

INCOME TAX (AMENDMENT) ACT, 2013–17

Arrangement of Sections

1. Short title
2. Amendment of section 4 of Cap. 73
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8. Amendment of section 48 of Cap. 73
9. Amendment of section 75 of Cap. 73
10. Insertion of Seventh Schedule into Cap. 73

SCHEDULE

BARBADOS

I assent
ELLIOTT F. BELGRAVE
Governor-General
21st November, 2013.

2013–17

An Act to amend the *Income Tax Act*.

[Commencement: 28th November, 2013]

ENACTED by the Parliament of Barbados as follows:

Short title

1. This Act may be cited as the *Income Tax (Amendment) Act, 2013*.

Amendment of section 4 of Cap. 73

2. *Section 4 of the Income Tax Act, Cap. 73, in this Act referred to as the principal Act, is amended by inserting immediately after subsection (3) the following:*

“(4) No tax is payable under this Act by the Barbados Association of Retired Persons Inc.”.

Amendment of section 9 of Cap. 73

3. *Section 9 of the principal Act is amended in subsection (1) by*

- (a) deleting paragraph (i);*
- (b) deleting the full-stop appearing at the end of paragraph “(z)” and substituting a semi-colon; and*
- (c) inserting immediately after paragraph (z) the following:*

“(aa) the income earned from the sale of electricity produced from the utilization of renewable energy equipment by an individual who owns and wholly occupies residential property.”.

Amendment of section 10 of Cap. 73

4. *Section 10 of the principal Act is amended by inserting immediately after subsection (1), the following:*

“(2) In calculating the assessable income of an individual for an income year, the following amounts shall be deducted, namely

- (a) amounts spent or incurred by that individual in that income year in respect of training in renewable energy and energy efficient systems listed in Part II of the *Seventh Schedule* where the training is provided by an educational institution or a vocational institution that is approved by the Barbados Accreditation Council; or*

- (b) amounts spent or incurred by that individual in that income year in respect of
 - (i) a minor; or
 - (ii) an adult student who is not yet 25 years of age and is not employed; and

who is pursuing a course of study in renewable energy or energy efficient systems at an educational institution or a vocational institution that is approved by the Barbados Accreditation Council.”.

Amendment of section 35 of Cap. 73

5. *The principal Act is amended by inserting immediately after section 35 the following:*

“Medical expenses

36. In calculating the taxable income for an income year of an individual who has attained 40 years of age and over, there shall be deducted from the assessable income of that individual, amounts expended, not exceeding \$750 for

- (a) an annual comprehensive medical examination rendered in Barbados by a medical practitioner registered under the *Medical Registration Act*, Cap. 371; and
- (b) associated diagnostic services provided in Barbados by a registered laboratory, public hospital, private hospital or private clinic as recommended by the medical practitioner described in paragraph (a).”.

Amendment of Cap. 73

6. *The principal Act is amended by inserting immediately after Division OD the following:*

“Division OE

Calculation of Taxable Income: Incentives for Businesses generating and distributing electricity from a renewable energy source, businesses producing, distributing and installing renewable energy systems for electricity generation and the supply of energy efficient products

Income Tax holiday

37L.(1) With effect from income year 2012, a developer, manufacturer or installer of renewable energy systems and energy efficient products shall be granted an income tax holiday for a period of 10 years.

(2) The tax holiday referred to in subsection (1) shall only be granted on the certificate of the Minister Responsible for Energy to the effect that the person claiming the tax holiday is a developer, manufacturer or installer of renewable energy products.

(3) For the purposes of this Division,

“developer” means a person who,

- (a) has applied research to acquire new knowledge directed towards a specific practical aim or objective; and
- (b) has done experimental development by way of systematic work directed at producing new material, products, devices or improving those that have already been produced and are listed in the *Seventh Schedule*;

“installer” means a sole trader or company that has a major activity concerned with the installation, maintaining or assembling renewable energy systems, such as photovoltaic systems, wind turbines, wind farms, hybrid renewable energy systems;

“manufacturer” means a person who performs the physical or chemical transformation of materials, substances or components into new products using a clearly defined and approved process.

Deduction for interest paid on loans

37J.(1) With effect from income year 2012, in calculating the taxable income for an income year of a person carrying on an eligible business, there shall be deducted from that person 150 per cent of the amount of interest paid on a loan in respect of

- (a) the construction of a new facility or the upgrading of an existing property to enable the generation, supply and sale of electricity from a renewable energy source;
- (b) the construction of a new facility for the installation or supply of renewable energy systems or energy efficient products.

(2) The benefit described in subsection (1) may be granted by the Minister Responsible for Energy or a public officer delegated by the Minister Responsible for Energy on a certificate to the effect that the following requirements are met in respect of the eligible business:

- (a) the products used in the generation and sale of electricity from a renewable energy source have been certified by the Ministry Responsible for Energy and are contained in the list set out in the *Seventh Schedule*;
- (b) a certificate of compliance, shall be provided upon the satisfactory inspection of the facility by the Ministry Responsible for Energy, that states that the facility is being used exclusively for the supply or installation of renewable energy or energy efficient systems listed in Part II of the *Seventh Schedule*;
- (c) the business has satisfied the requirement to deliver to the Commissioner the return of its assessable income in accordance with section 52;

- (d) the business is current in the payment of income tax, value added tax, land tax, and national insurance contributions; or
 - (e) the business, though not current, in respect of the payment of income tax, value added tax, land tax and national insurance contributions has entered into an agreement with the Commissioner, the Comptroller of Customs, the Commissioner of Land Tax or the Board of the National Insurance, respectively, to settle outstanding arrears in respect thereof.
- (3) For the purpose of section 37J(1)(a) and (b) and section 37J(2)(b) “facility” means
 - (a) a building or structure in which a renewable energy system is established and is specified in Part I of the *Seventh Schedule*”; or
 - (b) a business which supplies
 - (i) renewable energy equipment and energy efficient products; or
 - (ii) either renewable energy equipment or energy efficient products.
- (4) For the purpose of this Division and Division OG
 - “eligible business” means a business generating and distributing electricity from a renewable energy source or a business producing, distributing and installing renewable energy systems for electricity generation and energy efficient products that meet the requirements set out in subsection (2);
 - “energy efficient products” include window tint, compact fluorescent bulbs, LED lights, insulation, power and energy monitoring devices, energy efficient cookers (induction cookers) and products that improve the conversion efficiency of a primary resource into a form of energy suitable to perform a given task and reduce the energy required to perform a specific task;
 - “renewable energy system” means a system that is made up of the several different components listed in Part I of the *Seventh Schedule*;

“renewable source” includes wave action, tidal action, biomass, hydrogenic, geothermal, solar, wind and ocean thermal and other energy sources that are naturally replenishing but where the flow is limited.

(5) For the purposes of this Division and Division OG, the terms “energy efficient products”, “renewable energy system” and “renewable energy source” do not include components for the generation of solar water heating systems.

Staff training

37K.(1) With effect from income year 2012, and for a period of 10 years, in calculating the taxable income for an income year of a person carrying on an eligible business, there shall be deducted from the assessable income of that person 150 per cent of the amount actually expended on the training of staff

- (a) in the generation and sale of electricity from a renewable energy source; or
- (b) in the installation and servicing of renewable energy electricity systems or energy efficient products.

(2) The benefits described in subsection (1) may only be granted where the following requirements are satisfied in respect of the eligible business:

- (a) the training must be related to renewable energy systems or the energy efficient products specified in the *Seventh Schedule*;
- (b) the training course shall be approved by the Ministry Responsible for Energy;
- (c) the business is current in the delivery, to the Commissioner, of the return of its assessable income in accordance with section 52;
- (d) the business is current in the payment of income tax, value added tax, land tax and national insurance contributions; or
- (e) the business, though not current, in respect of the payment of income tax, value added tax, land tax and national insurance contributions has entered into an agreement with the Commissioner, the Comptroller of

Customs, the Commissioner of Land Tax or the Board of the National Insurance respectively, to settle outstanding arrears in respect thereof and remains compliant with the conditions of that agreement.

Marketing of products and services

37L.(1) With effect from income year 2012, in calculating the taxable income for an income year of a person carrying on an eligible business, there shall be deducted from the assessable income of that person 150 per cent of the amount actually expended in

- (a) the marketing of products that are for the generation and sale of electricity from a renewable energy source; or
- (b) the marketing of products that are related to the installation and servicing of renewable energy electricity systems or energy efficient products.

(2) The benefits described in subsection (1) may only be granted where the following requirements are satisfied in respect of the eligible business:

- (a) the marketing of products that are related exclusively to the generation and sale of electricity from a renewable energy source; and
- (b) the marketing of products that are used exclusively in the installation and servicing of renewable energy electricity systems or energy efficient products;
- (c) the business is current in the delivery to the Commissioner of the return of its assessable income in accordance with section 52;
- (d) the business is current in the payment of income tax, value added tax, land tax and national insurance contributions; or
- (e) the business, though not current in respect of the payment of income tax, value added tax, land tax and national insurance contributions has entered into an agreement with the Commissioner, the Comptroller of Customs, the Commissioner of Land Tax or the Board of the National

Insurance respectively, to settle outstanding arrears in respect thereof and remains compliant with the conditions of that agreement.

Product development and research

37M.(1) With effect from income year 2012, in calculating the taxable income for an income year of a person carrying on an eligible business, there shall be deducted, from the assessable income of that person, 150 per cent of the amount expended in respect of product development and the conduct of research related directly to

- (a) the generation and sale of electricity from a renewable energy source; or
- (b) the installation and servicing of renewable energy electricity systems or energy efficient products.

(2) The benefits described in subsection (1) may only be granted where the following requirements are satisfied in respect of the eligible business:

- (a) the product development and research is in respect of the generation and sale of electricity, in respect of a renewable energy system or an energy efficient system listed in the *Seventh Schedule*;
- (b) the product development and research is in respect of the installation and servicing of renewable energy electricity systems or energy efficient products;
- (c) the business is current in the delivery to the Commissioner of the return of its assessable income in accordance with section 52;
- (d) the business is current in the payment of income tax, value added tax, land tax and national insurance contributions; or
- (e) the business, though not current, in respect of the payment of income tax, value added tax, land tax and national insurance contributions has entered into an agreement with the Commissioner, the Comptroller of Customs, the Commissioner of Land Tax or the Board of the National

Insurance, respectively, to settle outstanding arrears in respect thereof and remains compliant with the conditions of that agreement.

Division OF

Calculation of Taxable Income: Venture Capital Fund and Renewable Energy and Energy Efficiency

Venture capital fund and renewable energy and energy efficient sectors

37N.(1) With effect from income year 2012, where venture capital funds are invested in the renewable energy sector and energy efficient sector, the funds shall be exempt from the payment of corporation tax for a period of 10 years.

(2) With effect from income year 2012, in calculating the taxable income of a person, there shall be deducted from the assessable income of that person, contributions to venture capital funds where investments are made in the renewable energy sector and energy efficient sector for a period of 10 years.

(3) For the purpose of this section, “venture capital fund” means a fund from which equity financing is provided to business ventures specified by the Minister and on such conditions as the Minister approves; and “venture capital” shall be construed accordingly.

Dividends for shareholders of businesses engaged in installation or supply of renewable energy electricity systems

37O. With effect from income year 2012, dividends earned by shareholders of companies solely engaged in the installation or supply of renewable energy electricity systems or energy efficient products are exempt from withholding tax for a period of 10 years.

*Division OG**Calculation of Taxable Income: Interest earned by Financial Intermediaries in respect of loans to companies engaged in the production of Renewable Energy and Energy Efficient Products***Interest earned by financial intermediaries**

37P.(1) With effect from income year 2012, interest earned by financial intermediaries for financing the development, manufacturing and installation of renewable energy systems and energy efficient products shall be exempt from the payment of tax for a period of 10 years.

(2) For the purpose of this section “financial intermediaries” include banks, credit unions and finance companies.”.

Amendment of section 42 of Cap. 73**7. *Section 42 of the principal Act is amended*****(a) *in subsection (1)***

(i) *by deleting the opening words appearing in paragraph (f) and substituting the following:*

“(f) for income year 2006 to income year 2011”;

(ii) *by deleting the full-stop appearing at the end of paragraph (f) and substituting a semi-colon; and*

(iii) *by inserting immediately after paragraph (f) the following paragraphs:*

“(g) for income year 2012

(i) 18.73 per cent of every complete dollar of taxable income up to and including \$28 700; and

- (ii) 35 per cent of every complete dollar of taxable income above \$28 700;
- (h) for income year 2013 and subsequent years
 - (i) 17.5 per cent of every complete dollar of taxable income up to and including \$35 000; and
 - (ii) 35 per cent of every complete dollar of taxable income above \$35 000.”; and
- (b) *by inserting immediately after subsection (2) the following:*

“(3) The rate of tax of 18.73 per cent is applicable to every individual who has a taxable income of \$28 700 or less in respect of income year 2012 or any part thereof.”.

Amendment of section 48 of Cap. 73

8. *Section 48 of the principal Act is amended by inserting immediately after section 48C the following:*

“Tax incentive for firms listed on the Junior Stock market

48D.(1) With effect from income year 2012, firms which are listed on the Junior Stock market of the Barbados Stock Exchange will be provided with a tax incentive for 10 years specified as follows:

- (a) a 25 per cent tax exemption for the first 5 years of the 10 year period;
 - (b) a 50 per cent tax exemption for the second 5 years of the 10 year period.
- (2) The benefit described in subsection (1) may only be granted where the following requirements are satisfied in respect of the company:
 - (a) the company shall have a minimum of 50 shareholders;

- (b) no single shareholder of the company shall own more than 25 per cent of the shares of the company, and no other shareholder shall own more than 5 per cent of the shares of the company.
- (3) Where any of the conditions referred to in subsection (2) are breached, the company shall repay the Crown all of the taxes in respect of which it was exempted.
- (4) With effect from income year 2012, there shall be an exemption from withholding tax on dividends and other distributions from companies listed on the Junior Stock Market of the Barbados Stock Exchange.”

Amendment of section 75 of Cap. 73

9. *Section 75 of the principal Act is amended by*

(a) deleting subsection (4) and substituting the following:

“(4) Every person required by this section to keep records and books of account shall retain every such record and book of account and every account, voucher or other record necessary to verify such record or book or account shall be kept for a minimum period of 5 years after the end of the relevant income year, until written permission for their disposal is obtained from the Commissioner.”;

(b) deleting subsection (5) and substituting the following:

“(5) Every person required to deliver a return of his assessable income for an income year, as set out in section 52(2)(e) and (f) shall

- (a) keep adequate records for the purposes of this Act; and
- (b) retain every such record, voucher or other record necessary to verify such record

for a period of up to 5 years that commences after the end of the relevant income year before the disposal of the records.”.

Insertion of Seventh Schedule into Cap. 73

- 10.** *The principal Act is amended by adding the Schedule to this Act as the Seventh Schedule.*

SCHEDULE*(Section 10)***“SEVENTH SCHEDULE***(Sections 37I, 37J(3), 37K(2)(a), 37M(2)(a))***PART I***A. Renewable Energy Systems*

1. Solar electric systems.
2. Wind turbine systems.
3. Biogas digesters.
4. Hydro-electric systems.
5. Wave energy systems.
6. Tidal energy systems.
7. Biomass (bio-solid) conversion systems (i.e sugar cane co-generation).

B. Components of Renewable Energy Systems

1. Components of a solar electric system
 - (a) Solar photovoltaic panel;
 - (b) Inverter;
 - (c) Deep cycle battery;
 - (d) Charge controller;

- (e) Combiner box;
 - (f) Solar panel racking (metal frame used to affix photovoltaic panels to the roof).
- 2. Components of a wind turbine system
 - (a) Wind turbine;
 - (b) Inverter;
 - (c) Deep cycle battery;
 - (d) Charge controller;
 - (e) Combiner box.
- 3. Components of a biogas digester to electricity system
 - (a) Bio-digester reaction plant;
 - (b) Biogas collection and storage component;
 - (c) Electricity generation (uses biogas to generate electricity).
- 4. Components of a hydro-electric system
 - (a) water collection and channelling system;
 - (b) electric generator (converts water flow to mechanical and electrical energy).
- 5. Components of a wave energy system
 - (a) wave conversion device (converts wave flow to mechanical energy);
 - (b) electrical generation (converts mechanical energy to electricity).
- 6. Components of a tidal energy system
 - (a) wave conversion device (converts wave flow to mechanical energy);

(b) electrical generation (converts mechanical energy to electricity).

7. Components of a biomass (bio-solid) electricity system (i.e sugar cane co-generation)

(a) Combuster (converts solid fuel to heat);

(b) Generator (converts heat to electricity i.e steam turbine and stirling engines).

(Sections 10(2), 37J(2)(b))

PART II

Energy Efficient Systems

1. Systems whose generic names represent energy efficient products such as compact fluorescent bulbs, window tint or even LED light bulbs.

These systems include:

(a) Window tint;

(b) Compact fluorescent bulbs;

(c) LED lights;

(d) Insulation;

(e) Power and energy monitoring devices;

(f) Energy efficient cookers (induction cookers).

2. More efficient systems

(a) Air conditioners – ‘inverter’ or variable ‘flow’ systems;

(b) Motors – those that have efficiency ratings above those specified by the Ministry Responsible for Energy;

- (c) Ceramic coating (a paint like coating that contains ceramic dust in suspension).”.