

POLICY NOTE

P & F No. 006/2022

Policy & Forecasting

Value Added Tax Act Cap. 87

Ministerial Statement July 2022

Value Added Tax on the Supply of Electricity

The Minister in the Ministry of Finance, Economic Affairs and Investment, during the Ministerial Statement on Energy and the Cost of Living on July 19, 2022, announced that, for a period, the rate of Value Added Tax ("VAT") on supply of electricity will be reduced from 17.5% to 7.5% on the first 250-kilowatt hours used by households.

Thereafter, the standard rate of VAT of 17.5% will apply to any portion of the bill issued in excess of the 250-kilowatt hours.

To give effect to the Minister's Statement, the Barbados Revenue Authority advises that:

Commencement and Ending Date

The reduction in VAT rate is effective for all bills with an issue date of **August 01, 2022 to January 31, 2023 inclusive**.

Scope

- The first 250-kilowatt hours of electricity supplied to consumers within the Domestic and Employee Tariffs shall be subject to VAT at a reduced rate of 7.5% and the standard rate of 17.5% will apply to the excess over 250-kilowatt hours.
- That is, the reduced VAT rate as prescribed above, applies to consumers on the Barbados Light & Power Company Limited - Domestic and Employee Tariffs.
- The reduced VAT rate is **NOT** applicable to the supply of electricity to Large Power, Secondary Voltage Power, Time of Use, Street Light and General Service Tariff consumers.

Method of Calculation

- Usage of the first 250-kilowatt hours (inclusive of the customer charge) of electricity by consumers classified within the Domestic and Employee tariffs shall be subject to VAT at a rate of 7.5% and any kilowatt-hours in excess at a rate of 17.5%.

July 31, 2022

Policy and Forecasting

Barbados Revenue Authority