

POLICY NOTE

PPG No. 004/2019

Income Tax Act Cap. 73

Budgetary Proposals 2019

Compensatory Income Credit (CIC)

The Minister of Finance and Economic Affairs during the Budgetary Proposal and Financial Statement of March 20, 2019, stated:

“..For those who earn above that \$25,000 but below \$35,000 per year, my government is introducing a Compensatory Income Credit (CIC)...”

To give effect to the Minister’s proposal, the Barbados Revenue Authority (“the Authority”) advises that:

Commencement

The Compensatory Income Credit (CIC) is applicable to **income year 2019** and subsequent years.

Conditions

- The CIC is a credit of a maximum of \$1,250 annually. Individuals who pay taxes during the income year will be refunded up to a maximum of the tax they paid.
- The CIC is applicable to individuals who are resident in Barbados for tax purposes.
- Individuals will be eligible for the credit upon filing their Personal Income Tax (PIT) return.
- Individuals who earn \$25,001 up to a maximum of \$35,000 annually will be entitled to the CIC.

Example 1

An individual earning \$35,000 during income year 2019 will have taxable income of \$10,000, which is taxed at 12.5%. The tax payable on this amount will be \$1,250 which is deducted by his employer. On filing his return, the taxpayer would receive a credit and a refund of \$1,250 as calculated in the table below:

Income Year 2019	\$BDS
Taxable Income	10,000.00
Tax payable before Compensatory Income Credit	1,250.00
Compensatory Income Credit	1,250.00
Net Tax Payable	0.00
Tax Paid	1,250.00
Refund Due	1,250.00

Example 2

An individual earning \$30,000 during income year 2019, will have taxable income of \$5,000. Such individuals will receive a credit of \$625 and a refund of the same amount as detailed below:

Income Year 2019	\$BDS
Taxable Income	5,000.00
Tax payable before Compensatory Income Credit	625.00
Compensatory Income Credit	625.00
Net Tax Payable	0.00
Tax Paid	625.00
Refund Due	625.00

Note:

The following are not entitled to the Compensatory Income Credit:

- a) self-employed persons;
- b) persons in receipt of income from goods and services.

Administration

- The Compensatory Income Credit will be administered through the Tax Administration Management Information System (TAMIS).
- The Compensatory Income Credit will be part of the **2019 Income Tax return**, which is to be filed on or before April 30, 2020.
- **Employers are reminded that they must deduct and remit PAYE to the Barbados Revenue Authority, for all persons employed, whose income is greater than \$25,000 annually or \$2,083.33 monthly or the equivalent**, even if the individual is still entitled to the CIC.

Policy and Planning

Barbados Revenue Authority

April 2019