



BARBADOS

INCOME TAX (AMENDMENT) ACT, 2020-10

Arrangement of Sections

1. Short title
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11. Insertion of section 65G into Cap. 73
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FIRST SCHEDULE

SECOND SCHEDULE

Consequential Amendments

BARBADOS

I assent
S. MASON
Governor-General
29th April, 2020.

2020-10

An Act to amend the *Income Tax Act*, Cap. 73 to implement the relevant proposals contained in the Budgetary Proposals and Financial Statement, 2019.

[Commencement: 30th April, 2020]

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Income Tax (Amendment) Act, 2020*.

Amendment of section 9 of Cap. 73

2. Section 9 of the Income Tax Act, Cap. 73, in this Act referred to as the principal Act, is amended subsection (1) by deleting paragraph (m.1) and substituting the following:

“(m.1) a prescribed percentage of the salary, fees and any other emoluments that are earned by a specially qualified employee of a specified foreign currency earning entity;”.

Amendment of section 11 of Cap. 73

3. Section 11 of the principal Act is amended

(a) in subsection (1) by

- (i) deleting the word “and” in paragraph (g);*
- (ii) deleting the full stop at the end of paragraph (h) and substituting a semi-colon; and*
- (iii) inserting immediately after paragraph (h) the following:*

“(i) management fees paid or payable to a non-resident.”;and

(b) by inserting immediately after subsection (2), the following:

“(2A) With effect from 1st September, 2019, interest payable on outstanding debts due to a non-resident related party that owns more than 10 per cent of the company shall be deductible to the extent that the total amount of the debt does not exceed one and a half times the equity of the company.”.

Amendment of section 12I of Cap. 73

4. *Section 12I of the principal Act is deleted and the following is substituted:*

“Tax credit on foreign income received by individuals

12I. Where an individual who is resident in Barbados during an income year derives assessable income from sources outside Barbados which is transferred as foreign currency to Barbados through the banking system, then, in computing the tax payable by that individual for that income year, there shall be set off against the tax payable on the taxable income of that individual, an allowance calculated in the manner specified in the *Sixth Schedule*.”.

Amendment of section 38B of Cap. 73

5. *With effect from 1st July, 2019, paragraph (d) of subsection (1) of section 38B is repealed.*

Amendment of section 42 of Cap. 73

6. *Section 42 of the principal Act is amended in subsection (1) by deleting paragraph (j) and substituting the following:*

“(j) with effect from 1st July, 2019 and the income years thereafter 12.5 percent of every complete dollar of taxable income up to \$50 000;

(k) with effect from

(i) 1st July, 2019 until 31st December, 2019, 33.5 per cent of every complete dollar of taxable income above \$50 000; and

- (ii) 1st January, 2020 and the income years thereafter, 28.5 per cent of every complete dollar of taxable income above \$50 000.”.

Amendment of section 46B of Cap. 73

7. *Section 46B of the principal Act is amended by deleting the words “12.5 per cent” and substituting the words “15 per cent”.*

Amendment of section 64A of Cap. 73

8. *Section 64A of the principal Act is amended by deleting the words “12.5 per cent” and substituting the words “15 per cent”.*

Amendment of section 65 of Cap. 73

9. *Section 65 of the principal Act is amended*
- (a) *in subsection (4A) by deleting the words “12.5 per cent” and substituting the words “15 per cent”;*
 - (b) *by inserting immediately after subsection (5) the following:*

“(5A) With effect from 1st September, 2019, branch profits paid out of income earned outside of Barbados shall be exempt from the payment of income tax or corporation tax.”;
 - (c) *in subsection (7) by deleting the words “subsections (5) and (6)” and substituting the words “subsections (5), (5A) and (6)”.*

Amendment of section 65D of Cap. 73

10. *Section 65D of the principal Act is amended in subsection (1) by*
- (a) *deleting the word “or” in paragraph (c);*
 - (b) *deleting the comma in paragraph (d) and substituting a semi-colon; and*

(c) *inserting immediately after paragraph (d) the following:*

“(e) for income year 2018 and subsequent income years earns less than \$25 000 annually but not more than \$2083 monthly.”.

Insertion of section 65G into Cap. 73

11. *The principal Act is amended by inserting immediately after section 65F the following:*

“Compensatory income credit

65G. Where an employed individual, who is resident in Barbados for income year 2019 and subsequent income years, earns more than \$25 000 annually but not more than \$35 000 annually, applies to the Commissioner, in such form as the Commissioner approves, within 2 years of the income year in which the earnings were paid, that person shall be entitled to a credit in the amount of up to \$1 250 calculated at the prescribed rate of their taxable income.”.

Amendment of section 85 of Cap. 73

12. *Section 85 of the principal Act is amended in subsection (1) by inserting the following definitions in the appropriate alphabetical order:*

“ “foreign currency” means money or currency that is legal tender outside Barbados and the Caribbean Community as authorised for exchange of currency by the Central Bank of Barbados;

“management fee” means a fee or a charge for management and or administrative services provided by a member of a group of companies to other members of the group;

“specially qualified employee” means an individual on a work permit;”.

Amendment of the Sixth Schedule to Cap. 73

13. *The principal Act is amended by deleting paragraph 1 of the Sixth Schedule and substituting therefor the paragraph contained in the First Schedule to this Act.*

Amendment of enactments

14. *The enactments set out in Column 1 of the Second Schedule are amended in the manner specified in Column 2 of the Second Schedule.*

FIRST SCHEDULE*(Section 13)***“SIXTH SCHEDULE***(Section 12I)*

1. A foreign currency earnings allowance set off for the purposes of section 121 shall be calculated as follows:

| <i>Foreign earnings as a percentage of total earnings</i> | <i>Rebate of income tax, expressed as a percentage of income tax on foreign earnings with effect from 1st April, 2019 until 31st December, 2019</i> | <i>Rebate of income tax, expressed as a percentage of income tax on foreign earnings with effect from 1st January, 2020</i> |
|---|---|--|
| 20% and under | 26% | 24% |
| Over 20% but under 41% | 34% | 31% |
| 41% but under 61% | 48% | 45% |
| 61% but under 81% | 59% | 55% |
| 81 % and over | 70% | 65%. |

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SECOND SCHEDULE

(Section 14)

CONSEQUENTIAL AMENDMENTS

| Column 1 | Column 2 |
|---|--|
| Enactment | Amendments |
| <i>Income Tax Regulation, 1969</i> (S.I. 1969 No. 109) | <ol style="list-style-type: none"> 1. In regulation 6, delete the words "12.5%" appearing in paragraph (4) and substitute the words "15%". 2. In regulation 90, delete the words "15%" appearing in paragraph (1) and substitute the words "0%". 3. In regulation 90B delete the words "15%" and substitute the words "0%". 4. In regulation 93A <ol style="list-style-type: none"> (i) delete the words "management or administrative services or of" appearing in paragraph (1); (ii) insert after paragraph (1) the following: "(1A) Every person who pays an amount to a non-resident person on account or in satisfaction of liability for fees or charges arising under a contract for the provision of management or administrative services, whether such contract be oral or in writing and whether or not made in Barbados, shall deduct or withhold from the amount that would otherwise be paid 0% of that amount and shall pay the amount so deducted or withheld to the Commissioner as payment of the tax of that non-resident person." |