

## OBJECTS AND REASONS

This Bill would amend the *Income Tax Act*, Cap. 73 to give effect to certain economic and financial policies proposed by the Prime Minister and Minister of Finance for the year 2006.

### *Arrangement of Sections*

#### *Section*

1. Short title.
2. Amendment of section 8 of Cap. 73.
3. Amendment of section 9 of Cap. 73.
4. Amendment of section 12B of Cap. 73.
5. Insertion of section 12B.1 into Cap. 73.
6. Amendment of section 13B.1 of Cap. 73.
7. Amendment of section 23 of Cap. 73.
8. Amendment of section 37 of Cap. 73.
9. Insertion of Division OC into Cap. 73.
10. Amendment of section 38B of Cap. 73.
11. Amendment of section 42B of Cap. 73.
12. Insertion of section 46E into Cap. 73.

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, 2007*. Short title.

Amendment  
of section 8  
of  
Cap. 73.

2. Section 8 of the *Income Tax Act*, in this Act referred to as the principal Act, is amended by adding immediately after paragraph (o) the following paragraph:

"(p) amounts in the form of interest credited in accordance with paragraph (z) of section 9(1) but which have not been used for the purpose."

Amendment  
of section 9  
of Cap. 73.

3. Section 9 of the principal Act is amended

(a) in subsection (1), by adding immediately after paragraph (y) the following paragraph:

"(z) with effect from income year 2006, interest received by or credited to a special savings account designated by the account holder as an "Education Savings Plan Account" that is used specifically to offset the cost of a student acquiring tertiary education;"

(b) in subsection (2), by adding immediately after paragraph (b) the following paragraph:

"(c) "Education Savings Plan Account" means a single account

(i) the balance of which does not exceed \$100,000;  
and

(ii) the holder of which satisfies the Commissioner that the account is used specifically to offset the cost of providing tertiary education for no more than 4 students."

4. Section 12B of the principal Act is amended in subsection (2), by deleting the words "40 percent" and substituting the words "50 per cent".

Amendment  
of section  
12B of  
Cap. 73.

5. The principal Act is amended by inserting immediately after section 12B the following section as section 12B.1:

Insertion of  
section  
12B.1 into  
Cap. 73.

"Initial  
allowance  
on  
conver-  
sion or  
construc-  
tion of  
residential.

**12B.1** (1) Where a person has in an income year made a capital expenditure in the construction or conversion of a building to be used as units for rental as residences under the home accommodation scheme, then in calculating the assessable income of that person for an income year, an amount as an initial allowance may at the option of the person, be deducted as specified in subsection (2).

(2) The amount that is deductible as an initial allowance in respect of the construction or conversion referred to in subsection (1) is an amount equal to 50 per cent of the capital expenditure on the construction or conversion as the case may be.

(3) Subsections (1) and (2) do not apply to a building used as a hotel for which benefits are granted under the *Tourism Development Act*.  
Cap. 341.

(4) The benefits described under this section may only be granted on the certificate of the Executive Director of the Barbados Board of Tourism.

(5) In this section "home accommodation scheme" means the Home Accommodation Scheme for World Cup 2007 established by the Ministry of Tourism."

Insertion of section 13B.1 into Cap. 73.

6. The principal Act is amended by inserting immediately after section 13B the following as section 13B.1:

"Annual allowance on conversion of residential property.

**13B.1** (1) Where a person has made a capital expenditure in construction or conversion of a building described in section 12B(1) and in this section referred to as depreciable property, then, in calculating the assessable income of that person for an income year, an amount may, at the option of that person, be deducted as an annual allowance equal to 4 per cent of that capital expenditure.

(2) Notwithstanding subsection (1) no annual allowance shall be made to a person for an income year in respect of the construction or the conversion referred to in section 12B(1) if the total amount of initial and annual allowances made to that person in the preceding income year exceeds the capital expenditure made by that person on the construction or the conversion.

(3) Subsections (5), (5A) and (7) of section 13 apply to depreciable property described in section 12B(1) and referred to as such in subsection (1)."

7. Section 23 of the principal Act is amended by

Amendment  
of section  
23 of  
Cap. 73.

(a) renumbering subsection (3) as subsection (5) and inserting immediately after subsection (2) the following subsections as subsections (3) and (4):

"(3) Notwithstanding subsections (1) and (2), in calculating the assessable income of a person for an income year in respect of the rental of residential property, a loss sustained by that person in respect of residential property in an income year shall be deducted from the assessable income in respect of rent from residential property in that income year and where that loss exceeds the assessable income in respect of rental of residential property of that person, the amount of the excess shall be carried forward and shall be deducted in computing the assessable income from residential property of that person for the ensuing 9 income years.

(4) Notwithstanding subsections (1) and (2), in calculating the assessable income of a person for an income year, a loss sustained by that person in respect of any source of income other than from residential property, shall be deducted from that other source and no part of such loss shall be deducted from the assessable income in respect of residential property of that person for an income year."

Amendment  
of section  
37 of Cap.  
73.

8. Section 37 of the principal Act is amended

- (a) by inserting immediately after subsection (1A) the following as subsections (1B) and (1C):

"(1B) With effect from income year 2006, where expenditure is incurred in an income year by an individual for

- (a) a home energy audit in respect of the residential property referred to in subsection (1); and  
(b) any conservation systems or materials recommended in that audit,

there shall be deducted from the assessable income of that individual an amount paid up to \$2 000 in respect of that expenditure.

(1C) Notwithstanding subsection (1B), where an individual is entitled to the deduction of an amount up to \$2 000 pursuant to that subsection, the amount deducted together with any other allowances to which the individual may be entitled to have deducted under paragraph (b) of subsection (1), shall not exceed the maximum of \$10 000 referred to in that paragraph.";

- (b) by deleting subsection (4) and substituting the following:

"(4) A person who claims a deduction under section 12B, 12B(1), 13B or 13B(1) is not entitled to claim the deductions allowed by virtue of this section."; and

- (c) by adding the following subsection as subsection (5):

"(5) In this section,  
"home energy audit" means an evaluation by an authorized energy auditor of the energy consumption in a household to determine ways in which energy can be conserved;

"authorized energy auditor" means a person who is recognized by the Minister responsible for Energy as being suitably qualified in the field of energy to advise on the conservation of energy with regard to residences by reason of his having the appropriate certification or technical skills and experience to provide an energy audit for residential properties."

Insertion  
of Division  
OC into  
Cap. 73.

9. The principal Act is amended by inserting immediately after Division OB the following as Division OC:

"DIVISION OC

*Calculation of Taxable Income:  
Rental of Residential Property*

**37G.** (1) In calculating the taxable income for the income year 2006 and every subsequent income year in respect of an individual who rents a residential property there shall be deducted from the assessable income of that individual,

- (a) an amount equal to 20 per cent of the rent paid in respect of that property; or
  - (b) an amount of \$3,000, whichever is the lesser.
- (2) Subsection (1) shall not apply to:
- (a) an individual in the service of the Crown or the Government of Barbados, or of any agency of the Government who rents residential property from the Government or any such agency;
  - (b) a spouse or other individual who holds a controlling interest in a company that owns the residential property.



(2) The owner of a residential property that is wholly or partly let to a person shall at the end of each calendar year deliver to

(a) the person in the form approved by the Commissioner a certificate setting out the amount of rent paid in that calendar year in respect of the residential property; and

(b) the Commissioner a return of rent signed by that person giving a full and complete statement of the total rent received from each person in that income year.

(4) The deduction described in subsection (1) will only be granted on a certificate of the owner to the effect that the person claiming the deduction is a tenant."

Amendment  
of section  
38B of  
Cap. 73.

**10.** Section 38B of the principal Act is amended by inserting immediately after subsection (8) the following subsections as subsections (9) and (10):

"(9) Where in an income year an individual has income other than income from residential property, any excess allowances of that individual may only be deducted from residential property income where the allowances exceed the other income of the individual; and no other deductions under sections 24A, 24B, 24C, 24D, 24F, 36B, 36C, 37, 37B, 37D and 37E shall be made against residential property income of the individual in respect of that income year.

(10) Other income for the purposes of subsection (9) means the gross income, including exempt income less expenses not being expenses of a capital, private or domestic nature or deductions allowed under sections, 23, 24A, 24B, 24C, 24D, 24F, 36B, 36C, 37, 37B, 37D and 37E.

11. Section 42(1) of the principal Act is amended in paragraph (f), by inserting immediately after the words "income year 2006" the words "and subsequent years".

Amendment  
of section 42  
of Cap. 73.

12. The principal Act is amended by inserting immediately after section 46D the following as section 46E:

Insertion of  
section 46E  
into  
Cap. 73.

"Rate of  
tax on  
income  
from  
residential  
properties.

**46E.** Notwithstanding sections 42 to 46D, the tax payable by a person upon any part of that person's taxable income from residential property for an income year, shall be 15 per cent of every complete dollar of that part of his taxable income."