

Tax Alert

# Barbados Budget 2024

18 March 2024

# Contents

Message from EY Barbados Tax Leaders	03
Executive summary	05
Economic overview	06
Budget commentary	14
EY Tax leaders	25
Tax services	26
About EY Caribbean	27

## Caveat

Barbados Budget 2024 is based on the Budgetary Proposals delivered by the Honourable Prime Minister and Minister of Finance, Mia Amor Mottley, SC, MP, on 18 March 2024.

This review was prepared by EY Barbados and is intended for the benefit of our clients and associates as a general guide. Readers are encouraged to consult with professional advisors for advice concerning specific legal, accounting or tax matters before making any decisions.

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This document was prepared by the Tax; Business Consulting; Strategy and Transactions; and Brand, Market & Communications teams of EY Barbados.

# Message from EY Barbados Tax Leaders



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## “Our Barbados of Today and Our Barbados for Tomorrow”

When the Honourable Prime Minister and Minister of Finance, Economic Affairs and Investment, Mia Amor Mottley, S.C. M.P. rose on the floor of Parliament on 18 March 2024 to present her 2024 Budgetary Proposals and Financial Statement, she hastened to put the country in a “listening mood.” Reassuring us that this Budget will “secure Our Barbados of Today and Our Barbados for Tomorrow”, she quickly announced that there would be “no new taxes” but merely “one adjustment...to bear” by way of a tariff revision on natural gas. She also made it a point to plainly identify some of the known pain points for the country.

With a deliberate first focus on one of the more acute challenges in the public’s perception, Prime Minister Mottley took a look at “Where we are now” and insisted that “Barbados’ debt is not galloping out of control.” Rather, she outlined that the national debt is now lower than it was when her administration took office in 2018. Sharing that on entering office the national debt was 178.9% of GDP, the Prime Minister brought a swift comparison to February 2024 debt levels of 114.6%. Taking time to provide additional figures on Barbados’ debt, she indicated that in the 6 years since her Government took office, the debt has moved from \$18.1 billion to \$14.1 billion, leading to her conclusion that the country’s debt is now sustainable and on a stable trajectory to the target of 60% of GDP by 2035.

It was against this background that the Prime Minister painted a picture of the economy and the prospects for growth. In fact, alluding to her 2023 Budgetary theme of “Mission Transformation”, she asserted that confidence has been fully restored in the Barbados economy. From rating upgrades, to IMF support for the BERT programme, to FATF delisting, the picture has begun to take form, appearing bright and focused. What was borne out as Prime Minister Mottley continued her sketch is that thematically, her strategy is consistent. Growth via increased investment, focus on sustainability and the Green and Blue Economy as well as various aspects of structural reform were again on the agenda.

# Message from EY Barbados Tax Leaders *continued*

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At EY, where our purpose is Building a Better Working World, we know that to see success in any project, you must acknowledge that the “devil is in the detail”. Therefore it was encouraging and simultaneously thought provoking to witness the Prime Minister add the outlines for strategic growth, sustainability and the empowerment of people.

Barbados’ early adoption of the GloBe rules under BEPS Pillar Two has in the past few months been a topic of significant local and international discussion. Having laid Bills in Parliament to amend the Income Tax Act and introduce a new Corporate Top-Up Tax, the government has faced feedback both positive and not, for its increase of the standard rate of tax to 9% and the implementation of a 15% qualifying domestic minimum top-up tax. In similar circles, the reintroduction of group relief and the introduction of a patent box regime have both been met with a proverbial round of applause. Additional efforts to modernize the tax regime with the introduction of transfer pricing rules promised in the 2023 Budget and welcome amendments to the Economic Substance legislation will add to Barbados’ reputation for agility and perseverance in the face of dynamic and unrelenting international changes. Updates to the tax treaty network will also be closely watched by global business investors for whom Barbados’ wide network has long been an attraction. In fact, since Barbados signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) in 2018 and ratified it in 2020, there have been questions on the scope of the impact of the MLI on the provisions of the country’s treaties, and especially the CARICOM double taxation treaty.

In addition to the tax system, the Prime Minister outlined various pieces of legislation which will be updated and reformed to usher new and more modern provisions which are conducive to today’s realities. Among these are the Crown Lands (Vesting and Disposal) Act which will be amended to provide that all lands transferred from the State will have indefeasible title, and the Companies Act which will be overhauled completely.

Within the realm of energy and regulation, we can expect to see various changes to the Utilities Regulation Act and the Fair Trading Commission Act. These changes will deconstruct and reconstruct the regulatory processes and the governing legislation to improve efficiency in electricity regulation that aligns with policy, supports competitive practices and consumers. An Electricity Supply Act will support Barbados’ policy objectives for renewable energy and to unlock renewable energy investment.

Historic numbers of tax credits and rebates have been proposed to facilitate investment and resilience. Moreover, a sweeping number of rebates and concessions have been granted to individuals to cushion the impact of climate change as well as the rising cost of living. Perhaps a general expectation of the wider population was that more deliberate and tangible relief would be offered to mitigate the impact of the cost of living.

Having said this, given a Budget of no new taxes, several new tax credits and a restriction on available tax concessions, the effect of the Budget appears to be in pursuit of a long term strategy which to some extent may result in delayed gratification. We celebrate the resolute pursuit of success for Barbados and the creation of a larger, sustainable pie for all to share. In that celebration, we also look forward keenly to...the detail.

# Executive summary

On 18 March 2024, the Honorable Prime Minister and Minister of Finance, Economic Affairs and Investment continued her conversation with Barbadians, “about where we came from, where we are now, where we go next and how we get there.” Consistent with her message over the last few years, the Prime Minister held fast to the ultimate objective of “sharing the pie fairly among Bajans.”

This year, while elaborating further on the how, the why and the who, three themes emerged which themselves included specific focus areas. First of these themes was **“Growing the Barbados Economy - to create a larger pie”**. Under this theme the Prime Minister discussed 15 action items including creating Business Barbados, reviewing tax structures and new investment funds, further modernizing our tax system, digitization and re-engineering business processes, unblocking renewable energy investment, exporting capital to diversify investments, and capital projects.

Under the second theme, **“Resilient Bajans and a Resilient Barbados - to sustain or keep the pie”**, the Prime Minister focused on social resilience, economic resilience and climate resilience.

Lastly, in pursuing **“A People-Centred Barbados - to share the economic pie”**, the Prime Minister placed the spotlight on policies which would result in upliftment, improvement and empowerment of people. She addressed matters of national debt, inflation and the cost of living, health care, the state of the roads, access to jobs,

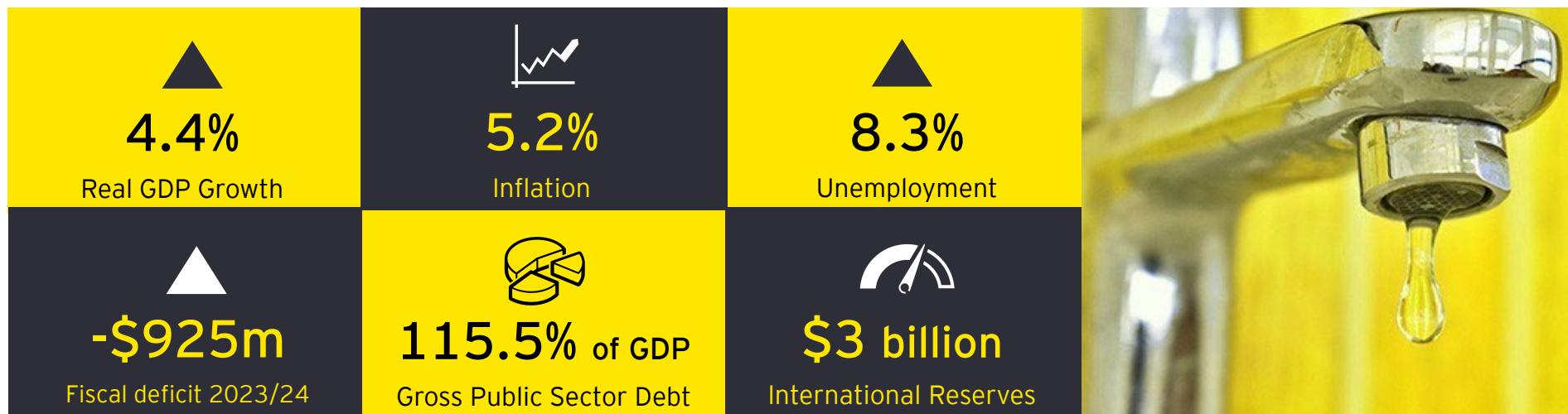
education reform, persons living with disabilities, compensation, sports opportunities for Barbadians, housing, and support of police, nurses and teachers.

In outlining her measures under each theme, there was a clear focus not on “fiscal arithmetic” to quantify the impact of the proposals but on the principles which underpin the policies. From the introduction of a plethora of tax credits, to restraint on the availability of tax concessions. From notice of legislative updates and reform to promises of better facilitation of business in Barbados. From incentives to protect against the impact of climate change to expanding and encouraging self-sustainability and energy efficiency. From addressing the health care and cost of living concerns of the people to formalizing benefits for the underserved police officers, nurses and teachers.

This Budget, while all-encompassing in its themes and proposals, paid homage to the Budgets of previous years by remaining consistent with the themes of growth, sustainability and people empowerment. All things considered, and as the Prime Minister mused, *“The Barbados star will continue to rise through the collective effort of all our people and together we will fully emerge from the period of deep economic and financial abyss ...., into a period of increased social stability, and heightened and sustainable economic growth.”*

# Economic overview

## Key Indicators: January to December 2023



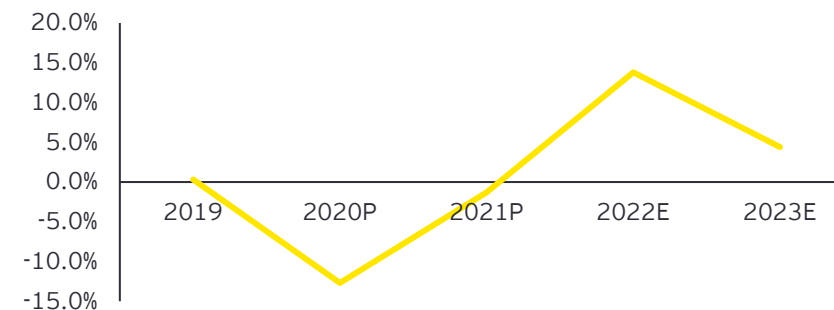
Source: Central Bank of Barbados, Barbados Parliament, EY Analysis

## Economic Activity

Economic activity in 2023 was driven by strong performance in the tourism industry resulting in a 4.4% (real GDP) expansion in the economy. Traded sectors recorded growth of 8.7% in 2023 which contributed to positive spill over effects in the non-traded sectors such as construction, wholesale and retail trade and other business services.

Increased focus on promotional initiatives in key source markets as well as the revival of crop over activities also boosted economic activity. The performance of the UK market now stands above pre-COVID averages which highlight strong demand for Barbados' tourism offerings in this market.

## Real growth (%)

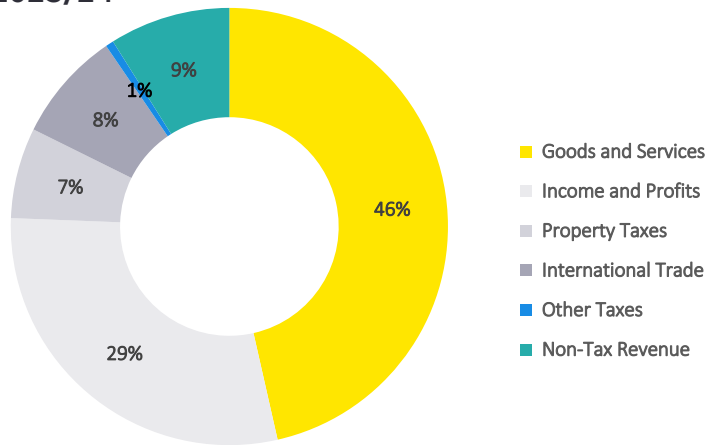


Source: Barbados Parliament, EY Analysis  
(P) - provisional (E) - estimate

# Economic overview *continued*

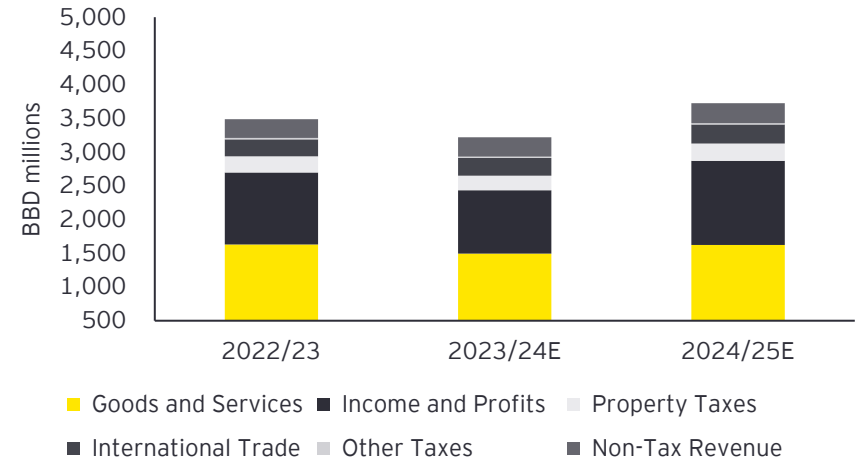
## Government Revenue

Revenue 2023/24



Source: Barbados Parliament, EY Analysis

## Total Revenue



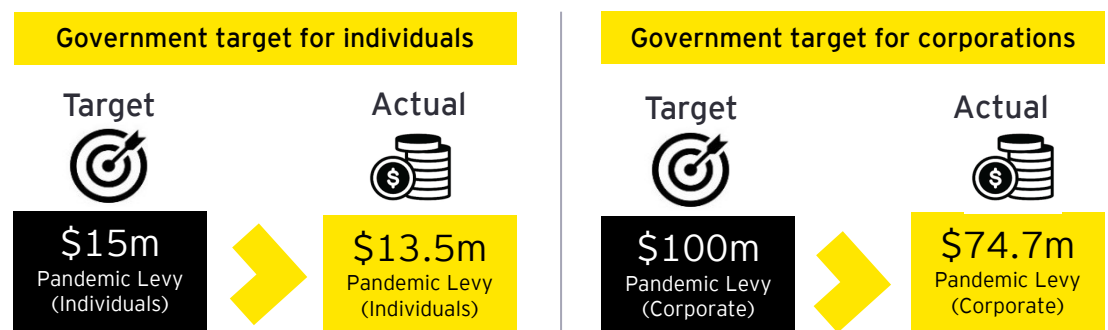
Source: Barbados Parliament, EY Analysis  
(E) - estimate

It is estimated that for 2023/24 Government's revenue will decrease by 8% compared to the prior fiscal year due primarily to discontinuation of the pandemic levy. In 2024/25, it is projected that taxes on income and profits will recover comparable to the peaks observed in 2022/23.

## Pandemic Contribution Levy

The cessation of the pandemic levy resulted in a \$60.8 million decline in collections at the end of December 2023. Despite this decline in direct taxes, indirect tax collections were strengthened by the performance in economic activity with increased VAT collections, which were boosted by increased activity in the transportation & storage, manufacturing, and tourism sectors.

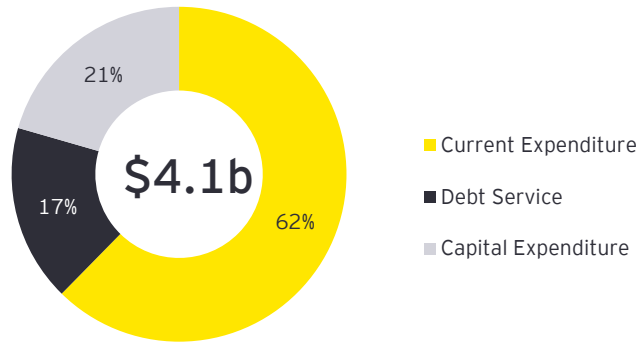
The pandemic levy expired in 2023 and resulted in the Government raising 77% of its total estimated goal.



# Economic overview *continued*

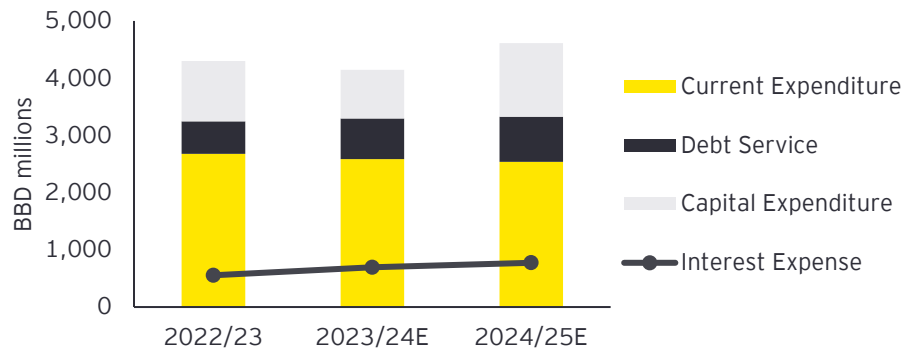
## Government Expenditures

### Expenditure 2023/24



In 2023/24, it is estimated that Government's expenditure will decline by 4% over the prior fiscal year, followed by a projected increase of 11% in 2024/25. It is expected that this increase will largely be attributable to increases in goods and services and capital expenditure. Interest expense is also expected to contribute to the increase in expenditure as interest rates continue to rise as global interest rates remain elevated.

### Total Expenditure

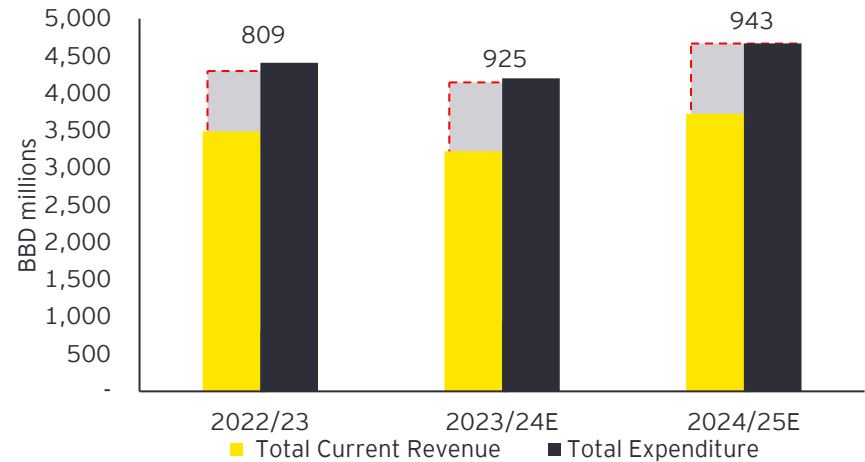


Source: Barbados Parliament, EY Analysis (E) - estimate

## Fiscal Performance

Overall, the economy is expected to record a fiscal deficit of \$925 million for 2023/24 as the Government recorded a reduction in revenue due to cessation of the pandemic levy and the timing of tax receipts.

### Fiscal Balance



Source: Barbados Parliament, EY Analysis (E) - estimate

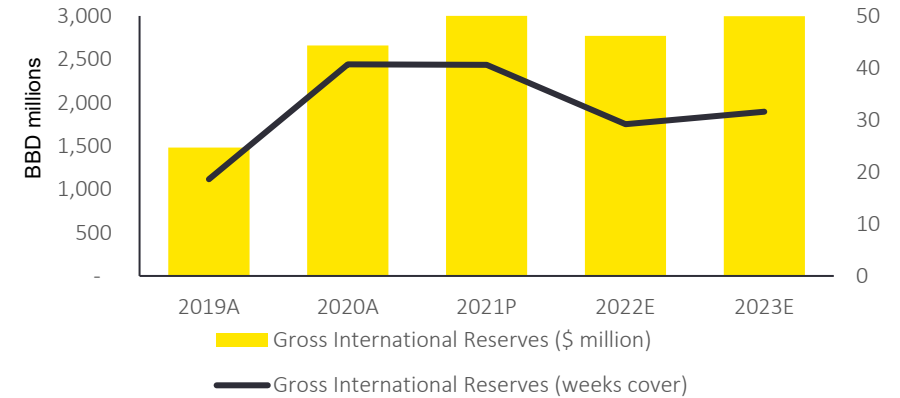


## Gross International Reserves

At the end of 2019 Barbados' gross international reserves stood at \$1.5 billion which equated to approximately 18.6 weeks of import cover. In 2023 gross international reserves increased to \$2.99 billion (or 102% CAGR) over the historical period resulting in 31.6 weeks of import cover (more than double the 12-week benchmark). This growth in 2023 was supported by a thriving tourism environment which resulted in improved tourism receipts and continued borrowing from multilateral institutions such as the International Monetary Fund and the Inter-American Development Bank also supported the improved position. As at March 2024, reserves were recorded at \$3.2 billion (over 33 weeks of import cover).

Barbados' international reserves are likely to improve due to the anticipated increase in tourism activity, foreign investments in tourism-related projects, and continuous financial assistance from multilateral development and financial institutions. The Government's promotion of renewable energy products and enlargement of domestic food production capabilities is anticipated to result in additional foreign exchange savings in the medium term.

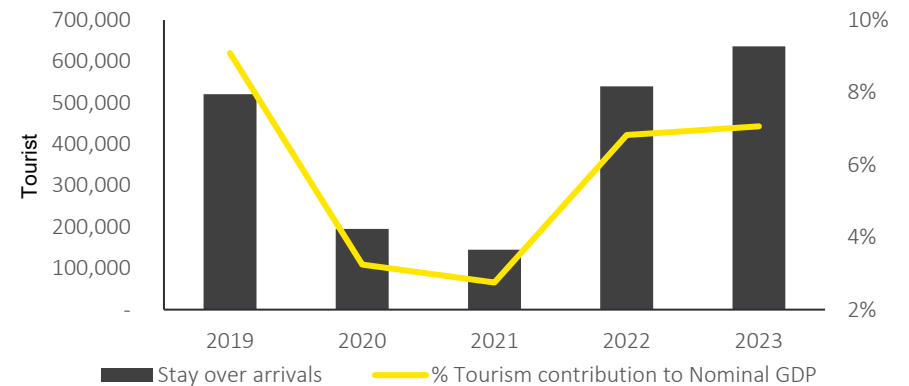
## Gross International Reserves



Source: Central Bank of Barbados, EY Analysis

(A) - actual  
(P) - provisional  
(E) - estimate

## Tourism



Source: Central Bank of Barbados, EY Analysis

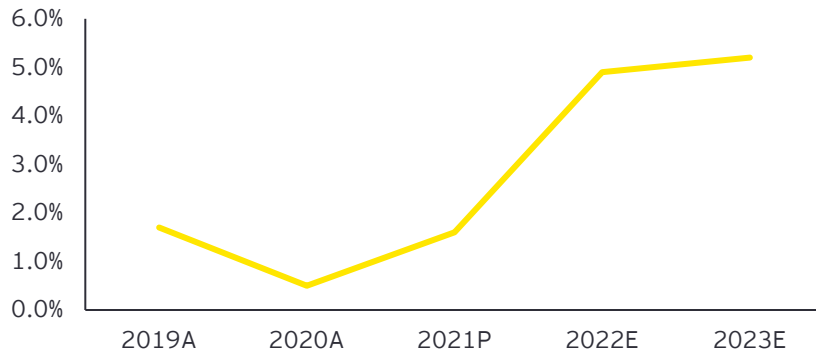
# Economic overview *continued*

## Inflation

Domestic inflation as at October 2023 increased to 5.2%, from 4.4% the previous year. This modest increase was the result of higher domestic demand for dining, alcoholic beverages, clothing and household furnishings. International food prices fell which translated into easing domestic food inflation. However, adverse conditions with local producers reduced the supply of certain local crops which exacerbated inflationary pressures. Shipping and freighting costs increased at the end of the year due to rerouting charges due to congestion in the Panama Canal and geopolitical conflicts in the Middle East.

It is expected that inflation will moderate between 3.5 to 4% by the end of 2024 supported by declining energy prices. However, potential risks to inflation include the ongoing Russia-Ukraine War, escalating conflicts in the Red Sea region and the continued congestion in the Panama Canal.

### Inflation rate



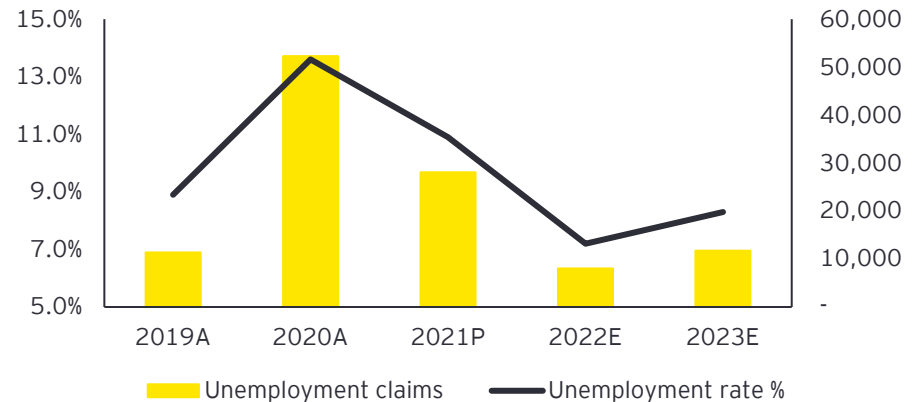
Source: Central Bank of Barbados, EY Analysis  
(A) - actual  
(P) - provisional  
(E) - estimate

## Labor Market Overview

Unemployment was recorded at 8.3% for 2023 up from 7.1% the previous year with an increase in unemployment claims of 46% in 2023. This increase was driven by the severance of workers under the national clean-up programme, the restructuring of the Arawak Cement Plant and the divestment of the Barbados Agricultural Management Company. Despite this increase in unemployment, it is still below the historical average of 10.3%.

There was positive job growth in sectors such as wholesale and retail trade, manufacturing and utilities despite a rise in total unemployment. In addition, more job seekers spent fewer than three months searching for work.

### Unemployment

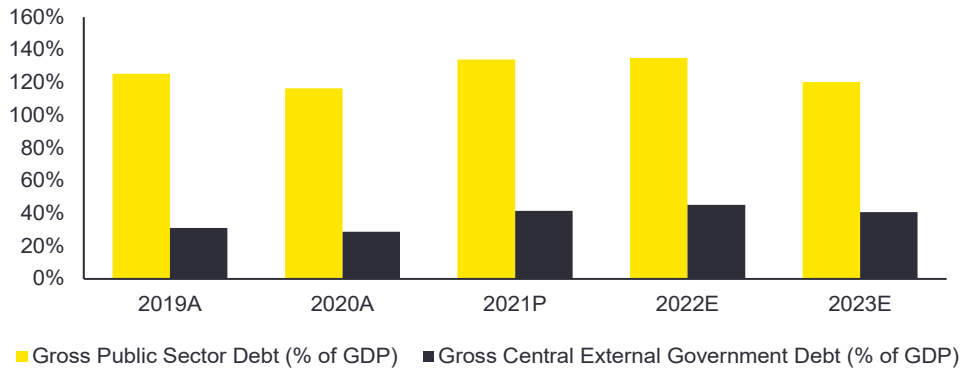


Source: Central Bank of Barbados, EY Analysis  
(A) - actual  
(P) - provisional  
(E) - estimate

## Public Debt

The Government increased its public investment options, raising \$57.2 million from three-month Treasury Bill issuances and \$198.6 million from BOSS+ bonds sales. These bonds were mostly bought by households and financial institutions. Additionally, the government withdrew \$391.9 million from its Central Bank deposits.

### Public Debt



Source: Central Bank of Barbados, EY Analysis

(A) - actual  
(P) - provisional  
(E) - estimate

## Movements in Public Debt

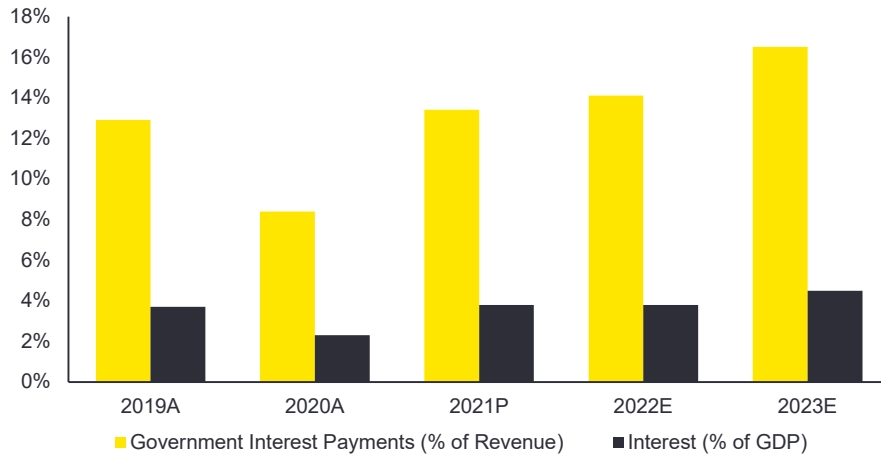
In 2023, gross public sector Debt to GDP ratio fell to 115.5 %, from 120.3% in 2022, in tandem with the rise in economic activity. Despite the increase in debt over the period, the expansion in economic activity and sustained primary surpluses should pave the way for achieving the 60% debt target by FY2035/36. As of February 2024, the Debt to GDP ratio was recorded at 114.6% with the Government now paying 30 cents of every dollar earned toward debt service.

As of 31 December 2023, Government debt stood at \$14.73 billion, a 16.3% increase from the previous period due primarily to a \$717 million increase in borrowing from multilateral organizations. These loans related to the enhancement of social security, infrastructure, climate resilience and renewable energy. Foreign debt service remained unchanged at 4.9% of GDP in 2023.



## Debt Service

### Interest



Source: Central Bank of Barbados, EY Analysis

(A) - actual

(P) - provisional

(E) - estimate

## Debt Service Activity

The government's gross financing needs increased by \$90.8 million during the first nine months of FY2023/24 compared to the same period in the previous fiscal year, primarily driven by a \$135.1 million rise in debt service payments. Foreign interest expenses, which constituted 65.9% of this increase, significantly boosted the overall debt service costs. The rise in interest on variable-rate debt and additional foreign borrowing increased foreign interest outlays by \$89.1 million.

Government interest payments as a share of revenue fell from 12.9% in 2019 to 8.4% in 2020, before rising to a projected 13.4% in 2021. It is estimated to have continued to increase to 14.1% in 2022 and 16.5% in 2023.

The Government outlined that its focus is to reduce the debt to 60% of GDP by FY2035/36.

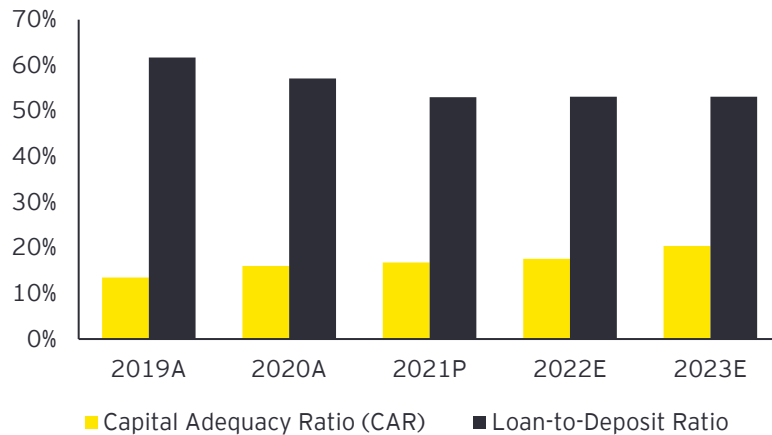


# Economic overview *continued*

## Financial Sector Overview

“The financial sector's health in 2023 actively mirrored the year's economic expansion.”

### Capital Adequacy



Source: Central Bank of Barbados, EY Analysis  
(E)- estimate

There was a modest expansion of credit in 2023 with a 2.5% increase in credit to the non-financial private sector and 4.8% increase in credit to the financial sector. Total deposits continued to trend upwards in 2023 to \$14.58 billion from \$14.41 billion. This was driven by a 1.2% increase in domestic currency deposits.

The non-performing loans ratio continued to trend downward from a high of 7.3% in 2021 to 5.0% in 2023 signaling growth in the quality of commercial banks loan portfolio. Additionally, the capital adequacy ratio has trended positively upwards from 13.5% in 2019 to an estimated 20% in 2023. This further emphasizes the health of the Barbadian Banking Sector.



# Budget commentary

## A. Growing the Barbados economy

To expand the economy through heightened and sustainable growth, the Prime Minister acknowledged that certain strategies must be implemented across both the public and private sectors to remove blockages, and to propel the pace and scope of that growth. Key amongst these are:

### **Creating Business Barbados**

Recognizing the need to support innovative economic growth and to remain competitive in our region and globally, the Prime Minister proposed the creation of Business Barbados. The general mandate of this commercial state-owned enterprise is to ensure that barriers to doing business with ease, are considerably reduced. Business Barbados is intended to streamline all services from pre to post incorporation. It will facilitate the setting up of businesses in Barbados as well as the expansion of exports through providing business development services, access to financing, and partnership with agencies such as Trust Loans and Fund Access.

In addition, the Prime Minister announced that Corporate Affairs & Intellectual Property Office (CAIPO) will be absorbed by Business Barbados and the corporate digital registry will be repurposed to an enhanced digital platform that will allow seamless interaction between the Government agency and the business community.

Another arm of Business Barbados will be the Barbados Intellectual Property Agency. This Agency will pursue commercial opportunities for Intellectual Property in Barbados.

The establishment of Business Barbados is consistent with Government's aim of creating an eco-system that nurtures every phase of business effortlessly. With the 'devil in the detail', the integration of previously separate systems and administration will require structure and transparency to effectively streamline all business facilitation services. Having said this, the introduction of technology in processes and multiple kiosks to support businesses should have the desired effect of increasing the ease of doing business in Barbados.

### **Tax Review/Reform and Modernizing the Tax System**

To stay competitive in a rapidly growing digital and global economy, the Barbados government realizes the necessity to align with international standards. The Prime Minister of Barbados proposed several strategies such as continued reform of the tax system, implementing new investment funds, and modernizing the tax structure.

# Budget commentary *continued*

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With a view to redefining Barbados' offer to investors, the Prime Minister announced the modernization of Fund and Asset Management legislation. The five main areas of focus are:

1. Categories of investment funds
2. Categories of fund industry operators
3. Fund Management and licensing process
4. Supervision and enforcement
5. Taxation

Considering the wealth of opportunity for Barbados to compete in this sector, increased structure and clarity arising from this modernization will be embraced.

On the matter of tax reform, alignment with the GLoBE rules agreed to by the Inclusive Framework has been prioritized by the Government. Steps in this direction have been taken by implementing a 15% qualifying domestic minimum top-up tax for large multinational corporations with global revenues above €750 million. This follows the increase of the standard corporation tax rate to 9%, subject to exceptions. Correspondingly, the economic substance requirements previously applicable to a low tax environment will be revised to lessen reporting and compliance obligations. This will likely be a very welcome reprieve to the global business community.

The Prime Minister has also signaled the upgrade of the tax system to enhance predictability and business ease. This plan includes forthcoming introduction of the transfer pricing legislation promised in the 2023 Budgetary Proposals. Additionally, there is a plan to update and expand the tax treaty network to leverage our tax reform and increase foreign investor attraction. With Barbados no longer on the Financial Action Task Force and European Union lists, the

country has become a more appealing hub for global business, free from any perceived reputational drawbacks in the global market.

## **Tax Credits and Incentives**

To stimulate growth in a number of other focus areas, the Prime Minister has proposed with effect from 1 April 2024, the introduction of the following credits:

1. 50% tax credit for centres offering artificial intelligence, coding, robotics, and digital training.
2. 100% tax credit for local companies digitizing and/or re-engineering their business processes and upgrading their systems up to 30 June 2025, for use within the same income year on completion.
3. A job tax credit and research and development tax credit, combined with a 4.5% tax for certain types of intellectual property, to promote long term, job rich growth.
4. 50% refundable tax credit for investments in projects identified and approved by the Government in the context of the National Development Strategy.
5. 50% tax credit for the construction of laboratories.
6. 50% refundable tax credit for the purchase of local art up to \$1 million for the outfitting of investment projects.

Tax credits have long been a fiscal policy tool used by Barbados governments to stimulate business capital formation for economic development. The variety of new credits offered conveys government's confidence in the efficacy of this fiscal tool. With this in mind, the question arises as to the incentive value of these credits for investors faced with a relatively low corporation tax rate.

## **B. Resilient Bajans and a Resilient Barbados**

The Prime Minister announced a holistic Climate Investment Plan under which a National Resilience Plan has been prepared to align closely to Mission Economy and the 2030 Agenda.

The Climate Investment Plan outlines the framework for government's decisions and targets to be met in order to achieve a more resilient Barbados. Similar to the plan of growing the Barbados economy, it includes 15 key targets. In her speech, the Prime Minister focused on social, economic and climate resilience. With Barbados' growing reputation as a world leader in the Green and Blue Economy, the initiatives under these targets are engineered to position the country as a pioneering innovative hub for climate positive solutions. They also seek to empower Barbadians with equitable access to the jobs, housing, and efficient government services to name a few. The Sustainability Agenda introduced in her previous Budgetary Proposals continues to be underscored in this Budget's focus on resilience.

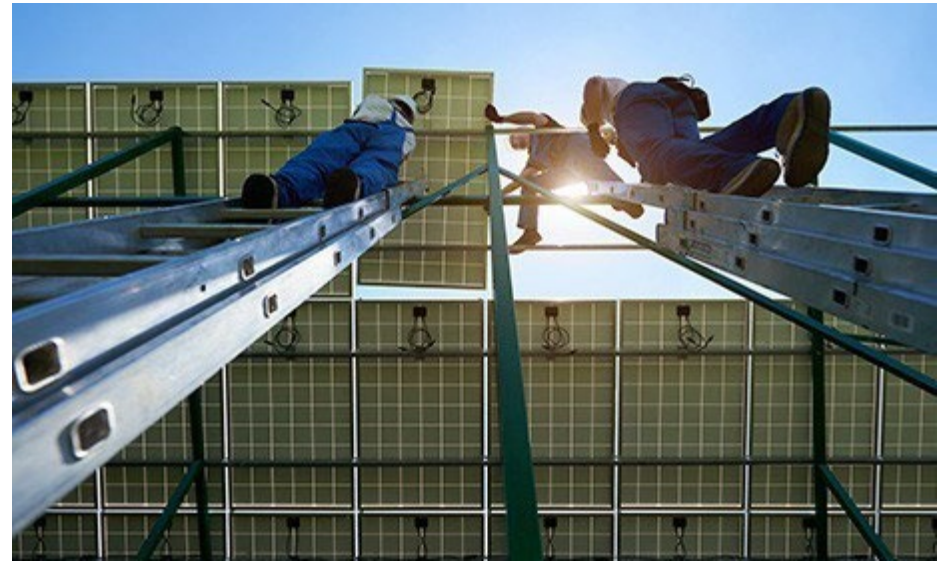
### **The Barbados Light & Power Co. Ltd. and Renewable Energy Storage**

Against the background of increasing the country's resilience, the Prime Minister raised the alarm that getting storage into the energy system is now a matter of "urgent national energy security". In this regard, Government supported by its international partners, will begin the process of engaging in direct negotiation with international suppliers of storage systems to procure storage at the most competitive international pricing.

The Prime Minister announced the introduction of the Battery Energy Storage System (BESS) for the Barbados Light & Power, to address

national energy security concerns. BESS is a battery energy plant storage system for electricity generated from renewable energy sources. This measure is expected to improve grid stability and remove the barrier currently faced by stakeholders regarding the storage and sale of electricity. In addition, the storage system is expected to help meet Barbados' 2035 net zero goals.

While Barbados is not a member of the International Energy Agency, this storage initiative is wholly aligned with the Agency's view that *"grid-scale storage, particularly batteries, will be essential to manage the impact on the power grid and handle the hourly and seasonal variations in renewable electricity output while keeping grids stable and reliable in the face of growing demand."*





# Budget commentary *continued*

## Tax Credits and Incentives

Consistent with the approach of using tax credits/rebates to incentivize and stimulate desired actions, the Prime Minister proposed that with effect from 1 April 2024:

1. A 50% refundable tax credit for projects resulting in net zero emissions in Barbados.
2. An additional 25% non-refundable tax credit to boost the 50% research and development tax credit, for projects related to the Ocean and to the Greening of the economy.
3. A 50% tax credit for beach rehabilitation, coral reef restoration and other marine conservation works approved by the Coastal Zone Management Unit.
4. A Household and Community Resilience Programme will be introduced whereby homeowners will receive a 20% rebate on the assessed land tax for residential properties that suffer from perennial flooding from rainfall and associated damage, provided that they have valid home insurance with flood insurance coverage.

## Tax Concession Reform

In an effort to “sustain or keep the pie” by securing the revenue base the Government has proposed to address the challenges presented by the existing tax concessions regime. The granting of concessions has been a tool utilized by governments to promote investment in order to achieve socio-economic objectives.

However, revenue lost to concessions over the past four years has increased steadily with a projection of approximately \$750M for 2024.

### Concessions Granted (\$M)

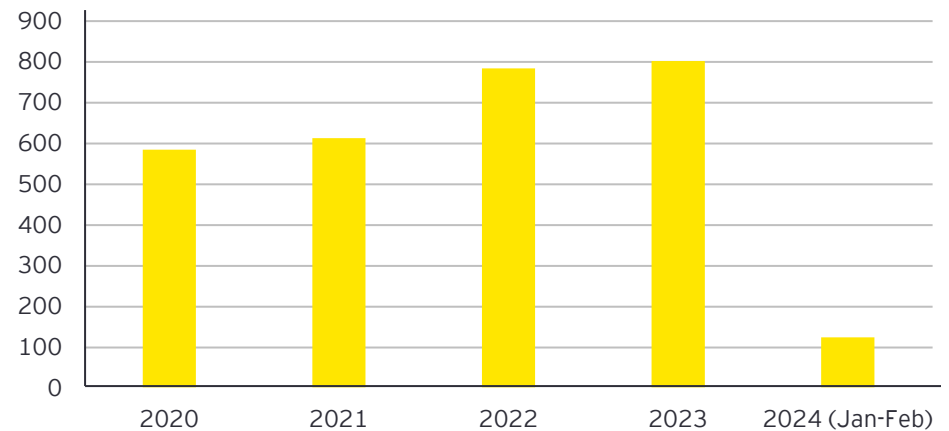


Figure 1 - Concessions Granted 2020-2024

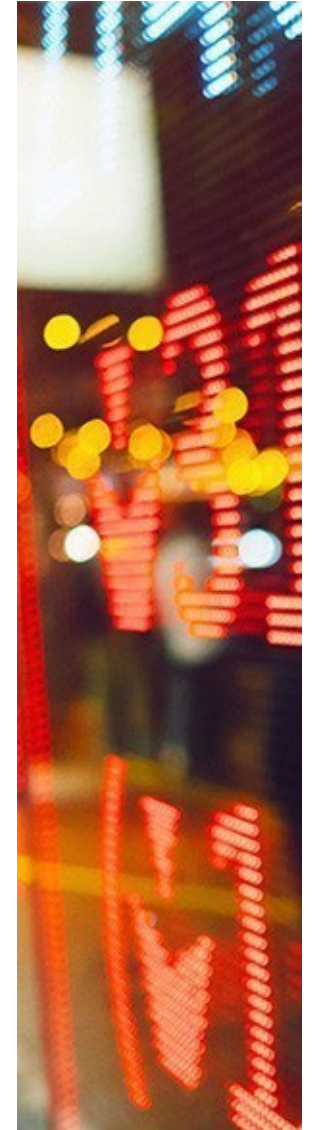
# Budget commentary *continued*

Against this background, the proposal was made for concessions to be capped for new capital investment as follows:

New Capital Investment (\$Millions)			Concession Duration (Years)	Annual Concession Cap	Lifetime Concession Cap	Percentage Benefit		
	>	200	20	1,000,000	20,000,000		>	10.0%
100	-	200	15	750,000	11,250,000	11.3%	-	5.6%
50	-	100	10	500,000	5,000,000	10.0%	-	5.0%
25	-	50	5	250,000	1,250,000	5.0%	-	2.5%

Table 1 - Concessions based on capital investments

In Table 1 above, the benefit may differ significantly based on a marginal difference in investment within the band limits. An investment of over \$200M can yield a return of 10% over the life of the concession whereas an investment of \$200M yields a return of 5.6% compared also to 11.3% to a smaller investment of \$100M which is within the same range/band. The question therefore arises as to whether a more equitable and practical approach to limiting the amount of the concession granted per capital investment could have been a fixed percentage of the investment rather than a ranged limit.



# Budget commentary *continued*

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In addition to streamlining the issuance of new concessions, the Minister announced a strategy to address perceived inefficiencies and inequity in existing concessions. In that regard, the following changes will apply:

- a) From 1 January 2025 all beneficiaries of tax concessions, rebates or other exemptions that have been issued prior to 1 January 2005 must reapply for the grant of those concessions through the Ministry of Finance.
- b) Beneficiaries of concessions issued between 1 January 2005 and 31 December 2010 will be required to re-apply from 1 January 2027.
- c) Businesses with concessions issued from 1 January 2011 onward will be required to re-apply as current concessions expire.
- d) Any entity with a current concession agreement of more than 20 years that was issued on or before 1 January 2005, will be allowed to keep those concession agreements in place until they naturally expire or, expiration will occur where the entity is not compliant with established rules and regulatory requirements.

With regards to concession applications, the Government will consider specific conditions, including whether the business in question is:

- ▶ Earning foreign exchange.
- ▶ Depositing foreign currency into the banking system to support the country's balance of payments.
- ▶ Creating quality local jobs and training opportunities.
- ▶ Greening its infrastructure.
- ▶ Digitizing business operations, systems and processes, as far as possible, in the furtherance of public policy initiatives to build resilience.
- ▶ Introducing new technology or new business ecosystems.



# Budget commentary *continued*

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In addressing the enforcement of this reformed concessions regime, the Prime Minister announced that the Ministry of Finance will also establish a Monitoring and Enforcement Unit to work with the Barbados Revenue Authority and the Customs and Excise Department and any other relevant agency to ensure that the public purpose for which tax concessions are granted is adhered to. In particular, the Monitoring and Enforcement Unit, Barbados Revenue Authority and Customs and Excise Department will be conducting “show me” and other audits as required in order to ensure compliance.

When considering the impact of the restrictions and the enforcement provisions, one wonders what details and mechanisms may be put in place for objective audit reviews and to address investor concerns on the transition of concessions and timeline of review so that no gaps in benefits arise.

It is interesting to note that this reform did not come without “teeth”. In order to ensure that investors play by the rules, in every instance where there is an infraction that is clearly the fault of the beneficiary, that beneficiary will be given 90 days within which to remedy the defect.

If the defect is not remedied within the 90-day period, the following penalties will take effect:

- ▶ For the first infraction, the beneficiary of the concession will be allowed to claim a waiver of up to 75% of the assigned duties and pay 25% of the prescribed duties for a period of 3 months.
- ▶ For the second infraction, the beneficiary of the concession will be allowed to claim a waiver of up to 50% of the assigned duties and pay 50% of the prescribed duties for a period of 6 months.
- ▶ For the third infraction, the beneficiary of the concession will be allowed to claim a waiver of up to 25% of the assigned duties and pay 75% of the prescribed duties for a period of 9 months.
- ▶ For the fourth infraction, the beneficiary status will be revoked, and the beneficiary will be required to pay 100% of the prescribed duties for 12 months before the beneficiary could apply again.



## C. A People-Centred Barbados

The Prime Minister emphasized, consistent with her previous Budgetary Proposals, that a primary objective of the government is to design policies that result in people improvement, people upliftment, and people empowerment. She specifically highlighted the need for focus on children with special needs and gifted children who previously did not have wide opportunities to realize their full potential.

Additionally, with the proposed incentive to investment in elder care facilities and hospices, there are likely to be more options for the care of an aging population which has been of great concern to the country.

In the realm of sports and entertainment there is increased encouragement through incentives to construct sporting facilities and tournaments with the hope that it can position Barbados as a top destination for sports tourism and a place where Barbadians can refine their skills.



Against the background of these medium to long term goals, the following proposed policies are noteworthy:

- ▶ To help contain inflation and better manage the cost of living, the government intends to extend the VAT reduction on electricity bills where residential customers will pay only 10% VAT on the first 250 kilowatt-hours of electricity. This extension will continue from 1 April 2024 to 30 September 2024.
- ▶ To continue to negotiate with the food sector to maintain the lowest possible prices in the supermarket.
- ▶ To make it easier for self-employed persons to contribute to the National Insurance Scheme. The NIS will disseminate information twice a year so that each contributor knows what they are covered for and what they are entitled to.
- ▶ The Government intends to index the national minimum wage, thereby making provision for an annual inflationary increase, with a full review to be conducted every five years.
- ▶ With respect to healthcare, there are plans to bolster the capacity of the Queen Elizabeth Hospital by increasing the staff complement by 250 over the next three years. This initiative will cost approximately \$17 million per annum.
- ▶ To oversee and manage the transformation of the Polyclinics, the establishment of a Board of Management is proposed. The Board will have oversight of the planned construction, refurbishment and maintenance of physical plants and equipment. It will also be responsible for procurement of supplies, equipment and materials.
- ▶ The Prime Minister placed focus specifically on police, nurses and teachers in recognition of their valuable contribution and service, and provided them with relief in a number of areas such as time, allowances and resources.

# Budget commentary *continued*

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- ▶ From 1 June 2024, the government will allow public servants five paid personal lieu days per year to deal with emergent personal and family matters.
  - ▶ Effective 1 October 2024, the categories of adults and children living with disabilities who are entitled to a non-contributory old-age pension will be broadened to include persons with cerebral palsy, advanced multiple sclerosis and autism. The special needs grant for minors will be 50% of the value of the non-contributory old-age pension. Adults will be entitled to 100% of the value of the non-contributory old-age pension. This measure will cost taxpayers approximately \$4 million per year.
5. A 50% tax credit to boost investment in sports venues, ensuring world-class facilities for athletes and affirming Barbados as a premier sports tourism destination.
  6. 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.
  7. The waiver of VAT on the sale and installation of water tanks, septic tanks and electrical pumps for residential properties for 2 years.

## **Tax Credits and Incentives**

Consistent with her thematic approach to tax credits and rebates in these Budgetary Proposals, the Prime Minister has proposed that with effect from 1 April 2024 there will be:

1. A 75% tax credit for the provision of educational and life skills facilities for persons with special needs.
2. A 50% tax credit for the provision of educational centres for gifted persons.
3. A 50% tax credit for the provision of elderly care facilities and hospices, to allow for private interests to assist with building out the capacity in this space.
4. A 50% tax credit for the provision/development of entertainment and sports venues.



## Tax Incentives Proposed for the Dairy Industry

In addition to the core measures discussed, the following rebates were proposed for application to dairy farmers and persons operating within the dairy industry:

1. An increase in the rebate on purchase of cows from 50% up to a maximum of \$4,000 to 80% up to a maximum of \$6,400 per cow to assist them in this purchase. The maximum total cost is \$2,048,000.
2. A livestock emissions rebate of 45% on the purchase price of hay for three years. The maximum annual cost is \$528,255.
3. An increase in the 1999 rebate on establishing pasturelands from \$202 per acre to \$1,000 per acre would allow the farmers to upgrade and maintain their pastures and reduce their dependence on purchased hay. The estimated maximum annual cost is \$446,000.
4. A rebate of 60% up to a maximum of \$40,000 on forage harvesters and trailers and other harvesting equipment to assist farmers in upgrading their forage operations, thereby reducing their costs. The estimated maximum annual cost is \$200,000 for two years.
5. A young heifer replacement incentive of \$1,000 per heifer, to offset costs and ensure farmers can replenish their stock yearly. The estimated maximum annual cost of \$250,000 for four years.
6. The 2006 rebate on livestock housing will increase from 25% up to a maximum of \$60,000 to 40% up to a maximum of \$60,000. The estimated maximum annual cost of \$240,000 for two years.
7. A 60% rebate up to a maximum of \$60,000 to stimulate dairy farmers to invest in upgrading their operations to innovative and digital technologies. The estimated maximum annual cost is \$240,000 for three years.





## **Closing Comments**

In her 2022 Budgetary Proposals while in the relatively early aftermath of the Covid-19 pandemic, Prime Minister Mottley affirmed that we were all in this together and that we would share the burden and share the benefit. One year later in her 2023 Budgetary Proposals, the Prime Minister urged the country forward and outlined Mission Transformation as the path to growth and sustainability. That required transformation took into account the impact of supply chain disruption, international conflict, soaring global inflation and evolving tax policy.

Now in 2024, Prime Minister Mottley has asserted that her conversation with the nation was not about tax increases, nor arithmetic formulas. It was not about monetary or fiscal policy, nor the technical language of finance. It was about empowering and creating sustained wellbeing for every Barbadian.

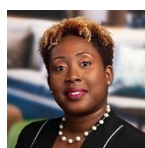
Undeniably, there has been evolution. There has been progress. The country stands a bit taller having fought its way out of “blacklistings” and out of economic spiral. Continued commitment to agility, modernization, business facilitation and stakeholder engagement will augur well for a bright future as a world class jurisdiction of choice.



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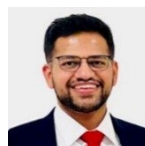
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# Tax services

## **Business tax services**

- ▶ Business tax compliance and advisory
- ▶ Tax planning
- ▶ Tax controversy/disputes
- ▶ Tax accounting

## **Accounting compliance reporting**

- ▶ Bookkeeping
- ▶ Financial Statement Close Process support
- ▶ Statutory reporting (including compilation)
- ▶ Payroll
- ▶ Financial advisory support

## **Indirect tax services**

- ▶ VAT compliance and advisory
- ▶ Property tax
- ▶ Insurance premium tax
- ▶ Hotel accommodation tax
- ▶ Stamp duty
- ▶ Financial services tax
- ▶ Credits and incentives

## **People advisory services**

- ▶ Expatriate tax compliance and advisory
- ▶ Global employment tax services
- ▶ Global business immigration services
- ▶ Work permits
- ▶ Personal tax services

## **International tax services**

- ▶ Cross-border corporate income tax advisory
- ▶ Double tax treaty analysis
- ▶ Tax-effective supply chain management
- ▶ Withholding tax

## **Transaction tax services**

- ▶ Evaluation of significant tax exposures
- ▶ International tax
- ▶ Tax structuring
- ▶ Identification of post-transactional tax reduction options

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- ▶ Transaction tax services
- ▶ Accounting compliance reporting
- ▶ Corporate secretarial services

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