

International Tax

Barbados Highlights

In Plain English



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Investment basics:

Currency – Barbados Dollar (BBD)

Foreign exchange control – The Exchange Control Act governs dealings between residents of Barbados and nonresidents. The regulator for exchange control is the Central Bank. Exchange control regulations gradually have been liberalized since the mid-1990s, and special types of corporate entities are exempt from these regulations.

Accounting principles/financial statements

– IFRS applies, although, in practice, the standards applicable in the country of a parent company may be used. Annual financial statements must be prepared for presentation to the shareholders at the annual meeting. Financial statements must be filed with the Registrar of Corporate Affairs as documents available for public inspection. An auditor must be appointed if assets or gross revenue exceed BBD 4 million.

Principal business entities – Effective 1 January 2019, the principal business entities are the regular business company (RBC), partnership and trust; a limited liability company or a company without share capital also may be established. The regimes for international business companies (IBCs) and international societies with restricted liability (ISRLs) are abolished as from 1 January 2019. However, entities that were licensed as IBCs or ISRLs before 17 October 2017 will be “grandfathered” and continue to enjoy most of the benefits of those regimes until 30 June 2021. International entities holding intellectual property (IP) assets and that were licensed as

IBCs or ISRLs before 30 June 2018 are entitled to the same grandfathering provisions in respect of IP assets held at 17 October 2017, or assets acquired after 17 October 2017 but before 1 July 2018 that already were benefitting from an existing “back-end” IP regime or were acquired from an unrelated party.

Corporate taxation:

Residence – A company is deemed to be resident if it is centrally managed and controlled from Barbados.

Basis – Resident companies pay tax on their worldwide income. Nonresident companies pay tax only on Barbados-source income.

Taxable income – A resident company is taxed on its worldwide income, less allowable deductions. Credits are granted for foreign taxes paid and brought-forward losses from previous years may be offset (see “Losses,” below).

Taxation of dividends – Dividends paid by one Barbados company to another are exempt from tax (see also “Participation exemption,” below).

Capital gains – There are no specific rules on the taxation of capital gains in Barbados.

Losses – Losses may be carried forward for seven years, but they may reduce taxable income in a year by only 50%. The carryback of losses is not permitted. Group loss relief is not allowed.

Rate – Effective from 1 January 2019, the corporate tax rate on taxable income is 5.5% on the first BBD 1 million, 3% on BBD 1,000,001 to BBD 20 million, 2.5% on BBD 20,000,001 to BBD 30 million and 1% on amounts in excess of BBD 30 million. The rate for an insurance company may vary in respect of three classifications of licenses. Class 1 covers insurers of related party risk, which are subject to a 0% rate and an annual licensing

fee. Class 2 covers third party insurance and reinsurance companies, which are subject to a rate of 2%. Class 3 licensees, such as brokers, managers and the like, are subject to a 2% rate.

Before 1 January 2019, the corporate tax rates were 25% for RBCs; 15% for manufacturing companies and small

business companies; 5% on life insurance business; and 0.25% to 2.5% for IBCs, ISRLs and international banks.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Foreign tax credits are granted for taxes paid overseas, provided the credit does not reduce the tax payable in Barbados to less than 1% of taxable income. Excess credits may not be carried forward.

Participation exemption – Dividends derived by a Barbados resident company from an overseas company are exempt from tax in Barbados if the Barbados resident company holds at least 10% of the capital of the overseas company and the shares are not held as a portfolio investment.

Holding company regime – There is no specific holding company regime, but a special tax regime applies to companies exclusively carrying on international business. Barbados companies can apply to the relevant authorities to conduct business internationally and to benefit from specific exemptions in terms of tax and exchange control.

Incentives – Barbados provides incentives for companies carrying on business exclusively outside of Barbados and that qualify for a foreign currency permit (FCP). Benefits include: tax concessions for specially qualified individuals for a period of three years; an exemption from exchange control; an exemption from withholding tax on all payments to nonresidents (including dividends) and an exemption from customs duty, consumption tax and stamp duty on the import of machinery and equipment.

Withholding tax:

Dividends – Dividends paid by a Barbados resident company to a nonresident company or individual generally are subject to withholding tax at 15% (which is proposed

to be reduced to 5%, but the relevant legislation has not yet been officially enacted), unless the rate is reduced under a tax treaty. The rate is 25% for dividends paid out of tax-exempt profits.

A 12.5% rate applies to dividends paid to a resident individual.

The following dividends are exempt from withholding tax: (i) dividends paid by one resident company to another; and (ii) dividends paid by an RBC out of foreign-earned income to a nonresident. Grandfathered IBC/ISRL entities

continue to benefit from an exemption from payment of withholding tax under the previous regime until the end of the grandfathering period.

Interest – Interest on government securities is exempt from tax; otherwise, a 15% withholding tax applies on interest paid to a nonresident, unless the rate is reduced under a tax treaty. (The 2019 budget proposes to eliminate this withholding tax, but the change has not yet been officially enacted.) Interest paid by an RBC to a nonresident out of foreign currency is exempt from withholding tax. Grandfathered IBC/ISRL entities continue to benefit from an exemption from payment of withholding tax under the previous regime until the end of the grandfathering period.

Royalties – Royalties paid by an RBC to a nonresident are taxed at a rate of 15%, unless reduced under a tax treaty. (The 2019 budget proposes to eliminate this withholding tax, but the change has not yet been officially enacted.) Royalties paid by an RBC to a nonresident out of foreign currency are exempt from withholding tax. Grandfathered IBC/ISRL entities continue to benefit from an exemption from payment of withholding tax under the previous regime until the end of the grandfathering period.

Technical service fees – Technical service fees generally are subject to a 15% withholding tax. (The 2019 budget proposes

to eliminate this withholding tax, but the change has not yet been officially enacted.) Fees paid by an RBC to a nonresident out of foreign currency are exempt from withholding tax.

Branch remittance tax – A branch profits tax of 5% applies (reduced from 10% as from 1 January 2019), unless reduced under a tax treaty. (The 2019 budget proposes to eliminate the branch profits tax on payments by branches of foreign companies to their nonresident parents that are made out of income derived outside of Barbados, but the change has not yet been officially enacted.)

Other taxes on corporations:

Capital duty – No **Payroll tax** – No

Real property tax – Building and land owners are liable to land tax on the value of their property. The tax rates range from 0.1% to 0.75%, with the first BBD 150,000 subject to a rate of 0%. Land tax must be paid based on the issue date on the land tax bill; tax paid within 30 days of the issue date is entitled to a 10% discount.

Social security – Companies employing persons in Barbados are required to register with the Director of National Insurance. Effective for income year 2019, the

National Insurance Scheme (NIS) Insurable Earnings Limit is a maximum of BBD 4,820 per month or BBD 1,112 weekly. The private sector contribution rate paid by employers for employees between the age of 16 and 66½ years is 12.75%.

Stamp duty – Stamp duty is levied on certain documents at varying rates. Stamp duty is imposed at a rate of BBD 10 for every BBD 1,000 on the transfer of real or personal property. Provisions for stamp duty exemptions generally apply to entities exclusively carrying on international business. There is a minimal stamp duty rate for holders of an FCP. Grandfathered IBC/ISRL entities continue to benefit from

the minimum rate until the end of the grandfathering period.

Transfer tax – Transfer tax is imposed at a rate of 2.5% on the value of real property in excess of BBD 150,000 and on the value of shares or debentures in excess of BBD 50,000. The transfer of shares under the reorganization of a group of companies where there is no change in beneficial owner is exempt from transfer tax.

Other – There is a foreign exchange fee of 2% that applies to all transactions that require the remittance of, or settlement in, foreign currency, provided the transaction is not made from a foreign currency account.

There is a bank asset tax of 0.35%.

A product development levy of 2.5% is applied to the provision of direct tourism services to visitors, as well as to citizens, effective from 1 July 2018.

A room rate levy is applied to tourist accommodations at varying rates, depending on the type of property (ranging from BBD 5 per night to BBD 20 per bedroom per night).

Anti-avoidance rules:

Transfer pricing – Barbados does not have transfer pricing legislation. However, the Revenue Commissioner reserves the right to impute the market rate of interest for transactions between related parties. (The 2019 budget proposes introducing transfer pricing rules, but the relevant legislation has not yet been officially enacted.)

Thin capitalization – No. (The 2019 budget proposes introducing thin capitalization rules, but the relevant legislation has not yet been officially enacted.)

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – The tax year is based on the company’s fiscal year.

Consolidated returns – Tax legislation does not provide for taxation of groups on a consolidated basis and there are no group relief provisions.

Filing requirements – Companies with fiscal year ends between 1 January and 30 September must file a tax return and pay any tax due by 15 March following the year end. In addition, an advance tax payment of 50% of the tax paid in the previous year is payable by 15 September. Companies with fiscal year ends between 1 October and 31 December must file a tax return and pay any tax due by 15 June following the tax year. An advance tax payment of 50% of the tax paid in the previous year is payable by 15 December, with a second advance payment due the following March.

Penalties – Penalties for late filing and late payment are imposed. Interest is payable at 1% per month for each outstanding month that a return is not filed.

Rulings – There is no advance ruling procedure.

Personal taxation:

Basis – Tax generally is chargeable on the worldwide income of resident individuals and the Barbados-source income of nonresidents.

Residence – An individual is resident if he/she spends more than 182 days in Barbados in a tax year. For individuals not domiciled in Barbados, the concept of “ordinarily resident” can be applied. To become ordinarily resident, an individual must have a permanent home in Barbados and elect to reside in Barbados for at least two consecutive income years, including the income year in question.

Filing status – Each individual must file a tax return; joint filing by spouses is not permitted.

Taxable income – Taxable income includes income from employment, benefits in kind, pension income, directors’ remuneration and business income.

Capital gains – There are no specific rules on the taxation of capital gains in Barbados.

Deductions and allowances – A basic personal allowance of BBD 25,000 is permitted. An individual aged over 60 who is in receipt of a pension is entitled to a basic deduction of BBD 40,000.

Rates – Income tax is payable on the first BBD 35,000 of taxable income at a rate of 16%, on the next BBD 15,000 at a rate of 33.5% and on taxable income exceeding BBD 50,000 at a rate of 40%. Net residential rental income is taxed at 15%. Gross assessable income up to BBD 25,000 is not subject to tax, by virtue of the basic personal allowance.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is imposed on certain documents at varying rates. Stamp duty is imposed at a rate of BBD 10 for every BBD 1,000 on the transfer of real or personal property.

Capital acquisitions tax – No

Real property tax – Building and land owners are liable to land tax on the value of their property. The tax rates range from 0.1% to 0.75%, with the first BBD 150,000 subject to a rate of 0%. Land tax must be paid based on the issue date on the land tax bill; tax paid within 30 days of the issue date is entitled to a 10% discount.

Inheritance/estate tax – There is no inheritance tax, but gifts may be subject to property transfer tax.

Net wealth/net worth tax – No

Social security – Employees are required to register with the Director of National

Insurance. The NIS Insurable Earnings Limit is a maximum of BBD 4,820 per month or BBD 1,112 weekly. The private sector contribution rate for employees between the age of 16 and 66½ years is 11.1%.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – All individuals must file a tax return and pay any tax due by 30 April. Individuals carrying on a business or profession must make three advance payments of tax, each amounting to 25% of the previous year's liability, by 15 June, 15 September and 15 December. Emoluments are taxed by withholding at source.

Penalties – Penalties for late filing and late payment are imposed. Interest is payable at 1% per month for each outstanding month that a return is not filed.

Value added tax:

Taxable transactions – VAT is levied on the sale of goods and the provision of services.

VAT was expected to be introduced as from 1 May 2019 on certain online transactions carried out by Barbadian residents with nonresident suppliers for the purchase of goods and services used in or delivered to Barbados; however, the final legislation to implement the new rules has not yet been officially enacted. Additional guidance is expected on how the VAT will be collected and administered.

Rates – The standard VAT rate is 17.5%. A rate of 8.75% applies to hotel accommodation. A zero rate applies to exports, basic foodstuffs and international freight services. A rate of 22% applies to mobile phone services. Exemptions include some financial services, sales of real property and holders of a foreign currency permit.

Registration – The VAT Act states that registration is mandatory for businesses with annual turnover above BBD 200,000. Voluntary registration is possible.

Filing and payment – Ongoing requirements are detailed and may be complex. A VAT return must be filed every two months, and any tax due must be paid to the Barbados Revenue Authority by the 21st day of the month following the tax period. The tax period for VAT purposes is two months.

Source of tax law: Various laws of Barbados

Tax treaties: Barbados has concluded 31 tax treaties.

Barbados signed the OECD multilateral instrument on 24 January 2018.

Tax authorities: The regulatory authorities are the Barbados Revenue Authority, National Insurance Office, Financial Services Commission, International Business Unit, Ministry of Industry, International Business Commerce & Small Business Development and the Central Bank of Barbados

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