

OBJECTS AND REASONS

This Bill would amend the *Income Tax Act*, Cap. 73 in accordance with the Financial Statement and Budgetary Proposals for 2009

- (a) to make different provision in respect of settlements made to charities; and
- (b) to make provision for a foreign currency allowance to individuals in certain circumstances.

Arrangement of Sections

Section

1. Short title
2. Amendment of section 4 of Cap. 73.
3. Insertion of new section 12I into Cap. 73.
4. Amendment of section 23 of Cap. 73.
5. Repeal and replacement of section 24B of Cap. 73.
6. Amendment of section 84 of Cap. 73.
7. Amendment of section 85 of Cap. 73.
8. Insertion of Sixth Schedule into Cap. 73.

SCHEDULE

BARBADOS

A Bill entitled

An Act to amend the *Income Tax Act*.

ENACTED by the Parliament of Barbados as follows:

1. This Act may be cited as the *Income Tax (Amendment) Act, 2010*. Short title.

Amendment of section 4 of Cap. 73. **2.** Section 4 of the *Income Tax Act*, in this Act referred to as the principal Act, is amended by deleting paragraph (b) of subsection (1) and substituting the following:

"(b) a charity;"

Insertion of new section 12I into Cap. 73. **3.** The principal Act is amended by adding the following new section immediately after section 12H:

"Tax credit on foreign income received by individuals. **12I.** Where an individual who is resident but not domiciled in Barbados during an income year earns income from sources outside Barbados which is transferred 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*."

Sixth Schedule.

Amendment of section 23 of Cap. 73. **4.** Section 23 of the principal Act is amended in subsection (5) by deleting the words "subsection (2) of section 24B" and substituting the words "subsections (2) and (3) of section 24B".

Repeal and replacement of section 24B of Cap. 73. **5.** The principal Act is amended by deleting section 24B and substituting the following:

"Donations to charities. **24B.** (1) Where a settlement is made to a registered charity or an exempt charity in income year 2009 or subsequent income years, in calculating the assessable income of the person making the settlement, there shall be deducted from the income of that person in accordance with subsections (2) and (3),

(a) the amount of the payment, where the settlement involves the payment of money; or

(b) the market value of the property, where the settlement involves a transfer of property.

(2) Where under subsection (1) a settlement is made to an exempt charity, in calculating the assessable income of the settlor for that income year, there shall be deducted from the income of that settlor, the total amount of the payment made or the market value of the property transferred, as the case may be, in that income year.

(3) Where a settlement under subsection (1) is made to a registered charity that is not an exempt charity and

(a) the settlement is \$1 million or less, in calculating the assessable income of the settlor for that income year there shall be deducted from the income of that settlor, the amount of the payment made or the market value of the property transferred, as the case may be, in that income year; but the deduction shall not exceed 10 per cent of the amount that would, but for this section, form part of the assessable income of the settlor;

(b) the settlement exceeds \$1 million, in calculating the assessable income of the settlor, there shall be deducted from the income of that settlor, the amount of the payment or the market value of the property as the case may be, over a period of 5 income years; but the deduction in any income year shall not exceed 50 per cent of the amount that would, but for this section, form part of the assessable income of the settlor."

- Amendment
of section
84 of Cap.
73.
- 6.** Section 84 of the principal Act is amended by deleting paragraph *(a)* of subsection (1).
- Amendment
of section 85
of Cap. 73.
- 7.** Section 85 of the principal Act is amended in subsection (1), by
- (a)* deleting the definition of "benevolent organisation"; and
 - (b)* inserting the following definition of "exempt charity" in the appropriate alphabetical order:
 - Cap. 243. " "exempt charity" has the meaning assigned to it by section 2 of the *Charities Act*,".
- Insertion of
Sixth
Schedule
into Cap.
73.
Schedule.
- 8.** The principal Act is amended by adding the *Schedule* contained in this Act as the Sixth Schedule.

SCHEDULE

(Section 8)

"SIXTH SCHEDULE

(Section 12I)

1. A foreign currency earnings allowance set off for the purposes of section 12I 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</i>
20% and under	35%
Over 20% but under 41%	45%
41% but under 61%	64%
61% but under 81%	79%
81% and over	93%

2. For the purposes of this calculation, the income tax applicable to foreign earnings shall be deemed to be

$$\frac{FE \times TT}{TE}$$

where

- (a) "FE" represents the foreign earnings transferred to the credit of that individual within the relevant income year in accordance with section 12I;
- (b) TE represents the total foreign earnings remitted and the earnings from local sources;
- (c) TT represents the tax in respect of both local and foreign earnings."