Pension income	60,000	60,000	100,000	100,000
<u>Less: Allowances and deductions</u>				
Personal allowance	(50,000)	(75,000)	(50,000)	(75,000)
Taxable income	10,000	-	50,000	25,000
Income tax payable				
First \$50k at 12.5%/11.5%	1,250		6,250	2,875
Balance at 28.5%/27.5%	-	-	-	-
Total tax payable	1,250	-	6,250	2,875
Net pay after tax	58,750	60,000	93,750	97,125
Increase in net pay		1,250		3,375

Measure - Replacement batteries - electric and hybrid vehicles

Effective 1 April 2026, the cost of replacement batteries for electric and hybrid vehicles will be eligible for a 5-year personal income tax deduction.

Our views

The 5-year personal income tax deduction for replacement batteries addresses one of the most significant ongoing costs of electric and hybrid vehicle ownership, effectively lowering the total cost of ownership over the life of the vehicle. This measure, combined with the existing excise and VAT holiday and duty exemptions, signals a comprehensive Government commitment to sustainable transportation in Barbados.

Proposed fiscal measures

VAT & Excise Tax – General cost of living

In light of persistent cost of living pressures and the necessity for enhanced stability in energy and transportation costs, the Government has announced both an extension of current initiatives and the introduction of new measures. Collectively, these efforts are designed to offer prompt relief and reinforce economic resilience in response to geopolitical uncertainties.

Measures

With effect from 1 April 2026:

- Government will absorb 50% of the increase in the Fuel Clause Adjustment (FCA) on electricity bills above the March 2026 FCA for the next 3 months, after which the measure will be reassessed.
- VAT on gasoline will be capped at 47¢ per litre and on diesel at 37¢ per litre until 31 March 2027, ensuring pump prices remain manageable.
- Excise tax on gasoline will be temporarily reduced from 99.39¢ to 89.39¢ per litre, and on diesel from 44.03¢ to 34.03¢ per litre, effective for 3 months, after which the measure will be reassessed.
- Removal of all VAT and customs duties from the importation of, or installation of CCTV security systems and burglar alarms systems at residential properties. Additionally, for one year, all purchases of dashcam and other GPS devices for installation on all vehicles will be duty and VAT free on importation into Barbados.
- Extension of the 10% import duties, excise and VAT holiday on electric vehicles until 31 March 2029.
- Extension of the waiver of import duty and VAT on the purchase and installation of generators and transfer switches at residential homes irrespective of the fuel type for a further 2 years.
- Extension of the waiver of VAT will apply on the sale and installation of water tanks, septic tanks and electrical pumps and pressure tanks for residential properties for 2 years.

Our views

The VAT and excise tax reductions provide short-term relief by lowering fuel prices and supporting household budgeting and discretionary spending. These measures are intended to buffer households and businesses from oil price volatility, encourage the use of cleaner technologies, and advance sustainable energy solutions. While the VAT cap will remain in place through Q1 2027, the excise tax reductions apply only for Q2 2026. Businesses should prepare for the reinstatement of standard excise rates after July and prioritise energy-efficiency initiatives to mitigate future cost fluctuations.

Notably, the Government's removal of VAT and customs duties on CCTV systems, dashcams and burglar alarm systems also reflects a focus on crime prevention and signals a commitment to addressing concerns about personal safety and rising crime levels on the island.

Proposed fiscal measures

VAT & Excise Tax - Tourism

The Government has introduced measures for key segments in the tourism sector designed to support the acceleration of the sustainable transition of rental car fleets, reduce operational costs, advance Barbados' climate and clean energy commitments and encourage in-bound regional travel.

Measures

With effect from 1 July 2026:

- Approved rental car companies will be eligible for exemptions from customs duty, excise, and VAT on hybrid and electric vehicles, as well as related charging infrastructure, imported once every four years.
- VAT on rental car services will be reduced from 17.5% to 10% for approved operators.
- Rental car companies meeting criteria such as VAT registration, tax and NIS compliance, vehicle licensing and maintenance and earning at least 60% of revenue from foreign sources deposited in the banking system will qualify as eligible tourism service providers under the Tourism Levy Act.
- The Air Travel and Tourism Development fee for regional passengers will be reduced from US\$ 35 to US\$20 until 30 June 2027.
- Standalone restaurants will be eligible to access duty free exemptions on spirits under the Tourism Development Act.

Our views

The exemptions are designed to address vehicle acquisition costs and enhance competitiveness in the tourism sector. Rental car operators are encouraged to align their capital investments with the standard 4-year replacement cycles to maximise the benefits, which may include a substantial cost reduction on higher-priced vehicles. To fully benefit, rental operators must adhere strictly to eligibility criteria and maintain transparent VAT accounting practices to apply and report the reduced rate accurately. These measures are likely to enhance net operating margins, facilitating greater pricing flexibility and improved profitability.

The reduction in the Air Travel and Tourism Development fee for regional passengers serves to boost in-bound regional travel, whilst the duty-free access to spirits for standalone restaurants expands the eligibility for concessions within the restaurant sector. These welcomed measures are expected to ease costs for consumers and businesses alike and stimulate economic activity in the tourism sector.

Proposed fiscal measures

VAT & Excise Tax – Micro and small business sector

As part of a series of pro-growth fiscal measures aimed at supporting micro and small businesses, the government will implement a significant change to the VAT registration threshold. This policy adjustment is designed to simplify tax compliance and reduce the administrative burden for smaller enterprises, thus fostering an environment conducive to business expansion and standardisation within the sector.

Measures

With effect from 1 October 2026, the VAT registration threshold will be increased from \$200,000 to \$350,000.

Our views

Increasing the threshold reduces the administrative burden and corresponding costs for small businesses, allowing them to prioritise growth before mandatory VAT registration is required. Businesses with annual revenues between \$200,000 and \$350,000 should review their current VAT status. If revenues consistently remain below \$350,000, deregistration could be beneficial for reducing compliance expenses. Conversely, if input VAT recovery is significant, maintaining registration may continue to offer substantial advantages and should therefore be carefully evaluated.

Proposed fiscal measures

VAT & Excise Tax – Customs duties

As part of recent customs and excise reforms, several new measures will take effect to streamline duties and VAT calculations, and to offer greater predictability for importers of essential goods. These changes are intended to simplify the import process, help manage costs and reduce administrative burdens for businesses in affected sectors.

Measures

With effect from 1 April 2026:

- For items landed in Barbados, the Customs & Excise Department will use the free-on-board (FOB) value for the purpose of calculating customs duty on food and personal care items and construction materials until 31 March 2027.
- For courier and postal shipments for personal use, there will be an increase in the de minimis threshold from \$60 to \$150 FOB with a tiered import duty structure as follows:
 - duty-free for goods valued between \$150.01 and \$199.99 FOB but still subject to VAT
 - both duty and VAT will apply for goods over \$200 FOB
 - with specific exclusions for alcoholic beverages, cannabis and vaping products, cigars, cigarettes and manufactured tobacco.
- Shipments brought in on a cost, insurance and freight (CIF) basis will have container values capped at \$3,000 for 20-foot containers and \$6,000 for 40-foot containers when determining customs duty and VAT.

Furthermore, to reinforce compliance, a \$500 fine will be imposed for false declarations and under-invoicing, in addition to any assessed duty.

Our views

The new customs duty and VAT reforms will benefit importers of essential goods, such as food, personal care products, and construction materials, by introducing capped container values and shifting to a free-on-board (FOB) valuation basis, which may reduce their duty and VAT obligations. These modifications assist logistics providers by imposing restrictions on container values to enhance cost management. In addition, simplified processes and increased de minimis thresholds are anticipated to reduce compliance requirements for low-value personal shipments.

The efficient and transparent implementation of these measures will be key to their effectiveness. Importers are in turn advised to ensure accurate documentation and value declarations to avoid increased penalties for non-compliance.



Economic overview 2026/27

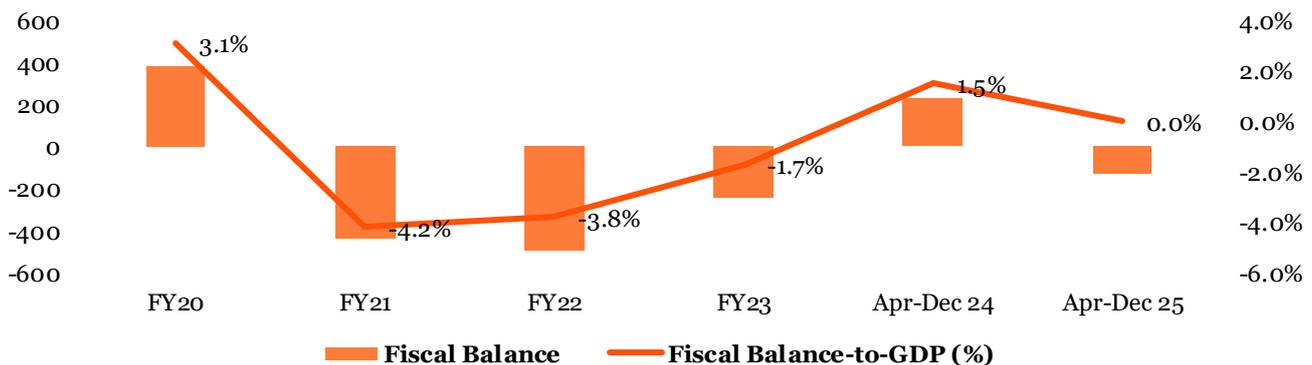
05

Economic overview

Fiscal balance and inflation

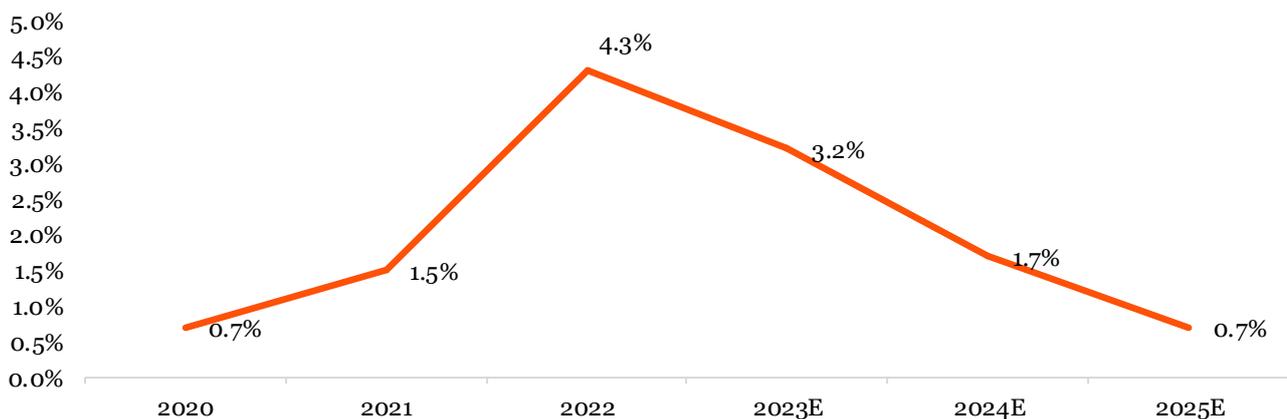
Barbados' fiscal position moderated during 2025 as Government balanced rising capital investment needs with efforts to maintain fiscal discipline. For the April–December 2025 period, Government recorded an overall fiscal deficit of \$2.4m, equivalent to -0.01 % of GDP, compared to a surplus of \$226.5m (1.5% of GDP) in the corresponding period of FY2024/25. The shift in the fiscal balance reflects a combination of stronger expenditure growth and tempered revenue gains relative to the previous year. While the fiscal balance softened in 2025 due to elevated capital and operating expenditures, Government's underlying fiscal discipline (reflected in continued primary surpluses and resilient revenue performance) provides a stable foundation for ongoing economic transformation efforts.

Fiscal Balance



Inflationary pressures eased further in 2025, offering relief to households and businesses. The 12-month moving average inflation rate fell to 0.7% by November 2025, down from 1.7% at the end of 2024. This downward trend was anchored by lower international fuel prices, reduced freight costs, and more moderate increases in domestic goods and services.

Inflation



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2025

E - Estimate

*Data represents a 12-month moving average for the calendar year

Economic overview

Economic sectors

Barbados' economy continued to expand in 2025, supported by broad-based sectoral activity. Real GDP grew by an estimated 2.7% reflecting sustained momentum across both traded and non-traded industries. Business services (34.5% of GDP up from 34.2% in 2024), wholesale and retail (21.5% of GDP, down from 21.8% of GDP in 2024), tourism (7.8% of GDP in 2025 with no change from 2024), construction (5.8% of GDP in 2025 up from 5.4% in 2024), and agriculture (1.9% of GDP up from 1.7% in 2024) each contributed to the island's overall economic performance, albeit with varying degrees of strength as global conditions, weather-related disruptions, and domestic investment patterns shaped sectoral outcomes.

Wholesale and Retail

Activity in the wholesale and retail sector registered modest growth in 2025, expanding by 1.1%, supported by increased demand for household appliances, construction materials, pharmaceuticals, and motor vehicle parts. This reflects the spillover effects of higher tourism arrivals, stronger construction activity, and continued recovery in household consumption.

Business Services

Business and other services continued their steady upward trend, growing by 3.7% in 2025 following a moderate expansion in 2024. Real output increased to 4.744 billion, up from 4.575 billion in the previous year, supported by broad-based improvements in professional services, real estate activities, and global business sector earnings. This sector benefited from rising foreign currency permit issuances, higher remuneration levels, and continued demand for advisory, legal, financial, and administrative support services.

Tourism

The tourism sector remained the primary engine of growth in 2025, building on the strong recovery of recent years. Long-stay arrivals reached a historic 727,310 visitors, representing a 3.3% increase over 2024. Growth was supported by expanded airlift, heightened demand from the United States, which recorded an 8.1% increase in arrivals and improved performance across the CARICOM, Canadian, and European markets. While the UK market softened due to reduced seating capacity and higher living costs, overall visitor spending remained strong. Cruise tourism also expanded modestly, with 546,393 in-transit passengers, up 0.7%, despite fewer vessel calls. Higher occupancy rates helped sustain passenger volumes and contributed to the overall improvement in tourism value added.

Agriculture

Agricultural activity recorded meaningful gains during 2025, even as weather disruptions continued to impose challenges. Overall output grew by 13.3%, buoyed by stronger food crop production; particularly fruits and vegetables, which expanded by 18.6%. Root crops also increased, reflecting improved yields for cassava and yams. According to the Central Bank of Barbados, agriculture in 2025 accounted for approximately 1.9% of the Barbados economy (real GDP) compared to 1.7% in the prior comparative period.

Livestock and poultry production further bolstered agricultural performance, with egg output rising by 27.1% and chicken production increasing by 2.7%. Fishing activity also improved, with landings up 2.2% as the fleet gradually recovered from the effects of Hurricane Beryl.

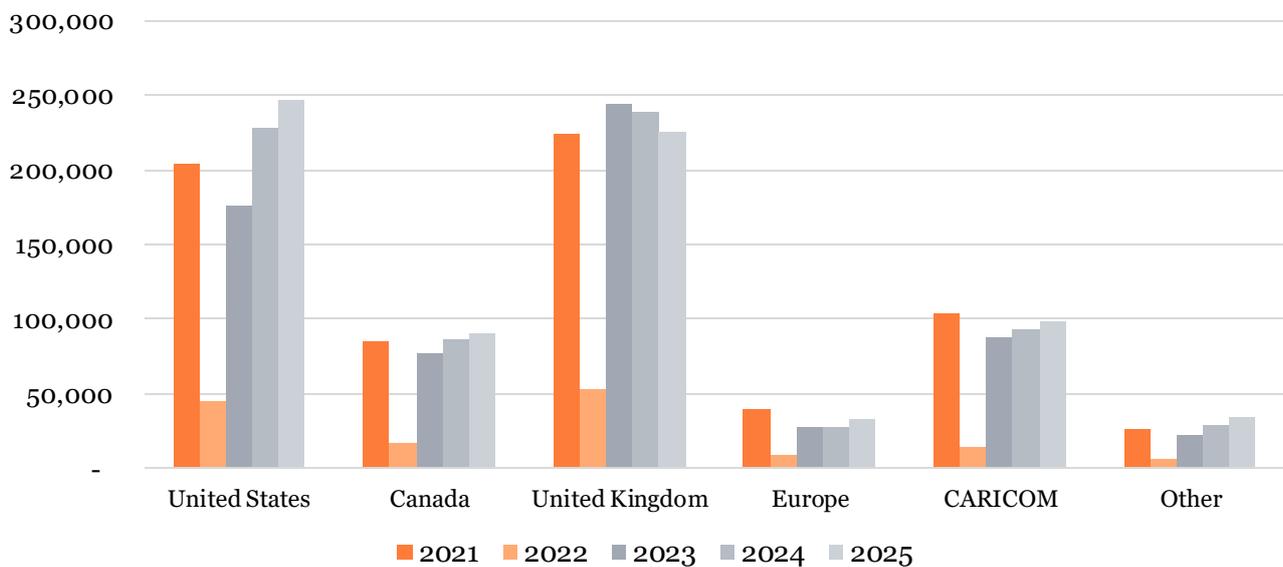
Construction

Construction activity continued to be one of the main drivers of domestic growth in 2025, expanding by 9.8% and reflecting the sustained rollout of major public and private sector projects. This performance compares favourably to the prior year, where construction grew by an estimated 11.0% (from 654.8 million to 726.3 million at constant prices). Growth during 2025 was bolstered by ongoing developments such as the Royalton and Pendry hotel projects, the Apes Hill and Coverley residential communities, the National Performing Arts Centre, and works associated with the Reclaiming Our Atlantic Destiny programme.

Economic overview

Economic sectors cont'd

Tourism Arrivals by Source Market



Source: Barbados Statistical Service

Unemployment

Labour market conditions continued to strengthen in 2025, reflecting the sustained recovery across tourism, construction, and select service industries. The national unemployment rate declined to 6.6% at the end of September 2025, down from 7.1% recorded one year earlier. This improvement was driven by reductions in joblessness across key sectors; construction, agriculture, and tourism, which benefitted from heightened investment activity, expanding visitor arrivals, and ongoing project implementation.

Economic overview

Revenue collection

Direct taxes

Direct tax collections continued to strengthen over the April–December 2025 period, with revenue rising to \$1.411bn, an increase of \$28.9m (or by 2.1%) compared to the same period in FY2024/25. This increase was driven primarily by higher corporate and personal income tax receipts, supported by improved profitability in key sectors and the timing of refund processing.

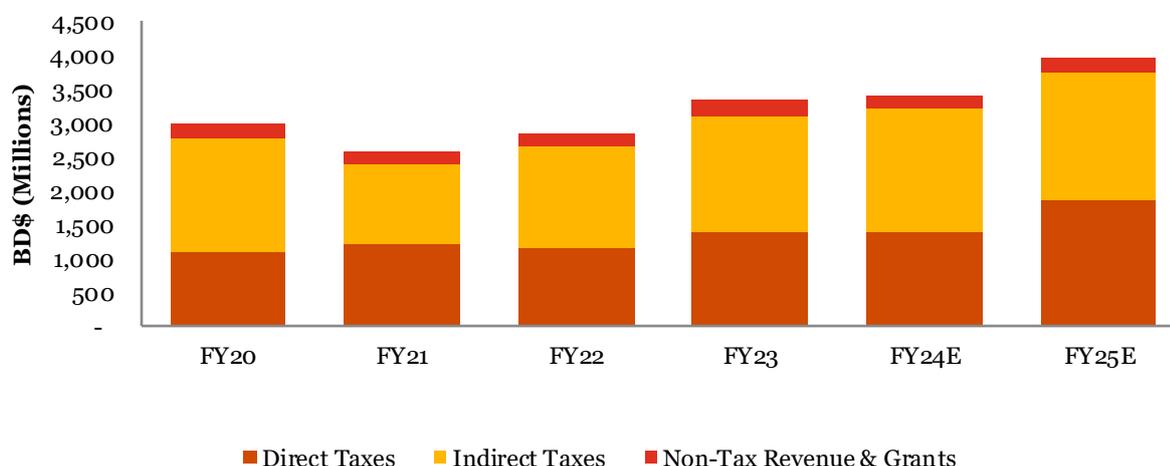
- Corporate income tax increased by \$30.4m (or 4.2%), reflecting stronger financial sector performance.
- Personal income tax rose by \$13.7m (or 4.0%), supported by higher employment income, particularly performance-related bonuses in the financial services sector.
- Property tax collections totaled \$196.6m, declining modestly by \$1.4m (or -0.7%), while withholding tax fell by \$11.4m (or -39.6%), reflecting reduced dividend and interest-related payments relative to the previous year.

Indirect taxes

Indirect tax revenue also expanded during the period, rising to \$1.432bn, up \$61.3m (or 4.5%) from the FY2024/25 comparable period. Growth was supported by higher domestic economic activity, elevated import values, and sustained momentum in construction, wholesale and retail trade. The main contributors to this increase were:

- Domestic VAT (net of refunds), which increased by \$33.9m, driven by higher spending in construction, retail, and tourism-related activity.
- External VAT and import duties, which grew by a combined \$25m, reflecting higher import values and expanded customs intake.
- Excise taxes, which remained stable at \$183.1m, maintaining their role as a steady source of indirect tax revenue.

Composition of Government Revenue



Economic overview

Expenditure control

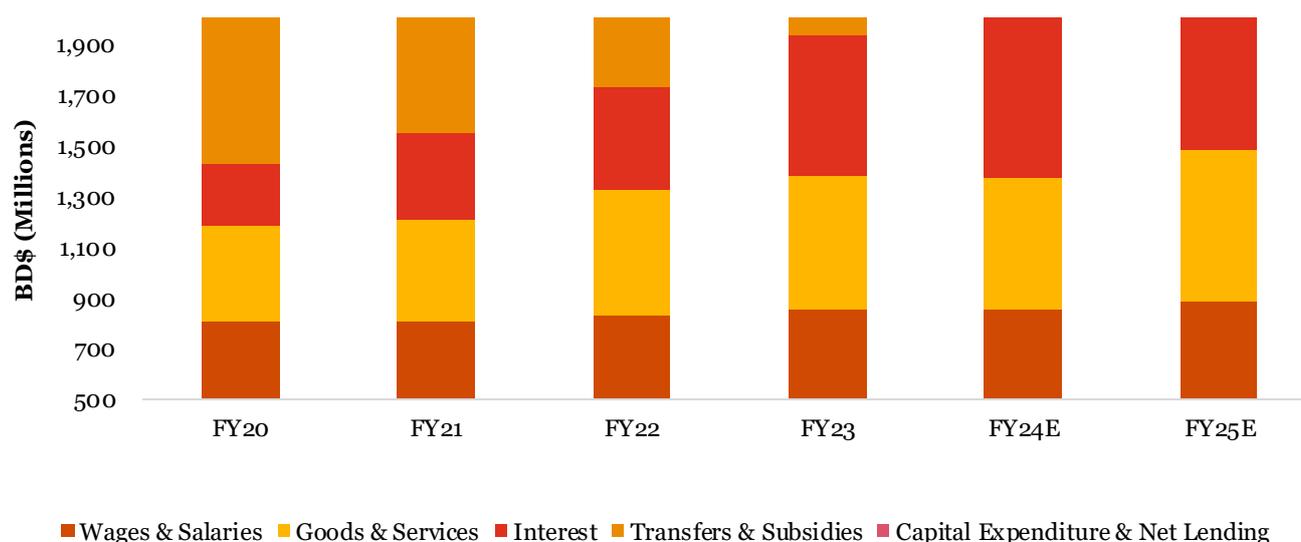
Expenditure continued to rise over the April–December 2025 period, increasing by \$299.7m compared to the same period in FY2024/25. This growth was a result of higher operating costs, increased transfers, and a significant escalation in capital spending.

a) Transfers and subsidies rose to \$888.8m (an increase of 6.5%), up from \$834.5m in the previous comparative period. This \$54.3m increase reflects additional support to major public institutions, including the Queen Elizabeth Hospital, the Barbados Community College, and the Transport Board, all of which faced rising operating demands.

b) Interest expenditure totaled \$544.1m, a slight decline of \$5.2m (or a -0.9% change) from the previous year. Lower domestic interest payments owing to savings generated from the debt-for-climate swap offset a modest uptick in external interest costs linked to the 2035 Eurobond .

c) Capital expenditure expanded sharply to \$393.8m, increasing by \$129.1m (or 48.8%) year-over-year as Government advanced its major infrastructure agenda. Key projects included continued construction of the geriatric hospital at Waterford, development of senior citizens' villages, upgrades to the Sanitation Service Authority's fleet, and works under the Reclaiming Our Atlantic Destiny programme, such as the National Performing Arts Centre and the newly erected monument located in Newton.

Composition of Government Expenditure



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2025
Fiscal indicators: Apr–Dec FY2025/26; Prices & sector output: calendar-year 2025

Economic overview

Government debt and financing

The Government's debt position strengthened in 2025, supported by disciplined fiscal management, favourable economic conditions and the effects of revising GDP estimates to reflect today's economic realities. The public sector debt-to-GDP ratio declined to 94.6% at end of December 2025, reflecting stronger nominal GDP growth, a solid primary surplus, and the strategic retirement of higher-cost obligations.

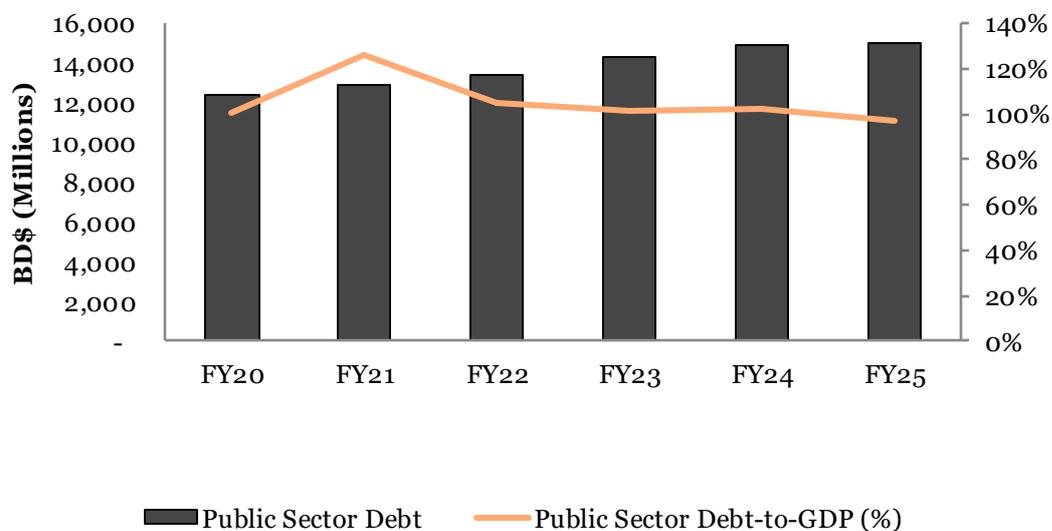
Debt management activity was significant during the year. Government executed major early-repayment options; prepaying 83.5% of the 2029 Eurobond and 33.8% of IMF EFF obligations, which increased external amortisation but improved the long-term cost structure of public debt. Essentially, by prepaying these bonds the Government lowered its financing cost. As a result, the net financing requirement rose to \$1.645bn, an increase of 71.9%, primarily driven by these prepayment-related amortisation needs.

Despite elevated financing requirements, total interest payments fell by \$5.2 million (or -0.9%), owing largely to savings from the prior debt-for-climate swap. This offset a modest rise in external interest costs associated with the new US\$500m 10-year note used to refinance the Eurobond and meet IMF obligations.

Domestic financing remained active, with increased uptake of BOSS Plus bonds, higher treasury bill issuance, and divestment proceeds. External financing was also boosted by multilateral disbursements and expanded project inflows, including support from Corporación Andina de Fomento (CAF).

Government maintained a strong fiscal anchor, recording a primary surplus of \$541.7m (3.3% of GDP), helping to moderate financing needs and sustain the downward trend in the debt ratio. Overall, while early repayments temporarily raised amortisation, these actions enhanced debt sustainability by reducing future interest costs and strengthening the maturity profile of public debt.

Public Sector Debt



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2025
Fiscal indicators: Apr-Dec FY2025/26; Prices & sector output: calendar-year 2025

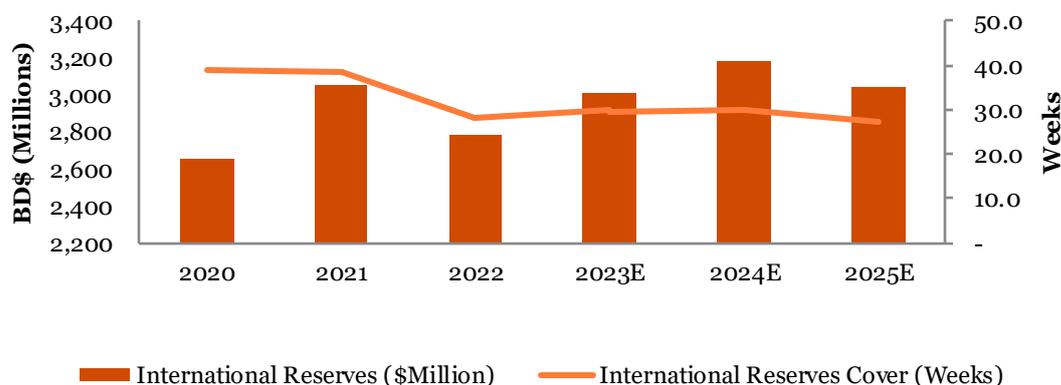
Economic overview

Foreign exchange reserves

Barbados' foreign exchange reserves remained robust at the close of 2025, providing a continued buffer against external shocks. According to the Central Bank of Barbados' Review of Economic Performance (2025), international reserves stood at \$3.0bn at end of December 2025, representing a decline of \$140.9m (or -4.6%) from the \$3.18bn recorded at the end of 2024. This movement reflected the impact of a widening current account deficit, driven primarily by higher imports of goods, increased dividend outflows, and a reduction in current transfer inflows, which outweighed gains from strong tourism receipts and project-related inflows.

Import cover measured 27.4 weeks at the end of 2025, down from 30.1 weeks one year earlier. Despite this reduction, the level of reserves remains well above the international benchmark of 12 weeks, continuing to signal resilience in Barbados' external position. Overall, while the reserve position softened relative to 2024, it continues to reflect the underlying strength of the tourism sector and sustained capital inflows, even as external pressures temporarily reduced the pace of reserve accumulation.

International Reserves & Weeks Cover



Source: Central Bank of Barbados - Review of Barbados' Economic Performance 2025
E - Estimated





Let's talk

06

Caribbean presence

PwC in the Caribbean comprises eight firms with more than 1,200 people in The Bahamas, Bermuda, British Virgin Islands, Cayman Islands, East Caribbean (including Barbados and Saint Lucia), Guyana, Jamaica and Trinidad and Tobago. We provide quality assurance, tax, legal and advisory services to a full range of private and public organisations, including international businesses, local enterprises and Government.

Locations in the Caribbean

Our clients have access to top PwC talent, which means tapping into our vast pool of Caribbean and global industry resources that have the experience and credentials to deliver the quality services for which PwC is known.

The Bahamas	Bermuda	British Virgin Islands
Cayman Islands	East Caribbean (including Barbados and St Lucia)	Guyana
Jamaica	Trinidad and Tobago	

We have a long history of operating in the Caribbean



Caribbean Territories 8



Caribbean locations 11



Our people in the Caribbean 1,200+

Building trust and solving important problems



At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 136 countries with over 364,000 people who are committed to delivering quality in assurance, advisory and tax services.

Our advisory, tax, and assurance services address today's most pressing business imperatives

Simulate innovation	Align costs with business strategy	Transform human capital
Accelerate digital and technology impact	Grow and create competitive advantage	Navigate risk and regulatory complexity
Optimise deals	Create unique customer experiences	Strengthen trust and transparency
Unlock data possibilities	Secure assets	Strengthen Corporate Governance

We have the global reach, experience, and skill you need

- Countries** 136 (Icon: Globe with cursor)
- Cities** 636 (Icon: City skyline)
- Our people** 364,000+ (Icon: Group of people)
- Locations** 742 (Icon: Location pin)
- Our revenue** \$56.9bn (Icon: Money with dollar sign)
- Our clients** 82% of the Fortune Global 500 are our clients (Icon: Person in a hexagon)

Our clients range from the world's largest and most complex organisations to some of the most innovative entrepreneurs.

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



Ross Parker
Territory Leader



Sophia Weekes
Partner
Tax Services



Ronaele Dathorne-Bayrd
Partner
Tax and Legal Services

Head office

The Financial Services Centre
Bishop's Court Hill, St. Michael, Barbados
T: +1 (246) 626 6786
E: bb_pwceastcaribbean@pwc.com

Thank you

pwc.com

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