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Barbados Wrestles with Annual Budget Proposals for 2011

After a 2010 budget aimed at trimming the annual debt service and increasing government's revenue capacity, Barbados' 2011 Financial Statement and Budgetary Proposals were presented August 16 without proposed tax increases.

The Minister said that a very difficult economic environment locally and more pointedly, internationally, contributed to a combination of deficit and debt that created the many challenges facing Barbados and other countries around the world. This year, among other initiatives, Government has proposed measures aimed at increasing tax compliance and the sharing of the tax responsibility among a larger group of taxpayers.

An important point for Towner Management's clients to understand is that while it could be argued that reduced taxes might provide economic stimulus, it seems government's fiscal policy is to maintain current revenue in an effort to avoid drastic expenditure cuts, which could lead to greater levels of unemployment.

The need to increase tax compliance and expand the tax pool was noted by the Minister as pointed issues that were raised by the Organization for Economic Cooperation & Development (OECD) when it placed Barbados on its grey list. One example to help increase tax compliance is an increase in late tax filing fees for individuals from BBD\$100 to BBD\$500, even when refunds are due. Increased tax compliance from professionals and business owners is also of grave importance, as several international agencies and double taxation treaty partners have expressed concern about the country's level of tax filling and available information.

Business Importance Emphasized

The Minister also indicated his government would work with the Barbados International Business Association (BIBA) on potentially beneficial steps for the country's business climate, which would theoretically increase revenue by growing business opportunities. They include amendments to the Societies with Restricted Liability Act to allow for the amalgamation of such entities and amendments to the Companies Act intended to increase business from Asia.

Other proposals include enactment of Foundation Legislation, which would put Barbados on competitive footing with Panama, Malta and the Bahamas, amendments to International Corporate and Trust Providers Companies Acts and enactment of Private Trust Company legislation.

It was confirmed by the Minister that the establishment of an international trading floor for the listing and trading of international products was a priority. This will be facilitated through the establishment of an International Securities Market that has the potential to further enhance Barbados' reputation as an international business jurisdiction.

There is also a desire by government to review the current level of business license fees. The consensus is that there is a need to address general business facilitation issues that are important to growth and competitiveness, including greater flexibility in the licensing process and streamlining the immigration and customs departments. We will continue to monitor developments in these areas.

Business growth, but a decline in revenue

In the International Business sector, the number of new entities licensed during 2010 totaled 442 compared with 407 in 2009, an 8.6% increase. There were 420 new International Business Companies (IBCs) licensed during the year compared with 379 in 2009, an increase of 10.8%. Societies with Restricted Liability (SRLs) saw new licenses issued of 11, compared to eight in 2009. The remaining 11 entities were from the cross section of other available international business structures available in Barbados.

During 2011, continued moderate growth was observed in the International Business sector. At the end of June 2011, there were 320 new entities licensed compared with 267 for the same period in 2010. Although it is anticipated that new registrations will increase comparatively over the prior year by year end, revenues from the sector remained low as international economies continue to stall.

We at TMG will keep our clients and friends informed of any new developments. We encourage you to contact us if you have specific questions about how these issues may affect your business.

At TMG, count on our experience, independence and expertise to help guide your business.