

**POLICY NOTE**

**PPG No. 005/2019**

**Income Tax Act Cap. 73**

**Budgetary Proposals 2019**

**Personal Income Tax (PIT)**

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

*“...Effective July 1, 2019, the first tax band will be \$50,000 at a rate of 12.5% ... the second tax band is on taxable income over \$50,000 which is charged a rate of 33.5%...”*

*“...As of January 1, 2020, the rate of 33.5% on taxable income over \$50,000 will drop to 28.5%...”*

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

**Commencement Date and Rates of Tax**

Effective July 1, 2019 the following rates will apply to Personal Income Tax:

<b>Taxable Income</b>	<b>Rate of Tax</b>
Up to and including \$50,000	12.5%
Over \$50,000	33.5%

Effective January 1, 2020 the following rates will apply to Personal Income Tax:

<b>Taxable Income</b>	<b>Rate of Tax</b>
Up to and including \$50,000	12.5%
Over \$50,000	28.5%

**Example 1:**

An individual who earns \$100,000 for income year 2019 with no other income and who only claims the personal allowance of \$25,000, his **annual tax** will be calculated as follows:

Table 1 represents tax computed for January to June 2019

Old Tax Rates Applied to the First 6 Months of Income Year 2019			
January - June 2019			
	Income (BDS\$)	Tax Rate	Tax Total (BDS\$)
<b>Assessable Income</b>	50,000.00		
Personal Allowance of (6/12) of first 25,000	(12,500.00)		
<b>Taxable Income</b>	37,500.00		
<b>First Tax Band:</b> First 0-35,000 of taxable income	(17,500.00)	(6/12) months at 16%	2,800.00
	20,000.00		
<b>Second Tax Band:</b> Next 15,000 of taxable income	7,500.00	(6/12) months at 33.5%	2,512.50
	12,500.00		
<b>Third Tax Band:</b> Remaining taxable income	(12,500.00)	(6/12) months at 40%	5,000.00
	-		<u>10,312.50</u>

Table 2 represents tax computed for July to December 2019

New Tax Rates Applied on the Remaining 6 Months of Income Year 2019			
July - December 2019			
	Income (BDS\$)	Tax Rate	Tax Total (BDS\$)
<b>Assessable Income</b>	50,000.00		
Personal Allowance of (6/12) of first 25,000	(12,500.00)		
<b>Taxable Income</b>	37,500.00		
<b>First Tax Band:</b> First 0-50,000 of taxable income	(25,000.00)	(6/12) months at 12.5%	3,125.00
	12,500.00		
<b>Second Tax Band:</b> Remaining taxable income	(12,500.00)	(6/12) months at 33.5%	4187.50
	-		<u>7,312.50</u>

When compared to Table 1, Table 2 shows that the taxpayer will pay (\$10,312.50 – \$7,312.50) **\$3,000.00 less in taxes per year.**

**Example 2:**

An individual who earns \$100,000 for income year 2020 with no other income and who only claims the personal allowance of \$25,000, his **annual tax** will be calculated as follows:

**Table 3 represents tax computed for Income Year 2020 (January - December 2020)**

<b>New Tax Rates Applied on the Remaining 6 Months of Income Year 2019</b>			
<b>January 1, 2020</b>			
	<b>Income (BDS\$)</b>	<b>Tax Rate</b>	<b>Tax Total (BDS\$)</b>
<b>Assessable Income</b>	<b>100,000.00</b>		
Personal Allowance of 25,000	<b>(25,000.00)</b>		
<b>Taxable Income</b>	<b>75,000.00</b>		
<b>First Tax Band:</b> First 0-50,000 of taxable income	<b>(50,000.00)</b>	<b>at 12.5%</b>	<b>6,250</b>
	<b>25,000.00</b>		
<b>Second Tax Band:</b> Remaining taxable income	<b>(25,000.00)</b>	<b>28.5%</b>	<b>7,125.00</b>
	<b>-</b>		<b><u>13,375.00</u></b>

**Comparison of tax payable in income year 2020 with the new rates, with the tax payable using the rates in effect at the beginning of Income year 2019**

Tax payable in income year 2020 at 12.5% and 28.5%	\$13,375.00
Tax payable with old rates of 16%, 33.5% and 40%	<u>\$20,525.00</u>
Reduction in Income Tax Payable in income year 2020	<u><b>\$ 7,250.00</b></u>

**Conditions**

- Effective July 1 2019, employers are required to adjust their payroll to ensure that the correct taxes are deducted from wages and salaries.
- The tax deducted or withheld each month is to be paid to the Revenue Commissioner on or before the 15th day of the following month.

**Note:**

- a) Employers and employees are reminded that effective July 1, 2019 the 40% rate is discontinued.
- b) Taxpayers and employers are advised that with effect **from Income year 2019** the child allowance **will no longer** be granted.

Therefore, any person who filed a declaration with their employer claiming the child allowance must **file a revised declaration excluding** the child allowance so that the correct deductions can be made from their emoluments.

**Administration**

Personal Income Tax will be administered through the Tax Administration Management Information System (TAMIS).

**Policy and Planning**

**Barbados Revenue Authority**

**April 2019**