PricewaterhouseCoopers (www.pwc.com) is the largest professional service firm in the world. We provide industry-focused assurance, tax, advisory and corporate services for private and public clients, helping them to build value, manage risk and improve performance.

Across the Caribbean, the PricewaterhouseCoopers network provides a fully integrated range of professional services to local, regional and international clients from offices located in Antigua, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curacao, Grenada, Jamaica, the Dominican Republic, Puerto Rico, St. Lucia, St. Maarten, Trinidad & Tobago, the Turks & Caicos Islands and the U.S. Virgin Islands.
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Introduction

With a long history of political and economic stability and commitment to free enterprise, Barbados has developed into a major domicile for international business within the Eastern Caribbean.

This guide has been prepared by PricewaterhouseCoopers East Caribbean. It provides background information to help business executives evaluate the advantages of establishing an International Business Company in Barbados.

Executives who are already planning to establish an international business company here, or who wish more detailed information on the process or about specific issues, are urged to contact one of the following partners with responsibilities for international business: Wayne Fields, Marcus Hatch, Charles Tibbits, Gloria Eduardo or Ashley Clarke.

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PricewaterhouseCoopers in Barbados and the East Caribbean

Through its legacy firms, PricewaterhouseCoopers has roots in Barbados that go back to the 1860s. Officially known as PricewaterhouseCoopers East Caribbean, the partnership is headquartered in Barbados with practices in Antigua, St. Lucia and Grenada.

Through its Corporate Services Division, which is managed by Abacus Management Services Ltd., the firm provides a complete range of services to foreign investors seeking to establish an International Business Company in Barbados.

These include:

- Arranging incorporations, registration of external companies and company liquidations.
- Preparing the application for the IBC licence and attending discussions with the Ministry of Industry and International Business for the granting of the licence.
- Providing a registered office and a company secretary, and nominating local directors.
- Maintaining statutory records, acting as a company registrar and dividend payment agent; filing statutory returns and generally keeping the company in good standing.
Why Barbados?

Already renowned as one of the premier holiday destinations in the Caribbean, and recognized by the United Nations as among the top developing nations in the world, Barbados also enjoys a well deserved reputation for integrity as an international business centre.

Over the past 30 years, successive governments have painstakingly built a highly attractive environment for foreign investment and international business. In addition to offering attractive tax concessions and incentives, the island has established a network of tax treaties with several countries including the USA, Canada, The UK, Switzerland and China.

Indeed, Barbados has continually enacted – and refined – legislation that makes the country a highly respected domicile not only for International Business Companies but also for:

- Exempt Insurance Companies
- Qualifying Insurance Companies
- International Banks
- International Societies with Restricted Liability
- International Trusts
- Mutual Funds

Barbados has excellent international telecommunications links and is easily accessible by frequent scheduled flights from the United States, Canada, Britain and Europe. In addition, the island is home to a well-educated and skilled population and enjoys a well-developed infrastructure and a sophisticated level of services.

Underlying legislation for International Business Companies

A company incorporated or registered in Barbados may be licensed as an International Business Company in Barbados under the International Business Companies Act, Cap. 77.

Key Incentives

Here is some of the key tax and other incentives offered under the International Business Companies Act, Cap. 77:

- Tax on income on a sliding scale, from a maximum of 2.5% to a minimum of 1%.
- A tax credit in respect of taxes paid outside of Barbados, but only insofar as it reduces the tax payable in Barbados to a minimum of 1%.
- Exemption from all withholding taxes on payments to persons not resident in Barbados.
- No capital gains tax or estate duty.
- Freedom from exchange control regulations.
- Books and records may be kept in a foreign currency.
- Guarantee of benefits and exemptions for a period of 15 years.
- No minimum capital or “thin capitalisation” required.
- Provisions for inward and outward re-domiciliation.
- Access to the country’s tax treaty network.
- Convention expenses allowed by US tax authorities.
- Modern and flexible corporate legal framework.
- Branch operations may benefit from IBC status.
- Income tax concessions for specially qualified employees.
- The sale of foreign real estate or investments, and the transfer of equity in an IBC are not subject to local transfer taxes and stamp duty.
- An IBC may import, free from all customs duties, machinery or materials for use in its business. A zero tax rate applies to IBCs that are wholly owned by a trust established and managed in accordance with the International Financial Services Act, 2002.

Restrictions/Requirements

- Audited financial statements, where required, must be filed with the Ministry of Industry and International Business on an annual basis instead of the Registrar of Companies.
- Bearer shares are not permitted.
- A company licensed as an IBC cannot provide goods or services to residents of Barbados.
- A company licensed as an IBC must maintain a local registered office in Barbados.
- A company licensed as an IBC must file a corporate tax return annually.

Principal international tax planning considerations

- **Canada** – As a result of Barbados being a “designated treaty country”, an “active” international business in Barbados may remit dividends to Canada out of its exempt surplus. These dividends are excluded from the taxation of a Canadian corporate investor. Popular intra-group uses of an IBC in this regard include a trader of Canadian-manufactured goods, a holding company to “trap” foreign dividends offshore for a Canadian parent company, and supplying funds for certain intra-group financing arrangements. (For this purpose, passive income may also be recharacterised as “active”).

- **United States** – The tax treaty with the US contains a Limitation on Benefits (LOB) provision that is now standard in all of the tax treaties to which the US is party. The purpose of a LOB provision is to prohibit a non-treaty taxpayer from benefiting from the favourable aspects of the treaty. Notwithstanding this limitation, planning opportunities still exist for achieving economic benefits on outbound investments.

- **Switzerland** – The 1954 UK/Swiss treaty still applies to Barbados by way of extension. A Swiss branch of a Barbados IBC is not subject to Swiss withholding tax on certain activities.
Establishing an International Business Company

An International Business Company (IBC) is defined as a corporation that:

- Is resident in Barbados.
- Carries on a trade of buying or selling goods and services that exist outside of, and do not originate in, Barbados.
- Carries on a trade of selling services to non-Barbados residents.
- Carries on a trade of manufacturing products exclusively for export outside of Barbados.
- Is licensed under the International Business Companies Act, Cap. 77.

Any person or business seeking to establish an IBC in Barbados must first incorporate a company under the Companies Act, Cap. 308 (See Appendix I) and then obtain permission from the Minister of Industry and International Business in the form of a licence, to carry on an international business.

Among other requirements, an application for the issue of a licence must state the general nature of the international business the company proposes to conduct, and it must be accompanied by a declaration that the requirements of the International Business Companies Act, Cap. 77 have been satisfied. In addition, full details of shareholders and directors, including the resumes of directors, must be supplied to the Minister.
Start-up and ongoing operational costs

Estimated start-up costs for an International Business Company (in US dollars):

**Government Fees**
- Incorporation: $390
- Application for licence: $250

**Professional Fees (minimum)**
- Incorporation (inclusive of legal fees): $2,850
- Corporate retainer (first year): $1,500
- Disbursements (estimate): $260

Sum: $5,250

Independent local resident director – if required (minimum)
- $1,500

Estimated recurring costs are as follows (in US dollars):

- Preparing and filing annual returns: $500
- Government fee for annual returns: $50
- Government licence fee for licence renewal: $250
- Retainer fee: $1,500

Sum: $2,300

Local director (minimum fee)
- $1,500
The Island of Barbados
An ideal environment for international business
Integrity and Professionalism

For the past 30 years, successive governments in Barbados have diligently constructed a framework of legislation designed to encourage foreign investment and establish the island as a leading international business centre in the Caribbean.

Today, Barbados is a highly respected domicile for such entities as International Insurance Companies, International Business Companies, International Banks, Societies With Restricted Liability, International Trusts, and Mutual Funds.

Throughout the process of enacting and refining the laws governing international business, the country has rigorously safeguarded its reputation for integrity, responding quickly to such international concerns as money laundering and lack of transparency.

Indeed, while offering a low-tax environment to international businesses, Barbados has, from the very beginning, chosen to establish a high level of transparency and a cooperative approach to sharing information sharing with tax authorities in other countries.

Professional Services

The island provides an excellent range of professional services – and highly skilled professionals – to meet the needs of the international business sector. The legal profession is well established in Barbados, with many law firms that specialise in corporate and international business law.

All of the major international accounting firms are represented through local partnerships, offering assurance, tax, advisory and corporate services. There are several independent management companies on the island that already handle the business of scores of International Insurance Companies.

Barbados has tax treaties with the following countries:

- The United States
- Canada
- The United Kingdom
- China
- Cuba
- Finland
- Norway
- Sweden
- Switzerland
- Venezuela
- The territories that comprise the CARICOM Single Market and Economy

NOTE: To review the entire International Business Companies Act and other laws pertaining to international business, please visit the website of the Ministry of Industry and International Business at: www.barbadosbusiness.gov.bb
Geography

Barbados is the most easterly of the Caribbean Islands. Essentially a “coral” island, with an area of 166 square miles, it is situated approximately 1600 miles southeast of Miami, Florida. The island is easily accessible by frequent scheduled flights from Miami (3.5 hours), New York City (4.5 hours), Toronto (5.5 hours), and London or Brussels (8 hours).

Climate

Barbados has a tropical climate and relatively high average temperatures and humidity. However, these conditions are moderated by the cooling effect of strong North East trade winds that blow over the island.

Temperatures during the day rarely exceed 30°C (86°F). During November though March, conditions tend to be a few degrees cooler, while the months of July through October are generally more humid and wet.

Population

The resident population of the island is approximately 270,000. Approximately 94% of Barbadians are of African descent, with the remainder being of European descent and other nationalities.

When segmented by age, 24% of the population is under 15, with 64% between the ages of 15 and 64. The remaining 12% are over 65.

Top: the island’s East Coast is noted for its rugged beauty and Atlantic swells. Bottom: The West Coast is famous for its crystal-clear waters, fine sand beaches and luxury accommodation.
Barbados is the most easterly of the Caribbean islands, situated about 1600 miles southeast of Miami, Florida.
The Europeans knew about the existence of Barbados since the 16th century. However, the island was not settled until 1627 when a group of Englishmen established a formal colony and planted tobacco and cotton for export to England. After 1645, these crops were replaced by sugar cane, which fostered the development of the plantation system.

From early on, Barbados enjoyed trading relationships and other ties with the United States and later Canada. In 1670, Barbadian immigrants helped to found the State of South Carolina and its capital city of Charleston. What is more, Barbados bears the distinction of being the only country outside of the United States ever visited by George Washington who came to the island in 1752.

Since the abolition of slavery in 1834, the descendants of African slaves who were brought to Barbados to underpin the plantation system have developed into a thriving and industrious population.

In 1966, after almost 350 years of unbroken British colonial status, Barbados became a fully independent sovereign nation. The island is English-speaking and has remained a member of the British Commonwealth.
Politics

An independent country since November 30, 1966, Barbados is noted for its high level of political, economic and social stability, as well as for the integrity of its institutions. The country operates as a well developed democracy with open elections held every five years. There are two main political parties, the Barbados Labour Party and the Democratic Labour Party. Elections are hotly contested, but are notably free of violence and corruption.

Government

Barbados enjoys a parliamentary style government, with a House of Representatives and a Senate. The island’s first Parliament was established in 1639, making it the second oldest in the Western Hemisphere.

The function and powers of the Government are vested in Cabinet, presided over by the Prime Minister. Senators are appointed: 12 by the Government, two by the official Opposition, and seven “independents” on the recommendation of the Governor General who is the Queen’s representative and Head of State.

Judiciary

The legal system of Barbados is based on English Common Law as modified by Statute to meet local requirements. The members of the judiciary, in performing their judicial acts, are completely independent of the executive and legislative functions of Government.

Top: The Parliament Buildings in Bridgetown – home to the second oldest parliament in the Western Hemisphere.

Bottom: Mounted police in full ceremonial uniform.
In 2003, the country’s Gross Domestic Product (excluding net indirect taxes) was approximately BDS$4.4 billion. That same year, exports amounted to BDS$500 million, while imports totalled BDS$2.39 billion. Domestic exports consist mainly of sugar and its by-products rum and molasses, chemicals, clothing, furniture, electrical components and cement.

Consumer goods, mostly food and beverages, account for the majority of the island’s imports – BDS$915 million in 2003. That same year, intermediate goods and capital goods such as machinery for use in agriculture and manufacturing, accounted for BDS$2.26 billion of the island’s import bill.

Based primarily on sugar until the 1970s, the island’s economy now has four key productive industries: tourism, agriculture, manufacturing and international business.

**Tourism**

Tourism continues to play a key role in the economy and has a positive “spin-off” impact on virtually all other business sectors. Currently, this industry accounts for about 11% of the employed labour force and is the country’s principal foreign exchange earner. For example, in 2003, the gross annual earnings from tourism were approximately BDS$1.46 billion. The island attracts approximately one million visitors each year, with an almost equal split between long stay visitors and cruise ship passengers.
Manufacturing

The manufacturing sector in Barbados accounts for approximately 7% of the island’s employed labour force and includes food and beverages (especially sugar and rum), electronics, hardwood furniture, garments and chemicals.

The country continues to welcome investment in the manufacturing sector, especially for the production of higher value-added, skill-intensive products that use modern technology. Electronics, medical equipment and information processing are areas of particular interest. In recent years, the island has been attracting a growing number of call centres.

Agriculture

While the production of sugar is still important to the island’s ability to earn foreign exchange, the Government’s policy in agriculture has been to reduce dependence on this commodity and to encourage diversification, especially in vegetables, poultry, livestock and fishing. The island is virtually self-sufficient in pork, poultry, fresh milk and vegetables.

International Business

This sector, which has steadily developed since 1977, now contributes significantly to the island’s foreign exchange earnings and provides employment for approximately 3,000 Barbadians. Some unofficial estimates put the sector’s contribution to the country’s GDP at about 7.5%.

Primary Resources

Other than substantial limestone deposits that are mined and used to produce cement and other lime-based products, Barbados does not have an abundance of natural resources. However, the country does have some oil and natural gas deposits that have been accessed to reduce dependence on outside sources. In 2003, approximately 22.4 million cubic metres of natural gas were sold, and 371,000 barrels of crude oil produced. Local crude oil production meets about half the domestic requirements.

Barbados has been a member of the International Monetary Fund since 1973. The Barbados dollar is backed by gold and foreign assets, which have promoted stability and confidence in the currency. Since 1975 the country’s dollar has been fixed at BDS$2.00 to US$1.00.

**Exchange control**

Barbados has exchange control regulations, although these are being loosened over time. However, international businesses, including Exempt Insurance and Qualifying Insurance Companies, are exempt from these exchange regulations.

**The Central Bank of Barbados**

Barbados has had a Central Bank since 1973. The main role of the Central Bank is to act as banker, fiscal agent and financial advisor to the Government, and to monitor and regulate the activities of commercial banks and other financial institutions. It also has a duty to promote monetary policies and exchange policies that encourage economic growth.

**Commercial Banks and Finance Companies**

The banking system in Barbados is well established, and the island has a competitive commercial banking sector. The commercial banks currently operating here include: First Caribbean International Bank (a regional combination of Barclays Bank and CIBC Caribbean), Royal Bank of Canada, Bank of Nova Scotia, Barbados National Bank (majority owned by Republic Bank of Trinidad), Bank of Butterfield & Sons, and Caribbean Commercial Bank (wholly owned by Royal Bank of Trinidad & Tobago).

There are also several finance companies operating in Barbados. Apart from collecting deposits, these companies complement the commercial banks in financing the purchase of construction equipment, motor vehicles and other consumer durable goods.

**Domestic Insurance**

Barbados has a highly developed domestic insurance industry. Placement of insurance through brokers is commonplace.
Transport and Communication

Airport

Voted the “Best Caribbean Airport” at the World Travel Awards for 2003, the Grantley Adams International Airport is located in the south of the island, about 30 minutes from the capital of Bridgetown. The airport is serviced by major international airlines, including American Airlines, American Eagle, Continental, US Airways, Air Canada, Air Jamaica, British Airways, BWIA and Virgin Atlantic. These airlines provide direct links to major cities such as Miami, New York, Newark, Philadelphia, San Juan, Washington, Toronto and London. The GAIA is a major “hub” for several regional airlines that connect the Eastern Caribbean with frequent flights daily.

Port facilities

Located on the edge of the City, the Bridgetown Port is one of the most modern in the Caribbean. The port provides container handling and berthing facilities for ocean-going freighters and passenger ships including the world’s major luxury liners, several of which now use the Bridgetown Port as their “homeport” for Caribbean cruising in the South Caribbean.

Postal, Courier and Telecommunication Services

The Post Office Department provides speedy and reliable domestic and international mail services on a daily basis to all parts of the island. There are 17 post offices that are open from 8:00 a.m. until 3:00 p.m., Monday through Friday. Express post is available to certain countries through the Post Office Department, and there are a number of private couriers including Federal Express, DHL and UPS.

Barbados has excellent telecommunications links, with direct-dial available to all world destinations. Businesses are offered the latest in communications technology, and many use the Internet to provide information on their products and services. Currently, there are three telecommunications companies on the island providing cellular phones services: including Cable & Wireless, Digicel, and AT&T Wireless.

News Media

There are two English language newspapers, a television station and several radio stations that provide local, regional and international news. International editions of major foreign newspapers (from North America and the UK) are also available on a daily basis. Also, two satellite linked cable television services provide subscribers with access to a wide range of international programming.

Top: Barbados enjoys excellent telecommunications links with the rest of the world.

Bottom: The island is also served by a modern deep water port.
Barbados is one of the most highly developed small countries in the world. The United Nations Development Programme (UNDP) has ranked Barbados as No.1 on its Human Development Index in the Caribbean and Latin America. In its development, Barbados is also outperforming all of Africa, and all of Asia with the exception of Hong Kong, Singapore, Japan and South Korea.

Infrastructure and Social Environment

The country’s high level of development is reflected in its infrastructure and social environment.

Health Services

The Queen Elizabeth Hospital, situated on the outskirts of Bridgetown, accommodates 600 patients in private and general wards. There is also the Bayview Hospital, which is privately owned and accommodates 24 patients. There are also several well-equipped private clinics, health centres and nursing homes. The psychiatric hospital enjoys a good reputation.

Barbados enjoys a high standard of medicine and health services overall. Dental and optical services are readily available, and the Medical Register lists specialists trained in the United Kingdom, Canada and the United States.

Education

Barbados has an exceptionally good educational system that comprises free primary, secondary and tertiary levels of education. The literacy rate on the island is approximately 97%.

One of the campuses of the University of the West Indies is situated in Barbados. The university’s Department of Management Studies together --with the affiliated Centre for...

Top: The Sherbourne Conference Centre – one of the most modern facilities of its kind in the Eastern Caribbean.

Bottom: Student residences on the Cave Hill campus of the University of the West Indies.
Management Development provide many of the graduates for the country’s domestic corporate sector, professional services firms, and international business sector.

Barbados also has a community college, a teachers’ training college, a theological college, a hospitality institute and a polytechnic.

**Housing**

Barbados has well developed residential areas, and high quality housing for executives is available for sale or rent in many locations across the island.

**Water**

Barbados enjoys crystal clear drinking water throughout the island. Its primary source is underground springs, filtered through coral, and these are supplemented by the output from a newly completed desalination plant.

**Electricity**

The Barbados Light & Power Company provided a highly reliable electricity service throughout the island. Domestic current will operate appliances designed for 110 volts AC, 50-cycle supply. A 220-volt supply is also available to industrial and domestic users.

**Roads**

Barbados is criss-crossed by an extensive network of paved roads, including a trans-island highway that links all of the main transportation arteries. Driving is on the left-hand side of the road.

**Office Space**

Good quality, air-conditioned office space is available in Bridgetown or in several purpose-built office complexes on the outskirts of the city. Lease arrangements can be negotiated at reasonable rates.
**Hotel Accommodation**

In keeping with its reputation as a high-end tourism destination, Barbados has well-run hotels of international standards. These include a newly reconstructed Hilton, The Fairmont Hotels’ Royal Pavilion, and Sandy Lane Resort, recognized as one of the finest facilities of its kind in the world. Other smaller but excellent quality hotels include Coral Reef, Colony Club, Glitter Bay Resort, Cobblers Cove and The Crane Private Residence Resort. In all, accommodation in Barbados, including luxury hotels, villas, guesthouses, and rental apartments, totals just over 8,000 rooms.

Many of the larger hotels offer conference facilities, as does the Sherbourne Conference Centre, a purpose-built facility on the outskirts of Bridgetown.

**Restaurants and Nightclubs**

Barbados has dozens of restaurants, many of which are world-class in standard. In addition to these restaurants, there are several excellent private firms that cater for receptions. The island has an active nightlife, particularly on weekends, and there several nightclubs offering live bands as well the latest in international music.

**Sports and Recreational Activities**

Barbadians are a sports-loving people, and while cricket remains the national “passion, sports of every kind are played on the island, including basketball, volleyball, field hockey, soccer, tennis, squash and golf. Horse racing and polo are also well established on the island and among the leading spectator sports. A national stadium and a gymnasium are used throughout the year to host field athletics, cycling and other well attended sporting events.

Barbados has gained increasing profile in recent years as a golfing destination. There are five golf courses on the island: two 18-hole courses at Sandy Lane, which have been recently designed by Tom Fazio; the luxurious 18-hole course at Royal Westmoreland, designed by Robert Trent Jones; the 18-hole

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*Horseracing is a well-established and popular sport on the island.*
There are several world-class golf courses on the island. Polo has become increasingly popular, and there are currently four polo fields on the island.

course at Southern Golf and Country Club; and the 9-hole course at Rockley Resort, which is the oldest course on the island.

The water and coral reefs surrounding Barbados are the island’s greatest natural attraction. There are a number of traditional water sports activities including sailing, surfing, deep-sea fishing, scuba diving and snorkelling.

Festivals
Barbados celebrates the national festival of Crop Over during the month of July. It is a festival of music, art and dance, and exotically costumed Barbadians take to the streets in the thousands during the final parade known as “Kadooment”.

In March, the Annual Holders Opera Season offers the music and theatre of local and international performers, and attracts visitors from around the world.
International Business Companies must incorporate in Barbados under the Companies Act, Cap. 308, which is modelled on the Canada Business Corporations Act. Here are some of the key requirements of this and other legislation:

**Company formation and registration of branches**
Incorporation is achieved by filing Articles of Incorporation and paying a fixed fee of US$390. A licence to carry on an international business must then be obtained from the Ministry of Industry and International Business for a fee of US$250. A company may undertake any business, unless its Articles circumscribe its activities. Certain activities are restricted by the International Business Companies Act, Cap. 77 or by other local statute, such as banking or insurance. By virtue of the Companies Act, Cap. 308, companies are empowered to adopt pre-incorporation contracts. Corporate mobility in and out of Barbados is allowed.

In addition to achieving IBC status through company formation in Barbados, external companies may alternatively establish a local branch by registering under the Companies Act and then apply for an IBC licence.

**Tax returns**
IBCs must file annual corporate tax returns and financial statements in the same manner as local companies. Those with year-ends prior to September 30th must file by the following March 15, all others by the following June 15th. Corporation taxes must be prepaid at prescribed dates.

**Capital**
A company need only have one shareholder. There is no legal minimum capital requirement and no stamp duty on capital. Shares have no nominal or par value, and may not be issued until fully paid for. A company may purchase and cancel its own shares provided it is solvent. Companies may amalgamate and mutual companies are allowed.

**Management**
A company need only have one director, who need not be a Barbados resident. Directors’ duties and liabilities are expressly stated in The Companies Act, Cap. 308. The power of directors may be limited via unanimous shareholders’ agreements and by-laws. Minutes of all meetings and written resolutions in lieu thereof of directors and shareholders must be maintained at the registered office in Barbados. Alternate directors are permitted.
Meetings and votes
Directors may conduct their business by physical meetings within our without Barbados, by unanimous written resolution, or via teleconference. An annual meeting of shareholders is required, at which shareholders may be represented by proxies. Fundamental changes to the company's Articles require two-thirds majority approval of the shareholders. Minutes and resolutions of the shareholders must be maintained at the registered office in Barbados.

Accounting and Auditing
Adequate accounting books and records must be maintained in Barbados, and a qualified local auditor appointed. Accounting and auditing standards are prescribed by the Institute of Chartered Accountants of Barbados. Audited financial statements must be filed with the Ministry of Industry and International Business annually.

Renewal of Licences
An IBC licence must be renewed annually. A renewal form together with a fee of US$250 must be submitted to the Ministry of Industry and International Business on or before December 31 of the year preceding the year for which renewal is sought. Failure to do so will result in monetary penalties. Failure to apply before February 1 of the relevant year will result in cancellation of the licence, and application for a new licence will be necessary.