Appendix I

Barbados -
Corporation Tax Reform 2024

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Executive Summary

1. The international tax framework has been the subject of significant reform over the past 10 years under the umbrella of the G20 and the Organisation for Economic Cooperation and Development (“OECD”). The Base Erosion and Profit Shifting project has brought about significant changes, which have and continue to impact the Barbados economy.

2. Following the adoption of the Global Intangible Low Tax Income provision (“GILTI”) introduced in the Tax cuts and Jobs Act adopted by the US Congress in 2017, the most recent developments surround the adoption of a Global Minimum Tax, referred to as the “GloBE Rules”.

3. The Government of Barbados is charged with developing tax reforms aimed at both retaining current global business and generating growth and new business within the economy while it maintains its commitments under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting ("IF"). Barbados is committed to remaining a competitive and compliant financial centre.

4. The reform of the corporate tax regime has considered the diversity of the corporate sector given that diversity is integral to a strong economy and inclusive growth. The proposal herein provides a synopsis of the current corporation tax regime and advances recommendations that contemplate both the effects of the GloBE Rules and GILTI on investment in Barbados and the need to update the tax regime for all businesses.

5. The summary concludes that it is paramount that Barbados retains its competitiveness across all sectors, in particular for business from entities in scope for the purposes of the GloBE Rules, which comprise 73% of corporate tax revenue, but also the activities of medium sized global business entities who facilitate the operation of service providers, contribute to the tourism sector and generate employment across Barbados.

Introduction

6. The GloBE Rules are part of the Two-Pillar solution[1] to address the tax challenges arising from the digitalization of the economy that was agreed on 8 October 2021 by member jurisdictions of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS Inclusive Framework"). The package was endorsed by G20 Finance Ministers and Leaders in October 2021. As of 9 June 2023, 139 members of the BEPS Inclusive Framework, including Barbados, have agreed to the Outcome Statement on a Two- Pillar Solution, representing 93% of the world economy.[2]

7. The GloBE Rules aim to ensure that multinational enterprises ("MNEs") with consolidated revenue above €750M, so-called in scope Companies (approx. USD850M), except for international shipping companies, will be subject to an effective minimum tax rate of 15% in each jurisdiction in which the MNE operates. More specifically, a liability to Top-Up Tax for a member of an in-scope MNE group arises under two types of mechanism:

i. The primary rule is the Income Inclusion Rule (IIR). Under the IIR, the minimum tax is paid at the level of the parent entity, in proportion to its ownership interests in those entities that have low taxed income. Generally, the IIR is applied, at the level of the ultimate parent entity, and works its way down the ownership chain. Rules are also provided to allow the IIR to be applied by a parent entity in which there is a significant minority interest, to minimise leakage of low taxed income.

[1] OECD, Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021 (oecd.org).
[2] Members of the OECD/G20 Inclusive Framework on BEPS that have approved the July 2023 Outcome Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

ii. The Under Tax Profit Rule (UTPR) is a backstop needed to ensure the minimum tax is paid where an entity with low taxed income is held through a chain of ownership that does not result in the low-taxed income being brought into charge under an IIR. The UTPR works by requiring an adjustment that increases the tax at the level of the subsidiary. The adjustment is an amount sufficient to result in the group entities paying their share of the top-up tax remaining after the IIR. The share of the top-up tax is allocated to relevant jurisdictions based on a formula, in proportion to the relative share of assets and employees.

8. The combination of IIR and UTPR therefore ensures that for in-scope MNEs, the low taxed income will always be subject to a 15% effective tax rate.

9. The IIR is therefore a residence-based income tax rule. The rule impacts any subsidiary or permanent establishment [Constituent Entity] in Barbados and whose UPE is located in a jurisdiction that has imposed a top-up tax in accordance with the GloBE Rules. By the same token, if Barbados imposes a top-up tax in accordance with the IIR concept under the GloBE Rules the subsidiaries or permanent establishment [Constituent Entity] of UPEs in Barbados will be affected.

10. While the IIR and the UTPR are the principal elements of the GloBE Rules there is also provision for countries to introduce a Qualified Domestic Minimum Top-up Tax ("QDMTT"). A QDMTT supersedes the application of an IIR or UTPR as it applies first in the rule order. A QDMTT allows the jurisdiction in which a subsidiary or permanent establishment [Constituent Entity] is located to collect top-up tax on the excess profit where the ETR of that entity is below 15%.

11. Thus, for example, a UPE with a subsidiary or permanent establishment [Constituent Entity] in Barbados will not have any liability under an IIR imposed in the parent jurisdiction if that entity is subject to a QDMTT in Barbados that imposes the same amount of tax that would otherwise arise under the IIR. In this

instance, Barbados has the taxing rights and will therefore collect any top-up tax payable. The application of this rule is not absolute; in order to get the priority taxing rights, there are certain criteria to be met for a QDMTT to be considered a qualifying QDMTT.

12. Absent the QDMTT, that tax liability might otherwise be payable in another jurisdiction under the GloBE Rules. By contrast, a non-qualified domestic minimum top-up tax can only be taken into account as a covered tax, i.e. at the numerator level, which may have reduced significance in the calculation of any top-up tax.

13. It is also important to note that the GloBE Rules contain a carve out, the so-called "Substance Based Income Exclusion", according to which no top-up tax is levied on income deemed to be derived from substantial activities in the jurisdiction concerned. Such deemed income is equal to 8% of the carrying value of tangible assets and 10% of payroll expenses (the percentages diminish over time and will be 5% for both assets and payroll as from 2033).[3]

14. Via their determination of the effective tax rate to be tested against the minimum rate of 15%, the GloBE Rules limit the ability of countries to rely on tax incentives to increase their competitiveness, in particular where there is no or little substance. Cash grants and subsidies are not dramatically impacted, as they do not reduce the amount of tax to be paid, but they do increase the amount of taxable income and therefore by definition lower the effective rate of taxation.

[3] The percentages applicable to the SBIE amount for the years from 2023 to 2032 are: Fiscal year 2023: 10% payroll cost and 8% tangible asset value; fiscal year 2024: 9.8% payroll cost and 7.8% tangible asset value; fiscal year 2025: 9.6% payroll cost and 7.6% tangible asset value; fiscal year 2026: 9.4% payroll cost and 7.4% tangible asset value; fiscal year 2027: 9.2% payroll cost and 7.2% tangible asset value; fiscal year 2028: 9% payroll cost and 7% tangible asset value; fiscal year 2029: 8.2% payroll cost and 6.6% tangible asset value; fiscal year 2030: 7.4% payroll cost and 6.2% tangible asset value; fiscal year 2031: 6.6% payroll cost and 5.8% tangible asset value; fiscal year 2032: 5.8% payroll cost and 5.4% tangible asset value. For fiscal years beginning in 2033 and thereafter, the rate for both elements is 5%.

15. Tax credits instead have a greater impact on the effective tax rate as they reduce the amount of tax paid for purposes of the GloBE Rules. This is the case unless the tax credits meet certain conditions and can therefore be considered to be Qualified Refundable Tax Credits ("QRTC" – i.e. a refundable tax credit designed in a way such that it must be paid as cash or available as cash equivalents within four years from when a Constituent Entity satisfies the conditions for receiving the credit under the laws of the jurisdiction granting the credit) or as Marketable Transferable Tax Credits ("MTTC" - Marketable Transferable Tax Credit means a tax credit that can be used by the holder of the credit to reduce its liability for a Covered Tax in the jurisdiction that issued the tax credit and that meets the legal transferability standard and the marketability standard in the hands of holder as defined by the Administrative Guidance of July 2023).

16. It is therefore important to ensure that any incentive that is provided by Barbados does not have an immediate impact on the effective tax rate. In this context, the GloBE Rules provide that they

> *"will have to be administered and implemented in a way that is consistent with the outcomes provided for under the GloBE rules and (…) provided that such jurisdiction does not provide any benefits that are related to such rules."*

17. Barbados recognizes that tax competitiveness is not the same as business competitiveness. Doing business and having quality of life have a role in attracting business activities. Tax incentives alone do not convey a competitive advantage to low income jurisdictions in attracting business. Therefore, other factors affecting competitiveness have to be emphasized and policy reform accelerated, including:

i. removing regulatory and administrative impediments to decisions;
ii. strengthening the institutional framework for streamlining the conduct of business in Barbados; and

iii. improving quality of life and facilitating the participation of persons working in Barbados in businesses of economic substance.

18. Given the acute exposure to the climate crisis, strengthening resilience is vital to the country's long term approach as it is becoming increasingly difficult for small island developing economies to remain an attractive investment option. Countries like Barbados are in a race against time and face the risk associated with investment becoming so significant that a predetermined level of financial resilience is required if we are to attract capital to the region.

19. It is to be noted that the GloBE Rules are not a minimum standard. They have been agreed by 139 Inclusive Framework members as a "common approach". This means that countries are not obliged to implement the rules, but if they do, they must do it in accordance with the GloBE Rules. It is important to note that there is a strong financial incentive to implement them. If a jurisdiction does not implement the rules, the top-up tax will be ultimately collected by another jurisdiction. Where the rules are adopted, they should be adhered to, and Barbados will therefore be subject to a peer review process to determine if its rules are in alignment with the GloBE Rules in the future.

20. Detailed Model Rules were developed and adopted at the end of 2021. A Commentary entitled "Tax Challenges arising from the digitalization of the Economy – Commentary to the Global Anti-Base Erosions Model Rules (Pillar 2) First Edition" was issued in December 2021 and further Administrative Guidance was issued in two steps in February 2023 and July 2023. To facilitate compliance with and administration of the GloBE Rules, in July 2023 the "GloBE Information Return" (GIR) has been published. The BEPS Inclusive Framework recommends that the IIR become effective in 2024, with the UTPR coming into effect 12 months later.

21. In addition, a number of Transitional rules and Temporary Safe Harbours have been put in place. These include rules regarding:

- **Pre-regime tax losses**: The GloBE Rules provide a transitional rule to take into account losses that have been incurred prior to the effective date of the rules. To the extent MNEs have tax attributes resulting from tax losses reflected in their financial accounts, such attributes may generally be carried-forward into the global minimum tax regime and may be used in future years to offset income. It should be noted that the pre-regime loss is subject to recast at the lower of 15% and the applicable domestic corporate income tax (CIT) rate.

- **Asset carrying value and deferred taxes**: MNE groups are prevented from recording a step-up value on their assets transferred after November 30, 2021 and before the transition year, without including the resulting gain in the computation of GloBE income. The Administrative Guidance of July 2023 provides that the carrying value that should be used for GloBE purposes at the beginning of the transition year is the carrying value upon disposition of the transferred asset on the day of transfer, and adjusted for capital expenditures, amortization or depreciation after the transaction.

- **Safe Harbours**: given the unprecedented complexity of the new rules and in order to provide for tax certainty, a number of temporary Safe Harbours have been introduced. Of relevance here are the (i) QDMTT Safe Harbour and (ii) UTPR Safe Harbor.

i. The QDMTT Safe Harbour operates by setting the Top-up Tax to zero for the jurisdiction, where three requirements are met: (1) *the QDMTT Accounting Standard,* requiring that the QDMTT is based upon the financial accounting standard of the ultimate parent entity (UPE) or a local financial accounting standard; (2) *the Consistency Standard*, requiring that the QDMTT computations are in line with the ones required under the GloBE Rules; and (3) *the Administration Standard,* requiring that the QDMTT jurisdiction is in line with the requirements of the monitoring process with respect to the QDMTT. The Inclusive Framework will rely on the peer review process to determine whether a QMDTT meets these additional standards and qualifies for the safe harbour.[4]

ii. The UTPR Safe Harbour applies to the fiscal years which run no longer than 12 months beginning on or before 31 December 2025 and end before 31 December 2026. This Safe Harbour provides for a relief from the application of the UTPR in the jurisdiction of the ultimate parent entity (UPE). This will have the effect to bring the UTPR Top-up Tax amount calculated for the UPE jurisdiction to zero for each fiscal year falling within the transition timeframe if the Ultimate Parent Entity jurisdiction has a nominal corporate income tax rate of at least 20%.

iii. In addition to the above, the BEPS Inclusive Framework provides for Transitional Safe Harbours that taxpayers can apply to fiscal years beginning on or before 31 December 2026, but not including a fiscal year that ends after 30 June 2028, based on the data already available from the Country-by-Country reporting. The three safe harbours are: the *de minimis test*, which applies when the MNE Group reports Total Revenue of less than EUR 10 million and Profit (Loss) before Income Tax of less than EUR 1 million in the jurisdiction; the *ETR test*, which applies when the Simplified ETR is equal to or greater than the Transition Rate in the jurisdiction for the Fiscal Year; and the *SBIE test*, which applies

[4]It should be noted that, as clarified by the Administrative Guidance of July 2023, the requirements for the QMDTT Safe Harbour should not be confused with the requirements for a domestic minimum tax to be considered as qualified. Thus, the minimum tax has to be considered first a QDMTT and then tested under the applicable requirements to qualify for the safe harbour".

when the MNE Group's Profit (Loss) before Income Tax in the jurisdiction is equal to or less than the Substance-based Income Exclusion amount.

22. The BEPS Inclusive Framework is currently developing peer review mechanisms to assess the implementation of the Globe Rules and in particular whether top up taxes and refundable tax credits are qualified.

23. In addition to the GloBE Rules, the OECD Inclusive Framework has adopted a Subject To Tax Rule ("STTR").The STTR allows jurisdictions to impose limited additional taxation on certain cross-border payments where the recipient is subject to a nominal corporate income tax rate below 9%. The STTR applies to interest, royalties and a specified list of other payments ('Covered Income'), including all intra-group service payments. Where the STTR applies, the payor jurisdiction can impose additional tax on the gross amount of Covered Income up to 9% of the income.

24. On 3 October 2023, the BEPS Inclusive Framework announced the conclusion of negotiations on a multilateral instrument (MLI) to implement the STTR. Barbados has committed to implement the STTR in bilateral tax treaties when requested to do so by Inclusive Framework jurisdictions identified as developing jurisdiction for this purpose. Barbados is committed to this minimum standard. The increase of the tax rate to 9% will ensure full compliance with limited action.

25. Moreover, the new normal rate will limit the obligations of Barbados related to the exchange of information on low or nominally taxed entities, as only insurance companies will retain low taxation. This will reduce the exposure of Barbados to a tedious process, which could lead to blacklisting.

26. The GloBE Rules have a significant impact on a country like Barbados as physical assets and payroll remain relatively limited in many constituent entities of MNE groups, which currently benefit from a low effective tax rate given our sliding scale from 5.5% to 1%.

Current Legislative Regime on Corporation Tax

27. The income tax system in Barbados is presently regulated by the Income Tax Act, Cap. 73 and companies resident in Barbados are taxed on income earned from all sources, whether generated within or outside of Barbados, less expenses incurred for the purpose of producing assessable income in a fiscal period not to exceed 53 weeks.

28. Non-resident companies are generally only taxed on income derived from sources and operations conducted within Barbados. For fiscal years preceding January 1, 2019 the corporate tax rate for domestic companies was 25% and before that it was 30%, and for companies operating in the international business and financial services sector 0.25.-2.5%.

29. These rates were subsequently converged as a result of the disparity in tax rates between local and international business. This disparity was a characteristic of the Barbados tax system for over four decades. After extensive consultation with the FHTP it was determined that this was viewed as ring fencing, and as a result it was determined that there could no longer be different tax rates.

30. The convergence of the tax rates resulted in a lowering of the tax rates for domestic companies trading solely in the domestic market and a marginal increase in the rates imposed on international businesses. The new rates with respect to corporate tax for fiscal years beginning January 1, 2019 taxed income up to $1M at 5.5%, income of more than $1M to $20M at 3%, income of more than $20M to 30M at 2.5% and income over $30M at 1%.

Proposal for Corporate Tax Reform

31. At the global level, it is estimated that GloBE rule implementation will generate an additional annual €200B in

revenue. The allocation of this revenue is however uncertain, as this is highly dependent on the country and companies' behavioral response.

32. To date more than 50 jurisdictions have implemented or commenced implementing the GloBE Rules. This is the case of Japan, South Korea, and the UK which already have rules in place. European Union member states are in the process of implementing them and are committed to do so before 2024. Legislation has been tabled in most EU countries, as well as Canada, and adoption is expected by year end by a significant number of jurisdictions.

33. However, the US and China have not adopted the GloBE Rules and there is not yet any evidence as to whether they will move in that direction. The US has adopted GILTI in 2017, which is in part similar to the GloBE Rules with the exception that instead of calculating the effective tax rate on a jurisdictional basis, it does so at global level (allowing therefore the blending of highly and lowly taxed income). The GILTI minimum rate is currently 10.5% even though it will automatically be brought up to 16% in 2026.

34. Even though GILTI provides for more stringent rules for the allocation of expenses, this provision is not considered as equivalent to the GloBE Rules by the BEPS Inclusive Framework. In the absence of changes, US headquartered companies will therefore be subject to the UTPR as from 2025.[5] Further US tax reform may occur in 2025 as many of the Tax Cuts and Jobs Act provisions come to an end and will need to be either extended or modified.

35. Given that a number of key partners, starting with Canada, will implement the GloBE Rules in 2024, Barbados's aim is to follow suit. In fact, implementing the rules a year after other

[5] In relation to the Under Taxed Payment Rule application, it should be recalled the OECD Administrative Guidance of July 2023 provides a transitional UTPR Safe Harbour in the UPE Jurisdiction during the first two years in which the GloBE rules come into effect. During this transitional timeframe, the UTPR Top-up Tax amount calculated for the UPE Jurisdiction, shall be deemed to be zero if the UPE Jurisdiction has a nominal corporate income tax rate of at least 20%.

jurisdictions would mean that any top up of tax to 15% would be collected by them instead of Barbados.

36. In summary, the adoption of the GloBE Rules in 2024 by countries with whom we conduct the majority of our business, presents the opportunity for Barbados to review and reform the corporate tax regime. Accordingly, the reforms are as follows:

New Corporate Tax Regime

Corporation Tax Rates

37. The *Income Tax Act*, Cap. 73 should be amended to include the following provisions:

i. From Income Year 2024, with effect from January 1 2024 there shall be a corporation tax rate of 9%, subject to the following regimes:

a. From Income Year 2024, with effect from January 1 2024, a company whose gross income is currently $2M or below and who are registered as a Small Business under the *Small Business Development Act Cap. 318C* shall be subject to a corporation tax rate of 5.5%.

b. The corporation tax rate applicable to insurance business of 0% for class 1 business and 2% for class 2 and class 3 business shall remain unchanged.

c.From Income Year 2024, with effect from January 1, 2024, international shipping business will remain taxed under the current tax regime established in 2019 (i.e. 5.5% to 1% sliding scale), noting that the international shipping industry is out -of-scope for the GloBE Rules and

Barbados's industry needs to remain competitive as in many other countries. The Ministry of Finance will advise on whether Barbados should adopt a new regime for international shipping companies for the fiscal year 2025 and onward after consultation with the sector.

d. For Income Year 2024, with effect from January 1, 2024, and with respect to an In-Scope Multinational Enterprise whose Ultimate Parent Entity is in any jurisdiction which has not implemented an Income Inclusion Rule or whose Constituent Entities are not subject to an Income Inclusion Rule or an Undertaxed Profits Rule, the current tax regime established in 2019 shall be maintained and applied accordingly (5.5% to 1% sliding scale). For such entities, there will be no application of the Qualifying Domestic Minimum Top-Up Tax.

38. It is recognised that Income Year 2024 for a company may begin as early as January 2, 2023 or as late as January 1, 2024. Therefore, for the avoidance of doubt, the new corporation tax rates will only be applicable for that portion of revenue in income year 2024 that is earned from January 1, 2024.

New Top-up Tax

39. In addition, as of Income Year 2024, with effect from January 1, 2024, a Qualified Domestic Minimum Top-up Tax shall be introduced consistent with the GloBE Rules for in-scope companies. This Qualified Domestic Minimum Top-up Tax shall apply to subsidiaries or permanent establishments of in-scope Multinational Enterprises (Constituent Entities) with an Ultimate Parent Entity in a jurisdiction that has introduced an Income Inclusion Rule with constituent entities in jurisdictions with an Under Taxed Profit Rule. This means that a top up tax will be

imposed on such Constituent Entities to ensure that they are subject to an effective tax rate of 15%, as per the GloBE Rules.

40. The prescribed reforms to the corporation tax regime are fully in line with the GloBE Rules. Barbados will ensure the Qualified Domestic Minimum Top-up Tax meets the required standards to qualify for the Qualified Domestic Minimum Top-up Tax safe harbour.

41. The rules will be adapted as necessary in the future to reflect changes in the international standards, peer review results and to ensure that Barbados remains a compliant and competitive financial centre.

42. The Barbados Revenue Authority shall be responsible for the administration of the Qualified Domestic Minimum Top-up Tax. More specifically this shall relate to the calculation of the tax base, control, determination, collection as well as the recovery of the top-up tax.

Payment schedule

43. To align on international best practices, the corporate income tax payment schedule moves to a monthly basis from Income Year 2024.

44. From Income Year 2024 as of January 1, 2024, companies in scope for the GloBE Rules shall be required to pay corporation tax on a monthly basis. Accordingly, the first payment will take place at the end of January 2024. All other companies with the exception of small business companies registered under the Small Business Act will be required to prepay in monthly installments with effect from Income Year 2025 as of January 1, 2025.

45. Monthly instalments for fiscal year are calculated based on the previous year tax base multiplied by the new applicable

rate, net of the impact of the tax credits mentioned in the following section where relevant.

Tax Credits

46. In addition to existing allowances, which are maintained, tax credits that meet the requirements of a Qualified Refundable Tax Credit under the GloBE Rules ('QRTC') will be introduced. These credits, which shall be offset against any tax liability including corporate income tax for a period of four years, are offered to encourage economic growth, development and employment in strategic sectors.

47. QRTCs will be available to companies taxed at the normal rate of 9% and to companies subject to the QDMTT.

Qualified Refundable Tax Credits

Qualified Job credit

48. In the sectors pertaining to fintech activities, wholesale distribution and trading without physical inventory or storage in Barbados and research and development in any industry, a refundable payroll tax credit on eligible payroll costs is introduced.

49. For the purposes of the Qualified Job Credit:

i. "Eligible payroll costs" means the expenditures for salaries, wages as well as other employee benefits or remuneration such as medical insurance, National Insurance contributions, payments to a pension fund or other retirement benefits, bonuses and allowances payable to eligible employees.

ii. "Employees" means a full time "employee as defined under Section 85(1) of the Income Tax Act, Cap. 73.

50. “Designated activities” means:

- Fintech activities;
- Wholesale distribution and trading without physical inventory or storage in Barbados;
- Research and development as prescribed.

51. Research and Development activities include carrying out basic research, applied research or experimental research to innovate and introduce new products and services approved by Ministerial Order from the Ministry of Finance in the following sectors:

- medicine;
- science and technology;
- finance
- information technology including artificial intelligence;
- distillery/refinery; or
- any other industry added by Ministerial Order.

52. For the purposes of the Qualified Jobs Credit, the credit will be calculated on the average payroll cost on the sliding scale is as follows:

- For the first 50 employees a credit of 75%
- For 51 employees to 100 employees 175%
- For 101 employees to 150 employees 300%
- For 151 employees to 200 employees 400%
- Over 200 employees 475%

53. Provided that the maximum effective payroll credit should not exceed 300%.

54. The Qualified Jobs Credit shall not be granted for eligible payroll costs that can reasonably be considered excessive and unreasonable in relation to the company’s economic operations. Eligible payroll costs shall not be deemed excessive and unreasonable provided they are ordinary and necessary business expenses incurred primarily for bona fide business purposes other than to obtain the payroll tax credit.

Research and Development Credit

55. A credit of 50% of qualifying expenses incurred for qualifying research & development activities (in addition to the Qualified Jobs Credit outlined above).

56. This credit may be made available to any company in Barbados, which carries out basic research, applied research or experimental research to innovate and introduce new products and services approved by Ministerial Order from the Ministry of Finance in the following sectors:

- medicine;
- science and technology;
- finance;
- information technology including artificial intelligence;
- distillery /refinery; or
- any other industry added by Ministerial Order.

57. Qualifying expenses include expenses for plant, equipment, materials and assets used in qualified research & development activities, outsourcing expenses, local overhead expenses that support these activities.

58. **National Development Credit:** A credit will be developed for investment in national development projects for low-income housing, historic buildings, public medical facilities including hospitals and polyclinics, hospices and schools up to tertiary level. This will be designed with extensive consultation with the country.

59. Barbados continues to refine the areas of activities in the blue and green economies that will help the world in building resilience to the existential climate crisis, and it is anticipated that fulsome credit mechanisms in this regard will be announced

in the 2024-25 Financial Statement by the Minister of Finance, allowing for deliberations to take place to outline and refine these credits.

60. A working group will be established between November and January 2024 to recommend improvements in the area of international shipping and aviation.

IFRS 17 Provisions and Deferred Tax Treatment

61. In respect of the alignment of the GloBE Rules with the new provisions surrounding IFRS 17 the following would apply:

i. that a Life insurer's new Contribution Service Margin (CSM) should be taxed on an accounting basis for Corporation Tax purposes. This will require a change to the current Corporation Tax proposal where the taxation of Contract Service Margin is accelerated. The change would ensure that the Corporation Tax and Pillar II tax systems are aligned.

ii. The Corporation tax exception from double taxation for Old Contract Service Margin (historic profits reconstituted under IFRS17 through Retained Earnings) should be maintained for the Corporation tax system.

62. The GloBE Rules currently include a mechanism to avoid double taxation as follows:

i. For the old CSM (historic profits reconstituted under IFRS17 through Retained Earnings) the GloBE Rules allow for a deferred tax asset to be carried at the Pillar II tax rate of 15% for historic accounting changes. This ensures these amounts are not subject to tax again under the GloBE Rules.

ii. A tax ruling that the old Contract Service Margin or other income from non insurance activities would be treated in the manner proposed under the GloBE Rules in order to avoid double taxation under Pillar II shall be granted.

Bank Asset Tax

63. The Government will look at the performance of the revenue over the course of the next year to make a determination as to the future of the Bank Asset Tax.

Conclusion

64. Barbados' adoption of this corporation tax reform allows us to qualified incentives to foster growth and employment, to strengthen the fiscal position and to meet our international obligations.

65. In order to mitigate the downside risk of companies migrating from Barbados, the Government has proactively engaged with in scope entities as well as with entities who are currently carrying on business in Barbados to encourage them to remain.

66. Barbados provides business with distinct competitive advantages including the quality of life (keeping Barbados safe, clean and healthy), availability of a skilled workforce, an independent judiciary that provides access to the swift resolution of disputes and ease of doing business.

67. To further enhance Barbados' competitiveness, Government is accelerating a programme of reform to ensure a more efficient business environment supported by the implementation of efficient economic regulations. Government

has established Business Barbados, an independent entity, locating all registries in a single institution to enhance efficiency and reduce bureaucratic delays while having a dedicated arm to business facilitation.

68. Barbados is committed to achieving international best practice in the management and administration of economic regulations allowing businesses to operate globally. To achieve this, the process of reform will be sustained and adjusted continuously as required to meet changes in the domestic and international environments.

69. In addition, Barbados expects to provide additional regulatory advantages to business, including regulation that is appropriate to risk and rules pertaining to solvency.

70. The Government of Barbados estimates that, at least in the short-term there remains a risk that there may be a significant contraction of corporation tax revenue. That is why it is why it is important for us to approach each company to have the conversation about them remaining in Barbados whilst strengthening the aggressive outreach of Invest Barbados to attract new companies of substance to Barbados.

71. By the same token, CT revenue could significantly increase if we are successful in our outreach programme and the Prime Minister and relevant officials have commenced engagement with relevant parties and will continue to do so in the upcoming months. We will monitor the impact of the GloBE Rules and revenue for corporation taxes very closely.

72. In summary, Barbados' benchmarks must be global if we are to be competitive and to guarantee the best quality of life for our people.

73. Global business must be able to be conducted from Barbados with ease and we do not believe that this is an ambition

beyond our capacity but we do accept that this requires continuous changes and a sensitivity to both the local and global environment so that the experience and competitiveness of the nation is foremost in our daily pursuits

*****END*****

Appendix 1

Country	Lowest
United Kingdom	25%
Canada	Federal CIT 15%; Provincial and territorial range from 8%-16%
France	25%
Luxembourg	15%
IOM	0%
Ireland	12.5%
Jersey	0%
Guernsey	0%
Cayman Islands	Not applicable
Hungary	9%
Montenegro	15%
Bosnia and Herzegovina	10%
Bulgaria	10%
Gibraltar	12.5%
Macedonia	10%
Cyprus	12.5%
Liechtenstein	12.5%
Anguilla	0%
Bahamas	0%
Bahrain	0%
Bermuda	Not applicable
Turks and Caicos Islands	0%