



## Barbados – March 2022

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### LAND TAX AND VAT EASE, CHEAPER FUEL AND PERSONAL CARE ITEMS ANNOUNCED

Government has introduced a range of new taxes in an effort to tackle a variety of issues and raise revenue, while providing some moderate ease to consumers to “shield” them from rising oil and commodity prices.

In a near four-hour Budget speech on Monday, which started just after 3 p.m., Prime Minister Mia Mottley outlined actions that she said were intended to protect residents and to “share the burden and benefits”.

She also indicated that some of the measures were intended to help tackle the scourge of non-communicable diseases, help the island transition to becoming more self reliant in agriculture and fully reliant on renewable forms of energy.

#### EASE

By way of ease to consumers, Mottley announced a cap on the Value Added Tax (VAT) on gas and diesel, both at 14 cents per litre, effective midnight, Wednesday March 16, 2022.

She also announced a ceiling on freight costs for the next 12 months, at \$7,350 per 20-foot container and \$8,000 for 40-foot containers, effective midnight Monday, March 14, 2022.

“These two measures will bring partial but, we believe, significant relief to all Barbadian consumers. This is part of the Barbadian shield,” she said.

Mottley announced VAT relief on a number of personal care and “critical care” items effective April 1, 2022.

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“All sanitary napkins and tampons, baby and adult diapers, anti-perspirants, vitamins and multi-minerals will be zero-rated for Value Added Tax purposes. This is a long overdue measure that I am proud to introduce, and another component of shielding our people from the cost of living increases.”

She further announced a removal of the VAT on a selected list of items “used primarily to assist with the control of chronic diabetes and to provide meal supplements to people who are suffering badly”.

Noting that a full list of the zero-rated items would be released, Mottley said it included Glucerna, Ensure, PediaSure and Enterex.

The finance minister also promised that the Department of Commerce will review pricing protocols across the private sector and public if necessary, and publish them every two weeks “to ensure that important tax relief measures that underpin this Barbados shield are going to be passed on to the consumer”.

She said doing this will allow Barbadians to “vote with their feet and their pockets” on where they shop.

“I have equally asked that monthly reports will be presented to Cabinet and the Social Partnership so as to ensure the sacrifice borne by taxpayers that I have announced today, genuinely reaches the pockets of Barbadians where we need them to reach and are not used as part and parcel of the profit incurred by persons selling these products. My intent is to ensure that the reduction in prices is being passed on to consumers,” said Mottley.

She said her administration was committed to continue monitoring these “critical price trends” in oil, freight, food, personal care items with a view to considering how we can continue to improve the effectiveness of the shield and “in accordance with the depth of our pockets”.

Mottley also proposed that from April 1, 2023, there would be no land tax on residential properties under \$300,000, up from the current \$175,000 threshold, and then from April 1, 2026, no land tax will be due on residential properties with value less than \$400,000.

The Prime Minister also announced that effective April 1, 2022, a waiver of import duty and VAT will be granted for two years on the purchase and installation of generators at residential properties.

There will be an Excise and VAT holiday on electric vehicles for 24 months commencing April 1, 2022 along with a realignment of rates for electric vehicles and other alternatively-fuelled vehicles in the customs tariff.

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For businesses, Mottley introduced a fixed rate for water of \$1.80 per cubic metre for the agriculture sector, effective May 1, 2022.

She said the current arrangements where the BADMC extracts water from wells and sells to farmers will come to an end from April 2022.

## LEVIES

Mottley proposed that the excise tax on sugar-sweetened beverages be increased from 10 per cent to 20 per cent, effective April 1, 2022.

She also indicated that companies that emerged from the COVID-19 pandemic largely unscathed – those in the commercial banking, telecommunications, general and life insurance sectors and the retail of petroleum products – will have to contribute a one-off “pandemic contribution levy” of 15 per cent of their net income over an eight-month period. This will take effect from July 15, and is expected to raise about \$105 million in revenue.

Meanwhile, individuals who earn more than \$6,250 per month or \$75,000 per year, will contribute one per cent of monthly earnings as a Pandemic Contribution Levy for 12 months, beginning April 1, 2022. This is expected to raise about \$15 million in revenue for Government. Government proposed modest increases in national gas rates for commercial customers to help plug a deficit experienced by the Barbados National Oil Company (BNOC) Ltd.

The rental fee for meters will increase from \$5 to \$10 per month for households and go from \$15 to \$25 per month for commercial customers.

The Prime Minister announced the introduction of an Alternate Fuel Levy, from July 1, 2022, at a fixed \$25 plus \$0.02 (two cents) per km over 15,000 km annually.

Stressing the need for the sharing of burden and benefits while shielding residents from rising costs, Mottley pointed out that Government lost around \$600 million in the first year of the COVID-19 pandemic, or about 30 per cent of projected revenue.

She also indicated that COVID-19 related expenses for the 2020/2021 fiscal year amounted to about \$390 million.

The Minister of Finance noted that Government’s fiscal performance went from a primary surplus of six per cent of GDP in 2019/2020 to a one per cent primary deficit of GDP in 2020/2021.

## REFORM

During her presentation, Mottley also announced that reform of state entities was looming, as she listed several of them that would come up for review this year.

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She also pointed to plans for the highly anticipated pension reforms and several new pieces of legislation.

She also highlighted the importance of regionalism, as she announced that Barbados will receive help from Guyana with 50 new shade houses to help boost agriculture yield.

The prime minister also indicated that measures would be put in place to ensure growth on the Barbados Stock Exchange; promote creative, entrepreneurial and small business growth; export; growth of the orange, heritage and creative economies and digital transformation.

The Minister of Finance also outlined plans for capital works projects, the relocation of coconut vendors, youth development and sports.

### **BRA: PROPERTY REVALUATIONS TO BEGIN THIS MONTH**

Barbados Revenue Authority (BRA) officers are in the field conducting property revaluations island wide.

A statement from BRA said this 13-month exercise will continue until March 2023. Property owners and residents are asked to cooperate with the BRA officers as they conduct the property assessments.

The officers will be carrying departmental issued identification, for presentation on request. The public should also note that as part of the revaluation programme, the officers may take pictures of properties using mobile devices.

“The Authority urges the public to provide officers with the necessary cooperation as they carry out the exercise. If persons need to verify the identity of an officer, please reach out to the Barbados Revenue Authority at 231-9527.

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