

GUIDANCE NOTE

OGC No. 07/2024

Value Added Tax Act, Cap. 87

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| Reference | OGC No. 07/2024 |
| Title | Value Added Tax: the Supply of Electricity |
| Subtitle | Value Added Tax on the Supply of Electricity Rate Reduction |
| Purpose | This guidance note is intended to inform the public of the reduced rate of Value Added Tax ("VAT") with respect to the supply of electricity. It should be read in conjunction with the <i>Value Added Tax Act, Cap. 87</i>, as amended. |

Value Added Tax on the Supply of Electricity

On **September 30, 2024**, the Minister in the Ministry of Finance, Economic Affairs, and Investment, during a parliamentary session, announced an extension of the end date for the reduced Value Added Tax ("VAT") rate of 7.5% on the first 250 kilowatt-hours used by households.

The extension sets the new end date for the abovementioned VAT relief as March 31, 2025, replacing the previous date of September 30, 2024.

To facilitate the implementation of this extension, the Barbados Revenue Authority provides the following guidance:

In accordance with *Section 7* of the *Value Added Tax Act, Cap.87*, (as amended):

- (a) the rate of VAT on the supply of electricity for domestic premises will be reduced from 17.5% to 7.5% on the first 250-kilowatt hours of electricity used; and
- (b) the standard VAT rate of 17.5% will then apply to the supply of electricity in excess of 250-kilowatt hours. In other words, VAT at the rate of 17.5% is imposed on any portion of an electricity bill that is over 250-kilowatt hours.

The rate reduction as described above is effective from 1 October 2024 until 31 March 2025. To give effect to the foregoing, the Barbados Revenue Authority advises that:

Guidance Note: VAT on the Supply of Electricity

Commencement and Ending Date

The reduction in the VAT rate is effective for all electricity bills, in respect of domestic premises, with an issue date of October 1, 2024 to March 31, 2025 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%.

Related Documents

Please note the following:

- (a) Pursuant to the Ministerial Statement of July 2022, effected by the *Value Added Tax (Amendment) Act, 2023*, Policy Note P & F No. 006/2022 ("PN") **applied from August 1, 2022, to September 30, 2023**. It is important to note that the *Value Added Tax (Amendment) Act, 2023* revised the initially stated date in the PN, thereby superseding the PN.
- (b) Policy Note OGC No. 07/2023 **applied from October 1, 2023, to March 31, 2024**.
- (c) Guidance Note OGC No. 03/2024, following the Budgetary Proposals and Financial Statement 2024/25, **applied from April 1, 2024, to September 30, 2024**.

Should you have any queries about this guidance note or require further information, please direct your enquiries to our Contact Centre at [1 \(246\) 429-ETAX \(3829\)](tel:1246429429) or via email at bramail@bra.gov.bb.

**Office of the General Counsel
Barbados Revenue Authority
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