2019 Barbados Budget:

Stay the Course

KPMG Commentary

—

March 21, 2019

Foreword

As the Honourable Prime Minister Mia Mottley delivered her presentation of budgetary measures on March 20, 2019, she noted that progress was made and key milestones had been attained. These included the approval by the International Monetary Fund (IMF) of the Barbados Economic Recovery and Transformation Plan (BERT); the domestic debt restructuring; and a budget surplus.

The presentation was made against the global backdrop of:

1. Brexit which tempered the enthusiasm for travel from the Barbados' largest source market; and
2. The Organisation of Economic Development (OECD) and the European Union (EU) tax initiatives, which catapulted Barbados into converging its tax platforms.

The Prime Minister underscored that stabilisation, growth and transformation are not three separate steps, but rather they are interconnected. Moreover, without growth we cannot spur the transformation of the economy. To this end, the three critical tasks from the government's manifesto were highlighted:

1. Rebuilding our foreign exchange reserves,
2. Dealing with debt, and
3. Simply helping people to live.

She continued by noting that the foreign exchange reserves have increased from just over BDS$400 million at its lowest point early last year to BDS$1.1 billion as of March 19, 2019, with the expectation of reaching 15 weeks of import cover over the next few days. Deficit financing of current expenditure has ceased, and expensive domestic borrowing swapped for low-cost borrowing from the IMF, the Inter-American Development Bank (IDB), and the Caribbean Development Bank (CDB).

Following the domestic debt restructuring, accounting for approximately 80% of borrowing, the national debt fell from over 170% of Gross Domestic Product (GDP), the third highest in the world, to under 125% of GDP, with the country on target to bring the level of debt below 100% in seven years, and to 60% by 2033. The restructuring of external debt accounting for approximately 15% of borrowing is not yet complete.

Furthermore, the Government of Barbados (GOB) is on track to achieve its target of a primary surplus of 3.3% of GDP for the FY2018/19, having recorded a surplus well in excess of that target at the end of 2018.

In the second phase of the presentation, the Prime Minister took the opportunity to outline numerous measures and initiatives aimed at stimulating the economy and increasing global competitiveness, including the settlement of outstanding tax refunds to companies and individuals for the years 2011 to 2016, and with particular focus on shifting the burden of taxation away from taxing work and production, towards taxing assets and consumption.

Growth in the economy is expected as a result of a number of projects, well advanced in their planning applications, and representing almost BDS$2 billion of investment over the next three years. These projects are in addition to the public sector investment programme, which will help to inject funds into the local economy. There will also be a number of initiatives to mobilise the BDS$9 billion of domestic savings in the banking system, and to provide the opportunity for economic enfranchisement to Barbadians.

Overall the Prime Minister continues with her efforts to overhaul the Barbados economy using a combination of debt restructuring, tax stimulus measures and investment promotion. These measures are all welcomed as we seek to rebuild as a country.

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Snapshot

Budget 2019

125% debt to GDP

13.5 weeks import cover

BDS$1.1 billion in foreign reserves

3% current account surplus

Corporation tax
Reduced withholding tax and anti abuse measures

Income tax
Reduction in personal income tax rates
Tax refunds to be paid

Government savings
SSA and BWA contract renegotiation BDS$25 million in savings per annum

VAT
VAT on e-commerce introduced
VAT refunds to be paid

Water
Commercial water rates to increase

Gaming tax
Introduction of a gaming tax: 20% withholding tax on gambling winnings and 17.5% gambling tax on "net drop" of all gambling establishments

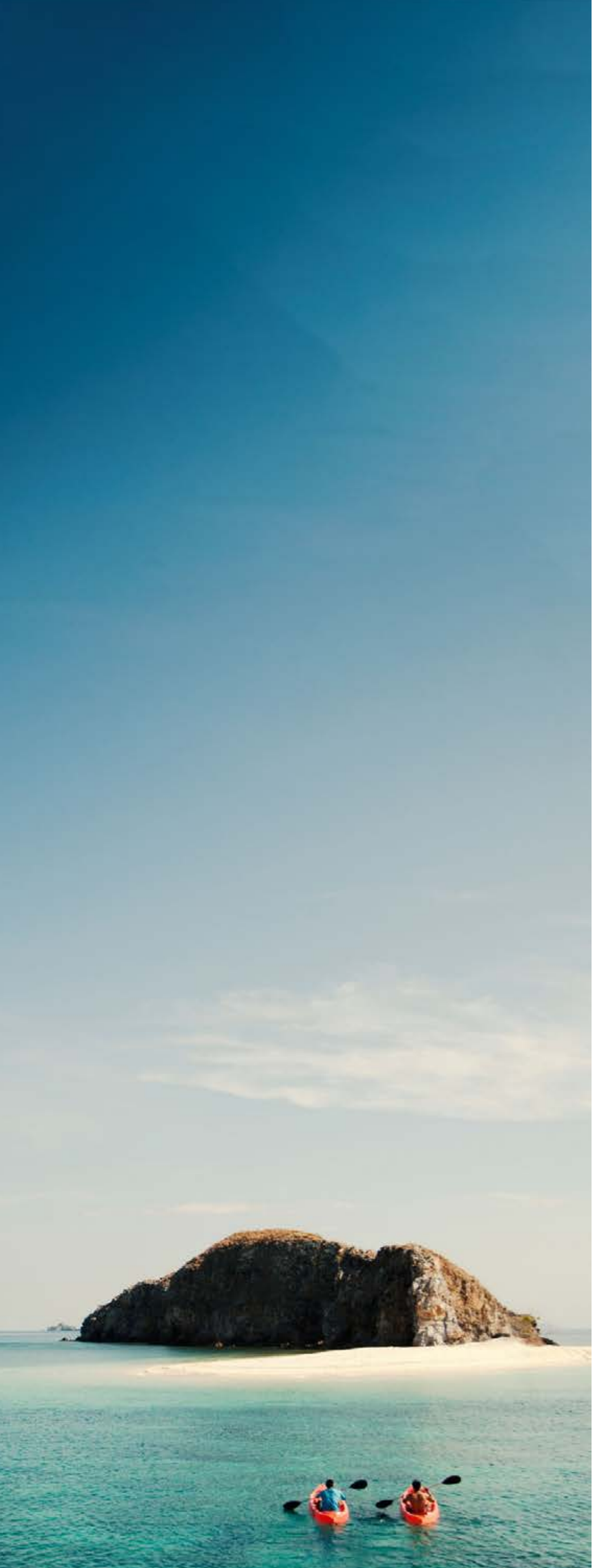
Health care
Development of a Medical Cannabis Project Implementation Unit

Accommodation
Room Rate Levy increased
Increase in VAT on accommodation from 7.5% to 10%

OECD and EU
Working with the EU to be removed from the blacklist by May 2019

Exchange controls
Liberalisation of exchanged controls commenced

Barbados Debt Exchange Programme & Economic Review



“Over the last 10 months a number of initiatives have been implemented from an economic perspective. The debt restructuring has been very significant with regard to reducing the interest expense burden. It will be critical for the Government to continue on its path of digitization of the economy as this will not only propel Barbados’ Competitive Index but also bring a number of efficiencies to larger infrastructure projects.”

Christopher Brome
Partner, Advisory

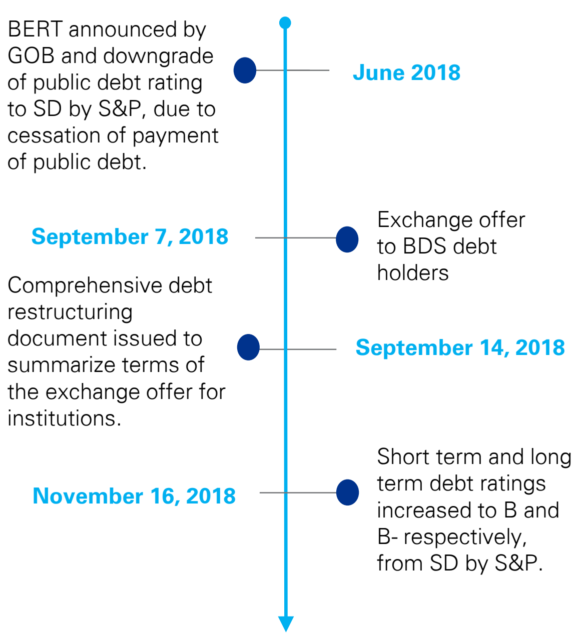
The Restructuring of Government of Barbados Debt

Overview

On September 7, 2018, the GOB launched an exchange offer for holders of Barbados dollar denominated debt as part of its Debt Restructuring ("Debt Exchange Programme"). Concurrently, the GOB also commenced the BERT plan which is being supported by the IMF.

As part of the debt restructuring, a number of instruments were proposed and offered to individuals and institutional investors with varying terms attached to the instruments, based on its series.

The aim of the debt restructuring was to place the GOB's debt to GDP on a downward trajectory and concomitantly improve the country's credit rating which now stands at B- and B for long and short term debt respectively. Noted below are the key highlights related to the debt restructuring.



Source: Central Bank of Barbados, Standard and Poor's' (S&P)

Trajectory of GOB debt

The GOB approached the debt restructuring exercise through making a distinction between their approach to rectifying the high interest payments associated with the domestic and external debt.

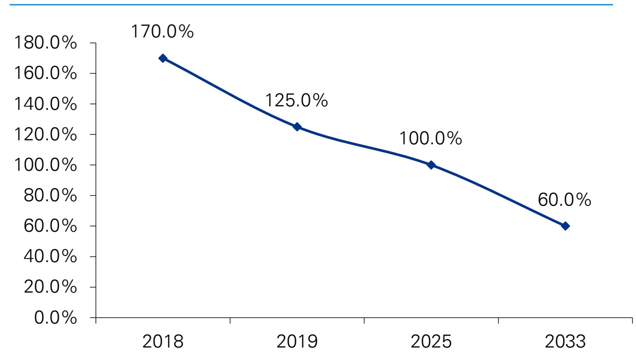
Having commenced the domestic debt restructuring which accounts for approximately 80% of the country's debt, the GOB realized a reduction in debt levels which was manifested through a reduction in debt to GDP from approximately 170% at the inception of the restructuring, to approximately 125%.

Regarding the external debt which accounts for less than 15% of the country's debt, the GOB has approached the matter through the cessation of payments to foreign debt holders, but has yet to complete this aspect of the restructuring, due to the anticipated complications associated with the debt which was issued under foreign law jurisdiction.

Based on the GOB's indications, it is anticipated that by 2025, the level of debt to GDP will be down to approximately 100% and subsequently, is anticipated to reach a more comfortable and sustainable state of approximately 60% by 2033.

The GOB has noted that the achievement of the aforementioned benchmarks will be directly linked to public sector reform, with a primary focus on improved tax administration and public spending.

Projected GOD debt (As a % of GDP)



Source: Central Bank of Barbados

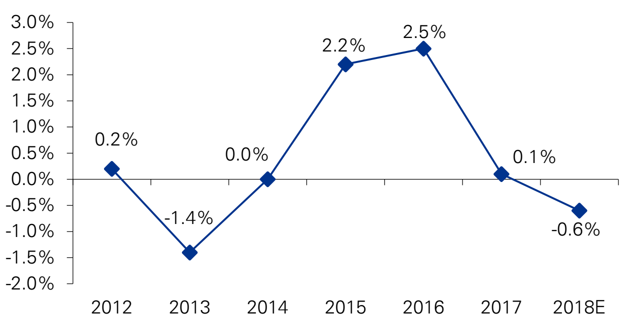
Economic Overview

GDP growth

The Barbados economy contracted by 0.6% in 2018, compared to marginal growth of 0.1% in 2017. Despite the increase in tourism activity, the tradeable sector recorded negative growth due to the decline in manufacturing activity.

Activity in the non-tradeable sector also contracted by 0.9%. This was due to a moderate decline among the various sub-sectors of non-tradeables, including: construction, transport, financial and other services sectors.

GDP growth rate (YoY, %)



Source: Central Bank of Barbados

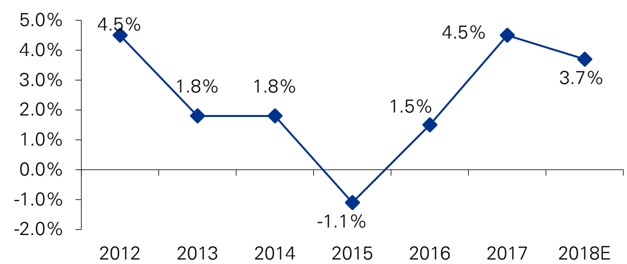
A number of key decisions were made by the GOB in 2018, including entering into a four-year economic adjustment programme with the IMF, suspension of commercial external debt payments and the restructuring of the Government's domestic debt. The Government further implemented the BERT plan geared towards medium-term economic growth.

Macroeconomic stability and revitalization of economic growth are of focus to the GOB. Economic growth is projected to be driven by the increase in tourism, healthcare and distribution sectors.

Inflation

Consumer prices declined to 3.7% in 2018, compared to 4.5% in 2017. The elimination of the National Social Responsibility Levy (NSRL) and the decline in international fuel prices during the fourth quarter of 2018, contributed to the decrease in the inflation rate.

Consumer prices (End of period, %)

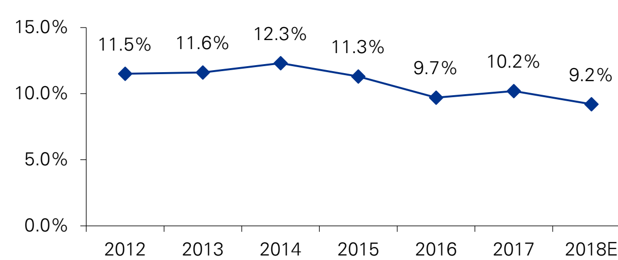


Source: Central Bank of Barbados

Unemployment

The average unemployment rate improved to 9.2% as of September 2018, compared to 10.2% in the previous year. However, unemployment increased in the fourth quarter of 2018, due to the layoffs in the public sector.

Average unemployment rate (%)



Source: Central Bank of Barbados
Note: Data for 2017 and 2018 from April to September

Economic Overview

Fiscal balance

The fiscal balance improved to an estimated BDS$31 million for the nine months ending December 2018, compared to a negative BDS$365 million for the same period in 2017. This significant improvement is largely due to the reduced interest costs from the suspension of the external debt payments and the lower interest rate on the domestic debt.

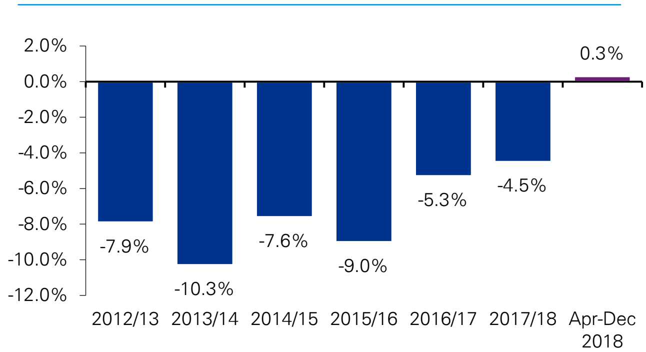
Loans from the IDB and the CDB totalling BDS$350 million has also contributed to a decline in Central Bank financing.

Total revenue from April to December 2018 was below target by BDS$56 million, due to a delay in the collection of recent tax measures coupled with lower imports and higher tax refunds requirements than anticipated.

However, the new fuel tax generated BDS$35 million in revenues and the foreign exchange fee BDS$56 million.

Total current expenditure decreased by an estimated BDS$322 million (YoY -14.4%) in 2017/18. This is due to a decrease in the transfer and subsidies as well as wages and salaries.

Fiscal balance (As a % of GDP)

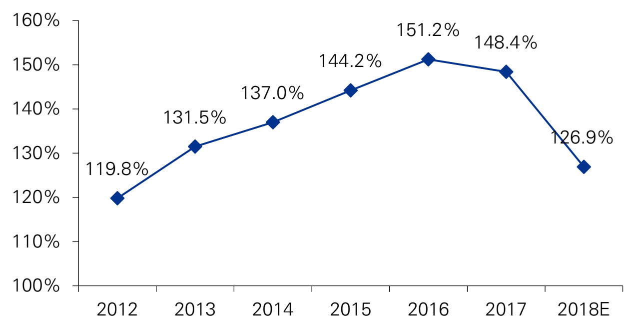


Source: Central Bank of Barbados

Public sector debt

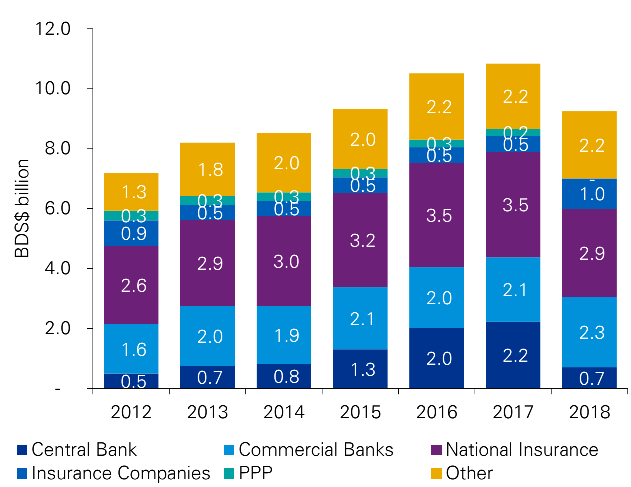
As previously noted, the total gross public sector debt as a percentage of GDP was above 170%. It decreased to 126.9% by the end of 2018, due to the suspension of commercial external government debt payments and the restructuring of domestic debt.

Gross public sector debt (As a % of GDP)



Source: Central Bank of Barbados

Domestic debt mix



Source: Central Bank of Barbados

Economic Overview

Foreign exchange reserves

In 2018, Barbados saw an increase of 122% in foreign exchange reserves, primarily due to the savings from suspension of the commercial external debt payments.

Total foreign exchange reserves as at December 2018 amounted to BDS$1,050 million, representing an import reserve cover of 13.5 weeks, compared to reserves of BDS$473.4 million (6.1 weeks of cover) in 2017.

Foreign exchange reserves cover (Weeks of imports)

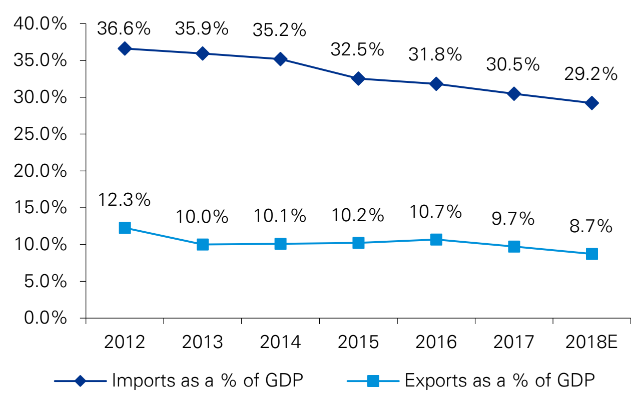
Source: Central Bank of Barbados

Trade balance

Total exports of goods decreased by a further 7.7% in 2018, compared to a decrease of 6.1% in 2017. Total re-exports declined from BDS$461.1 million in 2017 to BDS$385.7 million, indicating a reduction of 16.4%.

Total imports of goods followed a similar trend and reported a decline, however, a smaller decline of 1.4% was recorded in 2018. This decrease was attributable to the decrease in machinery and construction materials.

Trade balance (As a % of GDP)



Source: Central Bank of Barbados

Selected Economic Indicators

Selected economic indicators							
In BDS$ million, unless otherwise stated	**2012**	**2013**	**2014**	**2015**	**2016**	**2017P**	**2018E**
Economic indicators							
Nominal GDP - market price	9,220	9,355	9,392.7	9,451	9,681	9,979	10,264
Real growth (%)	0.2%	-1.4%	0.0%	2.2%	2.5%	0.1%	-0.6%
Average unemployment (%)	11.5%	11.6%	12.3%	11.3%	9.7%	10.2%	9.2%
Inflation (%)	4.5%	1.8%	1.8%	-1.1%	1.5%	4.5%	3.7%
Gross public sector debt							
Gross public sector debt	11,042	12,305	12,871	13,629	14,636	14,810	13,040
Gross public sector debt (As a % of GDP)	119.8%	131.5%	137.0%	144.2%	151.2%	148.4%	126.9%
Trade balance							
Total imports of goods	3,376	3,362	3,304	3,074	3,081	3,040	2,998
Total exports of goods	1,130	935	949	966	1,034	971	896
Total imports (As a % of GDP)	36.6%	35.9%	35.2%	32.5%	31.8%	30.5%	29.2%
Total exports (As a % of GDP)	12.3%	10.0%	10.1%	10.2%	10.7%	9.7%	8.7%
Gross international reserves							
Gross international reserves	1,510	1,204	1,116	968	666	473	1,050
Gross international reserves , cover weeks	18.1	14.6	13.7	12.4	8.5	6.1	13.5

Summary of government operations							
In BDS$ million, unless otherwise stated	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18P**	**Apr-Dec 2018E**
Total revenue	2,457	2,334	2,407	2,458	2,754	2,845	2,022
Current expenditure	3,077	3,124	2,919	3,086	3,053	3,124	1,918
Fiscal balance	(740)	(959)	(705)	(863)	(524)	(450)	31
Total revenue (As a % of GDP)	26.3%	25.0%	25.8%	25.7%	28.0%	28.3%	19.5%
Current expenditure (As a % of GDP)	34.2%	35.3%	33.4%	34.8%	33.4%	32.7%	19.2%
Fiscal balance (As a % of GDP)	-7.9%	-10.3%	-7.6%	-9.0%	-5.3%	-4.5%	0.3%
Government interest payments (As a % of revenue)	23.2%	26.1%	27.2%	27.4%	26.9%	26.9%	15.6%

Source: Accountant General, Barbados Statistical Service, Central Bank of Barbados, Ministry of Finance, Standard & Poor, Moody's, KPMG analysis
Note: (a) P – Provisional, E – Estimate
(b) Gross Central Government Debt = Domestic Debt (inclusive of NIS) + External Debt (exclusive SDRs) + Domestic Arrears

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Budget Proposals

Rightsizing the tax platform provides an opportunity to secure the revenues necessary to allow government to focus on rebuilding.

Louisa Lewis-Ward
Partner, Tax

Corporation Tax

Corporation Tax

Proposal

Government has committed to the settlement of corporate tax refunds up to an amount of BDS$10,000. The remaining balances owed are to be repaid over 42 equal monthly installments commencing May 1, 2019. An elimination of withholding tax on payments made to non-residents, other than dividends, including interest, management fees and royalties. Additionally, withholding tax on residents will be increased as follows:

Withholding Tax on Residents Increased

Payments	Current State (in the absence of treaty provisions)	Effective March 20, 2019
Interest paid to non residents	15%	0%
Management fees paid to non residents	15%	0%
Royalties paid to non residents	15%	0%
Interest paid to residents	12.5%	15%
Dividends from local sources	12.5%	15%
Branch profits tax (paid out of income earned outside of Barbados)	10%	0%

The following anti-abuse measures will also be implemented:

Anti-abuse Measures

Measure	Before	To be implemented
Management Fees restriction	Full deduction of payments of management fees to non-residents.	Effective March 20, 2019 no deduction of payments of management fees to non-residents.
Interest thin capitalization rules - Where its level of debt is much greater than its capital, a company is said to be thinly capitalised. The way a company is capitalised has a direct impact on its profits because interest is deductible for tax purposes whereas dividends are not.	Full deduction of interest paid to non-residents	Effective September 1, 2019, a thin capitalisation rule of 1.5 to 1 will be introduced. Interest payable on outstanding debts due to non-resident related parties that own more than 10% of the entity will 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. Any portion of interest on such related party debt that exceeds this ratio will no longer be deductible.
Transfer pricing legislation and guidelines	No legislation currently in place	As part of our commitment to the OECD, Government will introduce transfer pricing rules in the near future governing the taxation of transactions involving the sale of goods and services between legal entities within the same controlled group.

Corporation Tax

Measures	
KPMG's view	These measures will continue to bring Barbados legislation to a converged point. Thin capitalization measures are noted as recognised anti avoidance measures incorporated in many jurisdictions. Transfer pricing guidelines will ensure that related party transactions are priced correctly.
Who is affected	Non-resident and resident entities as well as individuals.
Timing	Measures are effective March 20, 2019 and September 1, 2019.

OECD and EU
The Government reiterated its committed to its continued review of the framework within which the International Business Sector should operate and stated that the Government is working with the EU in the same way it worked with the OECD before and is confident that Barbados will likely be removed from the current blacklist around May of 2019. The Minister also noted that companies which are tax resident in Barbados must have real economic substance here and that the economic substance rules present the potential for Barbados to attract companies that bring greater employment and revenues to the island.

Personal Tax

Measures

Proposal

Commencing July 1, 2019, individuals who are owed personal tax refunds for income years 2011 - 2016 will be paid up to BDS$1,000. Refunds over BDS$1,000 will be settled over a three year period.

New tax brackets and rates were also introduced. Individuals will be subject to tax as follows:

New tax brackets and rates

On taxable income:	Rate	Effective date
Up to BDS$50,000	12.50%	July 1, 2019
From BDS$50,001	33.50%	July 1, 2019
From BDS$50,001	28.50%	January 1, 2020

Employers/employees will have four months to adjust their payroll calculations.

The Foreign Currency Earnings Allowance for individuals will be amended such that the minimum effective rate will be approximately 10%.

In addition, with the overall aim of reducing the personal income tax, while buffering the impact on Government's cash inflows from taxation, the Government is seeking to implement a series of tax credits available to individuals.

Tax Credits

	Credit	Effective date
Compensatory Income Credit	A Compensatory Income Credit on gross income above BDS$25,000 and up to BDS$35,000 will be introduced. Individuals will continue to prepay tax monthly. An individual earning more than BDS$25,000 but under BDS$35,000 should receive a refund of 100% of the tax suffered after filing his annual income tax return.	July 1, 2019
Reverse Tax Credit – BDS$18,000 to BDS$25,000	From the income year 2018 persons earning between BDS$18,000 and BDS$25,000 per annum will also be entitled to a BDS$1,300 Reverse Tax Credit. A tax filing is still necessary.	Income Year 2018

Personal Tax

Measures	
KPMG's view	All taxpayers will welcome and benefit from the reduction in tax rates. The credit system will allow government to continue to manage its cash flows while low income earning individuals may now look forward to having additional disposable income once the credits are received. The increase in the effective rate for individuals claiming the Foreign Currency Earnings Allowance will be a disincentive to repatriating income to Barbados.
Who is affected	Individuals liable for personal tax.
Timing	Compensatory Income Credit - effective July 1, 2019 Additional Reverse Tax Credit – effective income year 2018 Foreign Currency Earnings Allowance – effective remainder of 2019 with further changes from January 1, 2019.

VAT

VAT Refunds	
Proposal	Government reiterated its commitment to repaying VAT refunds for years 2011- 2016, with each taxpayer receiving up to BDS$10,000. The remaining balances owed are to be repaid over 42 equal monthly installments beginning May 1, 2019 unless cash becomes available sooner. The Barbados Revenue Authority will provide eligible companies with a form to complete and return before the payment is made.
KPMG's view	A welcome initiative for registrants, especially small and medium sized businesses whose cash flows have been seriously impacted as a result of not receiving refunds in a timely manner. Registrants who have remained compliant and committed to meeting their obligations will welcome the settlement of balances which have continued to plague their balance sheets and cash flows, and which have continuously required reporting to boards and shareholders as to whether they were indeed recoverable. The matter will bring another layer of administration to The Barbados Revenue Authority as they strive to have taxpayers record and meet the timeline for repayments.
Who is affected	Companies owed VAT refunds for years 2011 to 2016 inclusive.
Timing	Government's financial year 2019 to 2020.

VAT

VAT Zero Rating	
Proposal	With the aim of reducing the accumulation of significant refunds which continue to accumulate registrants, the Government has revisited the zero-rated schedule of the VAT Act. A number of supplies will now be classified as exempt supplies, and therefore the registrant will not be able to recover the VAT suffered on related inputs. Newly exempt goods and services will include among others: – The supply of water or sewerage services by the Barbados Water Authority – A supply of scheduled goods by an authorised person to a tourist (conditions apply).
KPMG's view	This measure should go a long way towards relieving the Government's refund burden. It may also have the impact of increasing the price of goods and services as businesses seek to pass on the now irrecoverable costs to consumers. It does not appear that the cost of goods have been reduced as a result of the removal of the NSRL and therefore it will be important for the relevant authorities, who monitor the price of goods to ensure that price gouging does not result. VAT as a consumption tax generally does not tax exports. Where the authorised retailer qualifies for the drawback under the Customs Duty Drawback Scheme, the sale of the goods is normally zero-rated for VAT purposes. The goods for which drawbacks are available include clothing, jewellery, watches, cosmetics, leather goods, luggage, sporting goods and toys; chinaware, crystal, cutlery, kitchenware and linen; clocks, electrical appliances, stereo equipment, televisions, video recorders, video games, computers, lamps, photographic supplies and accessories; spirits, wine and tobacco products. Where these goods are treated as the supply of exempt goods this means that the recovery of associated input tax will not be possible. Retailers may need to revisit their pricing structures and this may increase the price of goods which are available for purchase by both locals and tourists. In addition hoteliers will no longer be able to provide hotel rooms to foreign travel agents or other foreign persons in the travel trade without suffering the associated charges of VAT.
Who is affected	Taxpayers who formerly provided relevant zero-rated supplies.
Timing	Water reclassified as an exempt supply – April 1, 2019. Villas reclassified as exempt supplies – April 1, 2019. Other items reclassified as exempt supplies – April 1, 2019.

VAT

VAT increases	
Proposal	VAT on the accommodation sector will be increased from 7.5% to 10%. This increase will apply to registrants in the accommodation sector.
KPMG's view	This has been a planned increase and the timeline should permit the sector to organize its affairs efficiently. The sector recognizes the need to play its part in Barbados' economic recovery.
Who is affected	Registrants operating in the accommodations sector, namely guest houses, hotels, inns or any other similar places, including dwelling houses normally let or rented to persons for use as vacation or holiday homes.
Timing	Effective January 1, 2020.

VAT on e-commerce	
Proposal	The Government has introduced VAT on e-commerce as a new method of VAT collection with an aim of capturing tax on online transaction through payment processors.
KPMG's view	This is viewed as the implementation of the place of supply rules which currently exist but for which the collection mechanisms may not have been clearly identifiable. In the medium to long term local consumers will either see an increase in the price of online services or will be prohibited from accessing such services depending on the tax treatment and costs to which the supplier is exposed in his ability to bear such costs.
Who is affected	All consumers.
Timing	Effective May 1, 2019.

Medical Cannabis

Medical cannabis	
Proposal	A Medicinal Cannabis Industry Project Implementation Unit will be established by the start of the new Government financial year, which will be tasked with establishing the administrative framework for the timely implementation of the project.
KPMG's view	As noted, sensitization of the public will be paramount. Those with medical conditions will welcome these initiatives. Regulation of this industry will need to be rigorous.
Who is affected	Initially, those engaged in the industry. In the long term the general public.
Timing	To be established by the start of the new financial year.

Gaming Industries Tax

Measures	
Proposal	Government has emphasized that the gaming industry has not been subjected to taxation since 2011. The following proposals have been made to bring this industry back into the purview of Barbados' tax system:- **Gaming Tax** Gambling winnings — 20% withholding tax The "net-drop" of all gaming establishments — 17.5% tax
KPMG's view	Government has estimated that over a four year period, this measure is expected to collect 3% of the taxes owed for the period 2011 to 2018 for which no taxes were previously collected. These funds will assist in buttressing the decline in revenues resulting from the decrease in the corporate and personal tax rates.
Who is affected	Entities in the gambling and gaming sector. Gambling winners.
Timing	Effective May 1, 2019.

Exchange Controls

Exchange Controls	
Proposal	Government has stated its commitment to the gradual relaxation of exchange controls, while maintaining the 2:1 peg with the United States dollar. – Effective July 1, 2019 Barbadians will be able to open foreign currency denominated bank accounts, to hold foreign currency they have earned in Barbados or abroad. – The 2% Foreign Exchange Fee will be capped at BDS$100,000. – There will be the elimination of the surrender requirement of 70% of foreign exchange brought into Barbados. – Government will allow foreign currency proceeds from the sale of assets to be repatriated in foreign currency or to be kept locally in a foreign currency account. These proceeds will not be subject to the capital appreciation policy. – There is also a commitment to increase the annual limit on personal travel facilities from BDS$7,500 to BDS$20,000 as well as other limits.
KPMG's view	With an aim to reduce capital flight, these initiatives should go a long way in building investor confidence. The cap on the Foreign Exchange Fee should be welcomed by persons making large purchases in foreign currency.
Who is affected	Individuals and businesses undertaking transactions in foreign currency transactions.
Timing	Foreign denominated bank accounts - effective July 1, 2019.

Room Rate Levy

Measures	
Proposal	The Room Rate Levy will be increased by 75%. The following rates are effective April 1, 2019.
KPMG's view	Government is working closely with the tourism sector on the successful enactment of the Room Rate Levy, recognizing the impact that the new tax and the timing of implementation will have on bookings. Efforts are also being made to work with the Barbados Revenue Authority to implement the tax. Any reductions in bookings on the medium to long term may be followed by reductions in employment and in the lack of reinvestment in plant. As a flat tax, the refund system is avoided.
Who is affected	Persons operating in the tourism sector. Visitors to the island.
Timing	Effective April 1, 2019.

Room Rate Levy Increased

Room type	Levy	Effective July 1, 2018	Effective April 1, 2019
Apartment	per bedroom per night	5.00	8.75
Guest House	per bedroom per night	5.00	8.75
Hotel "B" Class	per bedroom per night	5.00	8.75
Hotel "A" Class	per bedroom per night	11.00	19.25
Hotel Luxury Class	per bedroom per night	20.00	35
Vacation Rental Properties	% of the rate charged	2.50%	3.75%
	per bedroom per night	Up to BDS$20 per night	Up to BDS$35 per night
Villas	% of the rate charged	2.50%	3.75%
	per bedroom per night	Up to BDS$20 per night	Up to BDS$35 per night

Land Tax

Measures

Proposal

Government proposes to shift the burden of tax from income to assets by amending the rates of tax on the improved value of residential property as follows:

Land Tax Year 2019-2020 and subsequent years	
Improved value:	**Rate**
Residential property	
up to BDS$150,000	0%
from BDS$150,001 to BDS$450,000	0.10%
from BDS$450,001 to BDS$850,000	0.70%
improved value over BDS$850,000	1.00%
Maximum collectable tax on residential property	BDS$100,000
Non-Residential Property:	0.95%
Land:	
Unimproved Land under 4,000 sq ft	0.80%
Unimproved Land over 4,000 sq ft	1.00%

The discount rates applicable to early payment may be adjusted.
Example: Essentially for a property whose improved value is BDS$1,500,000 the applicable impact of the change will be as:

Impact of Change	2018/2019 BDS$	2019/2020 BDS$	Additional tax BDS$
Residential property	6,525	9,600	3,075
Non-Residential Property	10,500	14,250	3,750
Land:			
Unimproved Land under 4,000 sq ft:	12,000	12,000	-
Unimproved Land over 4,000 sq ft:	12,000	15,000	3,000

KPMG's view

More of the burden of land tax is being shifted to persons who can afford more expensive properties and by extension higher income earners as Government seeks to compensate for the expected reduction in personal income tax. However, the highest burden will be suffered by owners of commercial properties.

Who is affected

Entities and individuals who are owners of residential and/or non-residential property.

Timing

Government's fiscal year 2019 to 2020.

KPMG in Barbados and the Eastern Caribbean

KPMG in Barbados and in the Eastern Caribbean form part of the international network of member firms comprised of 200,000 professionals in the member firms worldwide which collaborate across industry, service and national boundaries to deliver professional services in 154 countries for the benefit of their clients, KPMG people and the capital markets.

Member firms are located in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines (also practising in Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis). Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, the Dutch Caribbean (practising in Cuba, Suriname and St. Maarten), Jamaica, Trinidad and Tobago and Turks & Caicos Islands, all of which have similar cultures and operating environments.

KPMG's offices in Barbados and in the Eastern Caribbean operate across the region with a specific understanding of the cultural, economic and political facets of each individual economy. In-depth industry knowledge is available through the global KPMG network which provides access to skilled member firm professionals, across a wide range of industry sectors.

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9 countries

- Barbados
- Anguilla
- Antigua and Barbuda
- Dominica
- Grenada
- Montserrat
- Saint Lucia
- St. Kitts and Nevis
- St. Vincent and the Grenadines

Offices in,
4 countries

- Barbados
- Antigua and Barbuda
- Saint Lucia
- St. Vincent and the Grenadines

Celebrating,
40+ years
of service

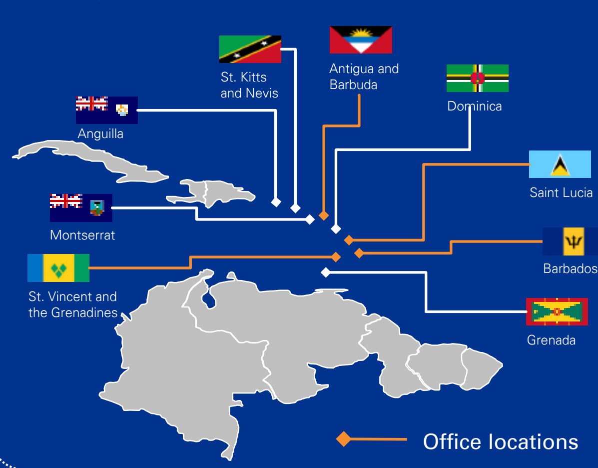
Our people

11
Partners and Directors

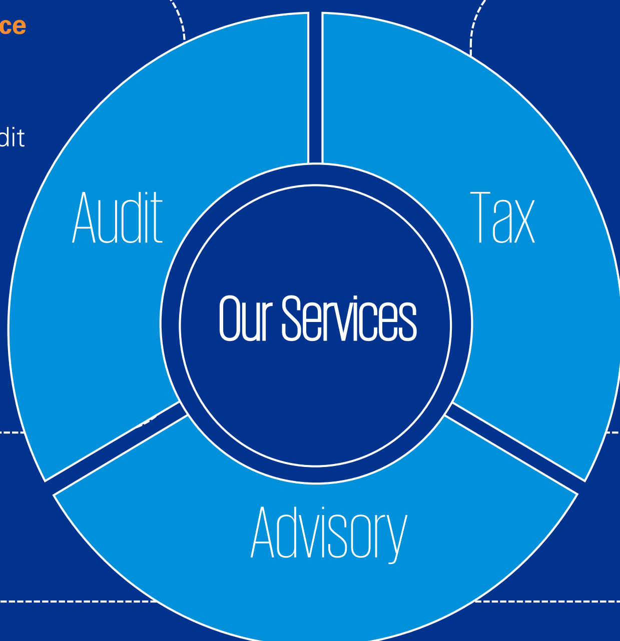
70% | 30%
Gender split (F | M)

150+
Professionals

Our member firms



KPMG in Barbados and the Eastern Caribbean



Audit and Assurance

- Statutory audit
- Non-statutory audit
- Assurance

Tax

- Tax advisory
- Personal and corporate tax
- International tax
- M&A tax
- Transfer pricing
- Tax due diligence

Management Consulting

- Customer and operations
- IT advisory
- People and change
- Internal audit risk and compliance
- Accounting advisory

Deal Advisory

- Corporate finance
- Restructuring
- Transaction services

KPMG

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Glossary

%	Percentage
000's	Thousands
BDS$	Barbados dollar
BERT	Barbados Economic Recovery and Transformation
BRA	Barbados Revenue Authority
BWA	Barbados Water Authority
CDB	Caribbean Development Bank
E	Estimated
EU	European Union
GOB	Government of Barbados
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IMF	International Monetary Fund
NIS	National Insurance Scheme
NSRL	National Social Responsibility Levy
OECD	Organisation for Economic Co-operation and Development
SSA	Sanitation Service Authority
sq. ft.	Square foot
S&P	Standard and Poor's
VAT	Value Added Tax
YoY	Year-on-Year

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