

## **POLICY NOTE**

**POGC No. 007/2023**

**Value Added Tax Act Cap. 87**

### **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 the rate of Value Added Tax ("VAT") on supply of electricity would be reduced from 17.5% to 7.5% on the first 250-kilowatt hours used by households. The standard rate of VAT of 17.5% will then apply to any portion of the bill issued in excess of the 250-kilowatt hours. Following this announcement *Section 7* of the *Value Added Tax ("VAT") Act, Cap. 87* was amended to effect this change, from the 1st day of August 2022 until 30th day of September, 2023.

The Government of Barbados has approved an extension of the abovementioned period for a further six (6) months, which allows the benefit to continue until March 31, 2024. To give effect to this, 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 **October 1, 2023 to March 31, 2024 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%.

**October 2024**

**Policy and Office of General Counsel  
Barbados Revenue Authority**