



Thinking beyond borders: Management of extended business travelers - Barbados



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Key message

An individual is liable to tax in Barbados based on their taxable status. A resident and domiciled person is liable to tax on their worldwide income. A person resident but not domiciled is liable to tax on income derived in Barbados and amounts remitted to Barbados. A non-resident person is taxed on income derived from Barbados only. Income derived from various sources and categories are aggregated and the tax thereon computed. There is a progressive tax rate on taxable income.

Taxable income is assessable income less allowable deductions.

1 Key message

The key considerations for business travellers exercising employment in Barbados are the determination of residency and the obtaining of a work permit before commencing employment.

02

Income tax

2 Income Tax

2.1 Liability for income tax

Under the provisions of the Income Tax Act of Barbados (ITA) an individual is resident in Barbados in an income year when they spend more than 182 days in Barbados in that income year or is ordinarily resident in Barbados in the relevant income year. An individual is considered to be ordinarily resident in Barbados in an income year if they have a permanent home in Barbados and have given notice to the Revenue Commissioner that they intend to reside in Barbados for a period of at least 2 consecutive income years, including the current income year. This intention to reside must be in the form of approval from the Immigration Department that the individual is permitted to reside by way of a work permit or Special Entry and Reside Permit.

Permanent home means accommodation in Barbados, which is permanently available for the use of the person in question but does not include accommodation retained for their use in Barbados solely as a vacation property. The ITA does not define domicile but makes reference to the calculation of assessable income for a person who is resident but not domiciled.

Resident taxpayers are taxable on their worldwide income. Income from various sources and categories are aggregated and the tax thereon computed. Non-domiciled residents (companies and individuals) are subject to tax on income derived from Barbados and on foreign-sourced income, provided the income is remitted to Barbados. Non-residents are subject to tax on income derived from Barbados only.

2.2 Types of taxable income

The assessable income of residents includes income from business, profession, property, offices, employment and, specifically, dividends and interest arising outside Barbados such as royalties, annuities, directors' and other fees, retirement allowances and partnership profits. However, some categories of income are subject to final withholding tax at the source.

2.3 Tax trigger points and tax rates

Taxable income is assessable income less allowable deductions. The income tax rates are 12.5 percent on the first 50,000 Barbados dollars (BBD) (25,000 US dollars (USD)) of taxable income and 28.5 percent thereafter, effective 1 January 2020.

2.4 Allowances

There is a basic personal allowance of BBD25,000 (USD12,500). The personal allowance is BBD40,000 (USD20,000) for pensioners who are 60 years of age or over and receive a pension. An allowance of BBD3,000 (USD1,500) annually is also available in respect of a spouse who had no income for the income year, was wholly supported by and lived with the taxpayer in the year. The allowance of BBD1,000 (USD500) available in respect of the support of each of (but not more than) two children of the taxpayer, has been discontinued with effect from 1 July 2019.

However, for a non-resident, no deductions in respect of the calculation of assessable income shall be made in respect of income or the production of income not derived from Barbados and no allowances can be made in general.

03

Social Security

3 Social Security

3.1 Liability for social security

Under the provisions of the National Insurance and Social Security Act of Barbados (the Act), any person over the age of 16 years and under pensionable age, who is gainfully employed in Barbados under a contract of service, is required to be insured under the Act. The rates of national insurance contributions for employees are 11.10 percent and for employers 12.75 percent, up to maximum insurable earnings of BBD5200 (USD2,600) per month from income in the year 2024.

Where a reciprocal agreement exists between Barbados and an individual's home country/jurisdiction, the individuals may apply to continue paying social security in their home country/jurisdiction and be exempt from contributions in Barbados.

04

Compliance obligations

4 Compliance obligations

4.1 Employees' compliance obligations

For employees, the tax year is the calendar year. Individuals are required to file an income tax return on or before 30 April of the year following the income year, where their assessable income is greater than BBD25,000 (USD12,500). Note that spouses are taxed separately and there is no option for joint taxation.

4.2 Employers reporting and withholding requirements

Pay-As-You-Earn (PAYE)

A wages tax system applies in accordance with which the employer deducts tax whenever any payment of remunerations is made to an employee. Under the provisions of the ITA, every person paying to any other person salary or wages shall deduct or withhold there from such amount as is prescribed and shall (at such time as is prescribed) pay the amount deducted or withheld to the Commissioner as a prepayment of tax for the person to whom that amount would otherwise have been paid.

The rate of tax for individuals is 12.5 percent of every complete dollar of taxable income up to and including BBD50,000 (USD25,000); and 28.5 percent of every complete dollar of taxable income above BBD50,000. This amount is to be deducted from salary and remitted to the Barbados Revenue Authority within 15 days after the period to which it relates.

National Insurance Scheme (NIS)

The employee's national insurance contribution should be deducted from salary and remitted along with the employer's portion to the NIS office within 15 days after the period to which it relates.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

Under the provisions of the Immigration Act of the laws of Barbados a person who is not a citizen, permanent resident, etc., may not engage in any occupation or accept employment without having first obtained a written permit for the purpose granted by the Minister. Additionally, a person may not engage or employ another person who is not a citizen, permanent resident, etc., unless there is a work permit in force in relation to that other person and for the purpose of that engagement or employment.

5.2 Other Immigration considerations

Barbados has introduced a Special Entry and Reside Permit (SERP) which is generally valid for 5 years. However, where the applicant is 60 years or over, the SERP should be indefinite. The SERP is available to non-resident individuals with special skills needed in the country/jurisdiction and non-resident individuals who own substantial property in Barbados and their dependents. The value of the property or investment to be used to qualify an applicant for SERP status is BBD4 million (USD2 million) or more and the investment must have been purchased with funds sourced outside Barbados and not be subject to any mortgage.

Barbados has recently introduced the Barbados Welcome Stamp. A non-national who is employed in a country/jurisdiction other than Barbados may apply to the Minister Responsible for Immigration to be granted a Barbados Welcome Stamp to work in Barbados for a period of 12 months subject to the following conditions: the non-national possess a valid passport; can show proof of annual income of BBD100,000 or more and that the income is generated outside of Barbados; and is the holder of valid health insurance for the period for which the Stamp is granted. The Welcome Stamp may be renewed after the initial 12 month period.

A non-national who has been granted a Barbados Welcome Stamp to work remotely from Barbados shall be deemed non-resident in Barbados for the purposes of the Income Tax Act and shall continue to pay tax in their home jurisdiction.

5.3 Immigration compliance

Non-residents are required to apply for a work permit in the form or manner prescribed. The application is usually made by the entity who will employ the individual. In addition, the fees in respect of the application, grant and renewal of the work permit are to be paid by the applicant.

06

Other issues

6 Other issues

6.1 Double taxation treaties

Double taxation relief may be obtained either under domestic law or by tax treaty.

Barbados has 40 double taxation treaties in force with other countries/jurisdictions including the multi-lateral Caribbean Community (CARICOM) Treaty, which is counted as 10.

6.2 Permanent establishment implications

The term 'permanent establishment' is defined as a fixed place of business, through which the business of an enterprise is wholly or partly carried on.

Under the provisions of the ITA, where services are contracted (directly or indirectly) to be performed in Barbados by non-residents other than by way of carrying on business through a fixed base, the individuals in Barbados who are under a contractual liability to pay for those services shall withhold the prescribed amount from the gross earnings of those non-residents and shall immediately thereafter (or at such other time as the Commissioner prescribes) pay to the Commissioner the amount withheld as payment in full of the tax payable in respect of those earnings.

6.3 Indirect taxes

Under the provisions of the Value Added Tax Act, a person is required to register for value added tax (VAT) purposes if they supply goods and services in Barbados in the course of a business or other "taxable activity", and if their annual taxable supplies are BBD200,000 (USD100,000) or more. Registration allows a person to recover all or part of their input tax incurred on purchases for use in their taxable activities.

A company carrying on international business is not required to be registered for VAT purposes. Any VAT suffered is refundable on filing of the VAT return on the prescribed form. The company has up to 2 years within which to file the VAT returns, which must be accompanied by original receipts.

The VAT rate applicable to standard rated taxable supplies is currently 17.5 percent. There is a concessionary rate of 10 percent for hotel accommodation and the VAT rate on certain mobile services is 22 percent.

The standard rate of VAT (17.5%) is also charged on goods or services which are purchased online from a local VAT registrant or from a vendor outside of Barbados for consumption in Barbados. The tax on the supply of those goods and services from a foreign vendor is payable at the time of purchase. The foreign vendor must remit the VAT collected to the Barbados Revenue Authority through a VAT return.

A product development levy has recently been introduced and is charged on the provision of a direct tourism service to a visitor or citizen of Barbados at the rate of 2.5 percent of the direct tourism service.

Additionally, a shared economy levy has been introduced and is applicable to supplies of tourist accommodation by persons who are registered with the Barbados Tourism Product Authority and are either not registered under the VAT Act or who are exempt pursuant to the VAT Act. The rate is 10 percent of the cost of the rental or lease of the tourist accommodation whether that charge is a rate which is charged per night or per bedroom, or a rate for the period of use.

Lastly a room rate levy has been introduced and applies based on the room classification, whether hotel, guest house, luxury class hotel, class "A" hotel or class "B" hotel. This is charged by a person who is also a VAT Registrant.

Certain supplies are zero rated and exempt supplies are not subject to VAT.

6.4 Transfer pricing

Where a transaction of purchase and sale to which a person carrying on business in Barbados is a party:

- the vendor controls the purchaser
- the purchaser controls the vendor
- the purchaser or the spouse of the purchaser is a relative of the vendor or the spouse of the vendor, with effect that the transaction does not take place at arm's-length and the price is other than the fair market value, then, in calculating the assessable income of the vendor or the purchaser from carrying on business in Barbados, the transaction shall be deemed to have taken place at a price equal to the fair market value.

In addition, where the main purpose of a transaction is the artificial reduction of the assessable income of a person, then in calculating the assessable income of the individuals participating in the transaction, that transaction shall be disregarded or be deemed to be modified, whichever is more appropriate to achieve the effect that the transaction no longer results in the artificial reduction of the assessable income of that person.

6.5 Local data privacy requirements

The Data Protection Act has been enacted in 2019. It provides for the regulation of the collection, keeping, processing, use or dissemination of personal data; the protection of the privacy of individuals in relation to personal data; and matters related thereto.

6.6 Exchange control

Barbados has exchange control rules. Residents and non-residents are allowed to carry out foreign currency transactions but must first seek the permission of the Exchange Control Authority of the Central Bank of Barbados. Direct investment in Barbados by a non-resident investor is allowed, but this must be registered with the Exchange Control Authority. No one, other than an authorized dealer, is permitted to hold foreign currency in Barbados without the permission of the Exchange Control Authority.

Authorised Dealers are permitted to open and maintain foreign currency accounts in the names of residents of Barbados (individuals and companies). Foreign currency holders must utilize the foreign currency held in their accounts before accessing the local foreign exchange market.

Authorised Dealers may also open foreign currency accounts in the names of non-residents, without restrictions on these accounts. Non-residents may place the full amount of funds brought into Barbados on their foreign currency accounts. Payments from foreign currency accounts of non-residents may be made without reference to the Bank. Foreign currency proceeds from the sale of assets may be credited to a foreign currency account or repatriated abroad.

All residents and non-residents and/or domestic companies are generally required to seek the permission of the Exchange Control Authority for any transaction in which any one of the parties is a non-resident individual or legal entity.

Companies which earn all of their income in foreign currency (i.e., currency outside of CARICOM) may obtain a Foreign Currency Permit which exempts them from the Exchange Control requirements.

6.7 Non-deductible costs for assignees

Amounts withheld under NIS are not deductible. In addition, a disbursement or expense for the support of that person or their family, or for any other domestic or private purpose, is not deductible in calculating assessable income.

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