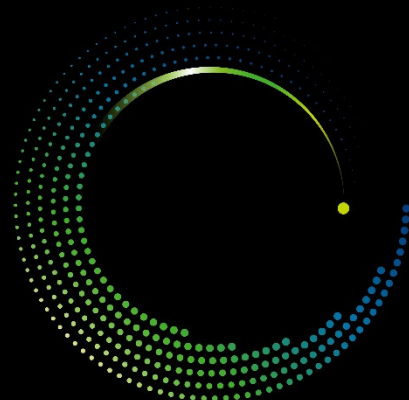


International Tax Barbados Highlights 2023

Updated January 2023



Recent developments

For the latest tax developments relating to Barbados, see [Deloitte tax@hand](#).

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. See also “Principal business entities,” below. Barbadians can open foreign currency accounts at local banking institutions without restrictions.

Accounting principles/financial statements: IFRS applies, although, in practice, the standards applicable in the jurisdiction 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: 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.

A resident company that conducts all business overseas and has 100% of earnings in foreign currency is required to obtain a foreign currency permit (FCP) to benefit from exchange control exemptions.

Corporate taxation

Rates

Corporate income tax rate	1%-5.5% (in general)
Branch tax rate	1%-5.5%, plus branch profits tax of 5% on certain payments to nonresident parent companies
Capital gains tax rate	Not applicable; capital gains are not subject to tax in Barbados

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

Basis: Resident companies pay tax on their worldwide income. Nonresident companies pay tax only on Barbados-source income. Branches are taxed in the same way as subsidiaries.

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).

Rate: 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, etc., are subject to a 2% rate.

A temporary pandemic contribution levy also applies to certain companies (see “Other,” below).

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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, i.e., capital gains are not subject to tax.

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.

Foreign tax relief: 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.

Incentives: There are no specific tax incentives.

Other: The pandemic contribution levy for companies, which entered into effect as from 15 July 2022, is required to be paid by certain companies that remained largely profitable during the COVID-19 period. It applies to business in telecommunications, retail sales of petroleum products by dealers, commercial banking, general insurance, and life insurance. Credit unions are excluded from the levy. Companies with net income in excess of BBD 5 million in 2020 and/or 2021 are required to remit 15% of net income. The levy is expected to end on 31 March 2023 and is payable to the Barbados Revenue Authority (BRA) in eight monthly payments: the first four payments are based on the net income recorded in the company’s financial statements for 2020, and the remaining four payments are based on the net income recorded in the financial statements for 2021. The levy is to be paid in addition to corporation tax and is not tax deductible.

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 and payment: 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. For failure to submit a return or failure to estimate the tax payable in the return by the due date, the penalty is BBD 500. Additionally, failure to pay the tax payable by the due date will incur a penalty of 5% on the amount of tax to be paid, or BBD 10, whichever is greater. Interest is payable at 1% per month for each outstanding month that a return is not filed.

Rulings: There is no advance ruling procedure.

Individual taxation

Rates		
Individual income tax rate	Taxable income (in general)	Rate
	Up to BBD 50,000	12.5%
	Over BBD 50,000	28.5%
Capital gains tax rate		Not applicable; capital gains are not subject to tax in Barbados

Residence: Individuals are resident if they spend 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.

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

Taxable income: Taxable income includes income from employment, benefits in kind, pension income, directors' remuneration, and business income.

Rates: Income tax is payable on the first BBD 50,000 of taxable income at a rate of 12.5% and on taxable income exceeding BBD 50,000 at a rate of 28.5%. 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.

A temporary pandemic contribution levy also applies to certain individuals (see "Other," below).

Capital gains: There are no specific rules on the taxation of capital gains in Barbados, i.e., capital gains are not subject to tax.

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

Foreign tax relief: 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.

Other: Effective as from 1 April 2022, individuals earning in excess of BBD 6,250 per month are required to pay a pandemic contribution levy of 1% of their monthly income for 12 months. The levy is to be paid along with any income tax obligations and is not deductible for tax purposes. Self-employed individuals with an annual income of BBD 75,000 or more for the period from 1 April 2022 to 31 March 2023 are also subject to the levy.

Compliance for individuals

Tax year: The tax year is the calendar year.

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

Filing and payment: All individuals must file a tax return and pay any tax due by 30 April following the tax year. 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. For failure to submit a return or failure to estimate the tax payable in the return by the due date, the penalty is BBD 500. Additionally, failure to pay the tax payable by the due date will incur a penalty of 5% on the amount of tax to be paid, or BBD 10, whichever is greater. Interest is payable at 1% per month for each outstanding month that a return is not filed.

Rulings: There is no advance ruling procedure.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	15%	0%/5%/25%	0%/5%/25%
Interest	15%	15%	0%	0%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

Dividends: Dividends paid by a Barbados resident company to a nonresident company or individual generally are subject to withholding tax at a 5% rate, unless the rate is reduced under an applicable tax treaty. The rate is 25% for dividends paid out of tax-exempt profits.

A 15% 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.

Interest: No withholding tax applies on interest paid to a nonresident. A 15% withholding tax applies to interest payments between resident companies and individuals.

Royalties: No withholding tax applies on royalties paid to a resident or nonresident.

Fees for technical services: No withholding tax applies on fees for technical services paid to a resident or nonresident.

Branch remittance tax: A branch profits tax of 5% applies on payments from branches of foreign companies to their nonresident parents that are made out of income derived within Barbados, unless reduced under an applicable tax treaty. Branch profits tax has been eliminated on payments that are made out of income derived outside of Barbados and the Caribbean Community (CARICOM).

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. See also “Disclosure requirements,” below.

Interest deduction limitations: There is a thin capitalization rule of 1.5 to 1. Interest that is payable on outstanding debts to nonresident persons that own more than 10% of a company is deductible only if the total amount of the debt does not exceed 1.5 times the equity of the company. Any residual or excess amounts will not be deductible.

Controlled foreign companies: There are no CFC rules.

Hybrids: There are no specific rules on hybrids; however, reviews of “no or only nominal tax” jurisdictions published by the OECD Forum on Harmful Tax Practices have found Barbados to be in compliance with the requirements of BEPS action 5.

Economic substance requirements: Barbados has economic substance legislation that provides for the imposition of an economic substance test for companies carrying on a relevant activity in Barbados. This test requires transactions to have a substantial purpose apart from perceived tax benefits in order to be considered valid.

Disclosure requirements: Multinational enterprise groups with total consolidated group revenue of USD 850 million or more, as reflected in their consolidated financial statements, may be required to prepare a country-by-country (CbC) report for submission to the Revenue Commissioner. CbC reports generally are due no later than 12 months after the last day of the reporting fiscal year.

Exit tax: There is no exit tax; however, a final tax return is required to obtain a tax clearance certificate.

General anti-avoidance rule: There are no other anti-avoidance rules.

Value added tax

Rates

Standard rate	17.5% (increased rate of 22% applies to mobile phone services)
Reduced rate	0%/10%

Taxable transactions: VAT is imposed on the sale of goods and the provision of services. VAT is applicable to online transactions carried out with nonresident suppliers for the purchase of goods and services for consumption in Barbados. Nonresident suppliers may be required to register in Barbados for VAT purposes and to collect and remit VAT on online transactions.

Rates: The standard VAT rate is 17.5%. A rate of 10% applies to hotel accommodation and tourism services. 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 an FCP.

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

Nonresident suppliers conducting, facilitating, or participating in transactions utilizing any type of payment method for the online purchase of goods or services for consumption in Barbados are required to register in Barbados for VAT purposes.

Filing and payment: Ongoing requirements are detailed and may be complex. A VAT return generally must be filed every two months, and any tax due must be paid to the BRA by the 21st day of the month following the tax period. The tax period for VAT purposes generally is two months. Large taxpayers that made BBD 25 million or more in taxable sales in the immediately preceding period of 12 calendar months are required to file monthly returns, and to pay tax by the 21st day of the month following the tax period.

Nonresident suppliers that are required to register in Barbados for VAT purposes due to online transactions involving goods or services for consumption in Barbados are required to file VAT returns quarterly and remit VAT to the BRA by the 21st day of the month following the VAT period (i.e., bimonthly).

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: Employees and companies employing persons in Barbados are required to register with the Director of National Insurance. The National Insurance Scheme (NIS) Insurable Earnings Limit is a maximum of BBD 5,120 per month (increased from BBD 4,880 as from 1 January 2023) or BBD 1,182 per week (increased from BBD 1,126 as from 1 January 2023). The private sector contribution rate paid by employers for employees between the ages of 16 and 67 years is 12.75%. The private sector contribution rate for employees between the ages of 16 and 67 years is 11.1%.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

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 1%, with the first BBD 150,000 subject to a rate of 0%. This 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 5% discount.

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.

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 of value of real or personal property transferred. 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.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: For individuals, there is no inheritance tax, but gifts may be subject to property transfer tax.

Other: A foreign exchange fee of 2% 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.

A room rate levy is applied to tourist accommodations at varying rates, depending on the type of property (ranging from BBD 8.75 per night to BBD 35 per bedroom per night).

A shared economy levy of 10% of the cost of the rental or lease of tourist accommodations is applied. The levy is charged per night, per bedroom, or for the period of use.

Tax treaties: Barbados has concluded tax treaties with around 40 jurisdictions (including those covered by the CARICOM treaty). The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Barbados on 1 April 2021.

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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