

**POLICY NOTE**

**POGC No. 002/2023**

**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, for a period, 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. Thereafter, the standard rate of VAT of 17.5% would apply to any portion of the bill issued in excess of the 250-kilowatt hours. The Cabinet has approved an amendment to the Value Added Tax (“VAT”) Act to effect this change, and to extend same for a further period of eight months to September 30, 2023.

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 **August 01, 2022 to September 30, 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%.

**February 2023**

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