



TRICOR CARIBBEAN LIMITED

CARIBBEAN CORPORATE SERVICES LTD

COMMENTARY ON THE BARBADOS BUDGET PROPOSALS 2023

On Tuesday, March 14, 2023 the Honorable Mia Amor Mottley S.C. M.P., Prime Minister and Minister of Finance, Economic Affairs and Investment of Barbados, delivered her government's Budget Proposals and Financial Statement for the fiscal year 2023–2024. In a speech she titled “Upward Onward Bajan Excellence – 2030”, the Prime Minister sought to outline a plan for “Mission Transformation”, a growth plan for not only the Barbados economy, but for the people of Barbados “to accomplish excellence that will redefine our national approach; typify our efforts on the international landscape and solidify the benefits for this and future generations” all by the year 2030. The focus therefore of her “conversation with the nation” and proposed budgetary measures was envisioning what it would take to achieve the goals of “national transformation” as well as “building a global society and a world class people”.

Tricor Caribbean's Commentary on the Budget Proposals 2023 provides a snapshot of the main fiscal measures announced.

GENERAL



Fuel Prices

Effective midnight, Saturday, April 1, 2023, and continuing for 6 months, the dollar amount of the Value Added Tax (VAT) payable on fuel will be capped as follows:

- Petrol - 47 cents per litre; and
- Diesel - 37 cents per litre.

This is a reintroduction of a measure announced in last year's Budgetary Proposals which is intended to provide immediate ease to consumers affected by the rise in global fuel prices.



Customs Duties

In an attempt to streamline Barbados' customs regime a number of measures have been announced:

- Effective April 1, 2023 a new 2022 Customs Tariff will take effect. The Tariff is to be laid in Parliament shortly.
- The Customs and Excise Department (the Customs Department) will initiate re-registration of the warehouse and duty-free shopping sector on a rolling 3-year cycle, and will be conducting field audits of the warehouse and duty-free shopping sector.
- The Customs Department will be conducting audits in collaboration with delegated authorities of the exemption regime to reduce tax expenditures.
- Effective April 1, 2023 all entities receiving concessions will be required to participate in the business surveys conducted by the Barbados Statistical Service and the Central Bank of Barbados to better measure all economic activity.
- An Omnibus Financial Guarantee for warehouse and duty-free shop operators will be introduced to protect duty liability which will lower the cost of doing business upon successful re-registration.



Green Initiatives

Further to last year's Budgetary Proposal and the green initiatives proposed in an effort to meet Barbados' environmental, social and governance (ESG) goals, a number of these initiatives have been expanded or extended, including:

- Granting an increase from \$5,000 to \$25,000 in loan allowance for postal workers to access electric motorcycles.
- Effective April 1, 2023, inclusion of the nursing profession to the schedule of Public Officers Loan and Travelling Allowances such that nurses can now access the previously granted interest-free loans to public servants specifically for the purchase of electric vehicles.
- Extension of the Excise tax and VAT holiday on electric vehicles for a further 24 months to March 31, 2026.
- A low interest revolving loan fund would be developed under Fund Access to assist small entrepreneurs the acquisition of or conversion to electric, plugin hybrids, CNG or solar powered passenger vehicles for the Public Service Vehicle sector.



Reduction of the Air Travel & Tourism Development Fee for CARICOM Travel

Effective July 1, 2023 through to December 14, 2023 the Air Travel and Tourism Development fee currently charged will be reduced by 47% (from \$37.50 to \$20) on CARICOM travel. This will cost the government \$2.2. million. However, it is expected to increase inter-regional travel.



Outstanding debts owed to Barbados Water Authority (BWA) and the Queen Elizabeth Hospital (QEH)

A 25% discount will be applied to the principal of outstanding debts owed to BWA and QEH conditioned on full payment of outstanding debts between March 15 and September 15, 2023.

BUSINESSES



Dedicated Incentive Regime for the Film Industry

The following measures are proposed to incentivize and encourage film development and production in Barbados:

- 25% transferable tax credit on eligible expenses directly related to the pre-production, production, and post-production of their films, which include all local costs and Foreign Cast and Crew. However, the payments must be made through a Barbadian Production Company.
- VAT exemption for suppliers in the industry such as studios and film equipment rentals, that are registered as exclusive film providers.
- Eligible expenses include both above-the-line and below-the-line expenses, with the exception of distribution and marketing costs, finance costs and bank charges, and completion bonds and foreign insurance policies.
- Payments to foreign cast and crew, if made via a Barbadian Company, are subject to only 1% Withholding Tax.

The requirements to benefit from these incentives are as follows:

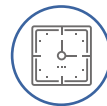
- Single Shooting Permit issued by the Film Commissioner.
- Minimum spend in the country of \$1 million.
- A signed production services agreement with a local production services company.
- Contracting legal, accounting and auditing services from pre-approved firms in Barbados.
- A local general liability insurance policy must be in place.
- At least 15% of the total crew and cast members must be Barbadian nationals or residents.

We await the governing legislation which would provide definitions and other details in relation to these incentives.



Transfer Pricing

In satisfaction of the requirements of the Organisation of Economic Co-operation and Development (OECD), transfer pricing legislation is currently being developed by the Barbados Revenue Authority and will be introduced in income year 2023–2024.



24-Hour Economy

Harness the opportunities afforded by technology to move towards a 24-hour economy. To that end, propose to establish a working committee of the Social Partnership to implement a 24-hour economy. A new Barbados Delivers program will also be put in place intended to remove obstacles to economic growth.



Incentive Regime for Fashion Industry

The Barbados Government is committing \$2 million to finance training, prototyping, materials and equipment purchasing and digital marketing of local practitioners involved in the fashion industry. It is not yet known how these funds will be distributed.

INDIVIDUALS



Personal Allowance for Pensioners

For income year 2023, the personal income tax allowance for pensioners is increased from \$40,000 to \$45,000.



Repayments to Series B Bondholders

By April 30, 2023 individual bondholders of Series B Bonds, on the register as at March 31, 2023, are expected to receive a principal repayment of up to \$17,500. This is a partial payment for some bondholders but the Prime Minister has expressed a commitment to honour promises made when the individuals were made to accept the Series B bonds. It will cost the Government \$74.8 million.



Social & Other Transformational Initiatives

In the space of resilience building, the development of the habit of excellence and the transformation of Barbados to world-class standards and fueling the growth of the economy, the Prime Minister announced several initiatives intended to foster social stability, including:

- Provision of \$9.6 million to the National Sports Council in fiscal years 2022–2033 for the creation of 17 mini-stadia across Barbados.
- Ministries of Labour and People Empowerment to unlock employment opportunities for persons with disabilities through the First Jobs Initiative.
- Introduction of the Management Trainee Initiative for the Public Service.
- Creation of posts of Life Coaches, Parental Coaches and a programme to support psychological counselling across 10 communities that are most challenged in the first instance. A budget of \$2.5 million will be allocated to this measure.
- Provision of \$600,000 annually for the introduction of a National Strings Programme in 68 public primary schools.
- Substantial training is to be made available, particularly for those operating in the tourism sector.

- New levels of training will be reached through community-based training modules available to all Barbadians in areas such as citizenship, and parental training to support parents who need knowledge and help with parenting.
- Increased focus on construction as a major component of the government's focus on job creation and wider economic activity, with an extensive training program to upskill both men and women in a range of construction-related skills.
- Establishment of the National Strategic Council, Fiscal Council and Growth Council to improve governance, and accountability with respect to fiscal affairs, and to ensure sustainable and inclusive growth.
- Establishment of a Unit Trust Corporation to mobilize private savings.
- Establishment of a \$2 million Revolving Fund at the Barbados Agricultural Society to provide small loans to assist livestock farmers to manage feed price increases.
- Government to establish a Working Committee to implement Reverse Mortgages by January 1, 2024.

Tricor Commentary

No bad news! No new taxes!

This was the clarion message that the Prime Minister laid down at the beginning of her presentation to seemingly settle the minds of Barbados citizens and commentators, and to focus our collective attentions to Mission Transformation – a plan for growth of Barbados and its people by 2030. A plan, in Prime Minister Mottley's words, "to secure the stability of our people, to empower and enfranchise those who have not been able to access wealth or create intergenerational wealth, to ensure redress and balancing of the economic scales, not to exclude anyone, but to include all".

She highlighted that on taking up the Government of Barbados in 2018, her administration had successfully completed Mission Critical – a plan that saw, amongst other things, the saving of the Barbados dollar from impending devaluation. Moreover, in response to the unprecedented Covid pandemic, the ashfall from the neighboring volcanic eruption, the freak storm, and the passage of Hurricane Elsa, they were victorious in Mission Survival. Now Barbados sits as of March 13, 2023, with Gross International Reserves at \$2.999 billion, compared to \$441 million on May 24, 2018. With an injection from the Inter-American Development Bank of US\$100 million, these foreign currency reserves will increase to about \$3.2 billion.

In addition to the reflection at what has been achieved, the Prime Minister sought to engender confidence that her government is acutely aware of what is necessary moving forward. Stating that their focus is "on generating growth and encouraging financial institutions back into the domestic capital markets", she referenced the current Barbados Economic Recovery and Transformation (BERT) 2.0 programme which is monitored by the International Monetary Fund and sets out some critical milestones that must be met including:

- Boost and maintain capital expenditure to approximately 5% of Gross Domestic Product (GDP).
- Boost domestic private sector investment from 10% GDP, where it now stands to 20% of GDP (from approximately \$975 million to about \$2 billion); and
- Boost foreign direct investment to about 6 to 7% of GDP.

It is our view that Barbadians will welcome some of the measures announced as cumulatively they would be expected to result in increased employment, a reduction of debt and ultimately an increase in the disposable income of those directly impacted. Measures such as the introduction of special concessions for those involved in the film industry, the increase of the personal allowance for pensioners, the inclusion of nurses to access Public Officers Loan and Travelling Allowances, the reinstated cap on VAT on diesel and gasoline and the reduction of Air Travel and Tourism Development fee for CARICOM travel, are all applauded.

In an apparent acknowledgement of the often quoted adage that a country "cannot tax its way out of a recession", the Government has indicated its intention to properly administer some of its current legislation to ensure that Barbados is not being drained of much needed income to its detriment. We note with particular interest the stated intention to police those who have been or will be granted customs and other tax concessions to ensure that they are in full compliance of their statutory obligations. This is with a view of ensuring that Barbados is receiving its full benefit from granting concessions and thereby agreeing to give up certain income for some other advantage.

While this positive messaging is encouraging, the Budget itself, in our opinion, lacked significant tax incentives and details regarding some of the measures announced to fuel growth of the economy and the eventual success of Mission Transformation. We look forward to receiving information on the proposed growth initiatives such as the introduction of the Afrieximbank partnership, the EXIMbank of Barbados, and other capital works projects that are approved but yet to get underway. We also wait anxiously for the highly anticipated transfer pricing legislation which is sure to affect the structuring of global business throughout Barbados.

Any success in these growth initiatives would be a welcomed boost for our economy as would the enhanced development of people and processes. We hope this will be enough for the touted exponential growth of an economy that is so heavily in debt, even the cheapest debt. Time will tell.

Legislative proposals do not become law until their enactment and may be modified before enactment.

The information on this leaflet is not exhaustive and contains only a brief summary of Barbados Budget Proposals 2023. Please contact your Tricor executive or email info@bb.tricorglobal.com for assistance and enquiries.

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About Tricor Caribbean

Tricor acquired the corporate and business services practice of Ernst & Young Caribbean in April 2007. Through the Ernst & Young Caribbean legacy firms, the practice has been instrumental in the promotion and development of Barbados as an international financial services centre from its inception and has served domestic clients in Barbados for over 40 years.

Please contact us to discuss your company/group's obligations under Barbados Budget Proposals 2022. Our team stands willing to assist.

Business Services

- Financial Reporting
- Tax Compliance
- Payroll & Treasury Operations
- Bank Account Administration & Management
- Financial Audit Oversight
- Branch Management
- Active Business Solutions

Corporate Services

- Entity Formation & Organisation
- Business Registration & Licensing
- Corporate Restructuring & Advisory
- Corporate Directorships
- Company Secretary
- Registered Office / Registered Agent
- Entity Due Diligence
- Scrutineering
- Recording Secretaries
- Statutory Custodial & Safe-keeping Arrangements
- Establishment of Banking Facilities
- Ongoing Statutory & Governance Compliance
- Voluntary Liquidations

Tax Advisory Services

- Short & Long-term Tax-efficient Structuring Advice
- Cross-border Transactional Tax Advice
- General Direct & Indirect Tax Advice, Reporting Obligations & Compliance Analysis for Barbados & the OECS
- In / Out-of-Scope Economic Substance Analysis & Reporting

Economic Substance Support Services

- In / Out-of-Scope Economic Substance Analysis & Reporting
- Local Resident Directors
- Board Support
- Administrative Support
- Recruitment of Specialist & Other Resources
- Applying for & Obtaining Work Permits

Human Resource Services

- Executive & Employee Recruitment
- Entry & Work Permit Applications
- Employer Consultations & Advisory
- Contract Structuring & Review
- HR Compliance Audits
- Outplacement Support

Other Services

- Regulator Liaison
- Multi-jurisdictional Coordination Services
- Provision of Support Services Tailored to Client Needs

For further information, please contact our team in Barbados



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