

POLICY NOTE
OGC No. 002/2026
Income Tax Act Cap. 73
Budgetary Proposals 2026

Reference	OGC No. 002/2026
Title	Compensatory Income Credit
Subtitle	Increase in income limit from \$35,000 to \$50,000
Purpose	This policy note is intended to inform the public that with effect from Income Year 2025, the income limit for persons entitled to the Compensatory Income Credit has been increased from \$35,000 to \$50,000.

Compensatory Income Credit – Increase in Income Limit

On Monday, March 16, 2026 the Honorable Minister of Finance Ryan Straughn M.P, announced during the Budgetary Proposals and Financial Statement for the financial year 2026/2027, that

“...with effect from income year 2025, ...the income limit for the Compensatory Income Credit (CIC) will increase from \$35,000 to \$50,000...”

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

Commencement

The increase in the income limit for the Compensatory Income Credit (CIC) from \$35,000 to \$50,000 is applicable to **income year 2025** and subsequent years.

Conditions

- The CIC is a credit of a maximum of \$3,125.00 for income year 2025. Individuals who pay taxes during the income year will be refunded up to a maximum of the tax they paid. It should be noted that with effect from income year 2026, the CIC credit will be a maximum of \$2,875.00. This is due to a reduction of the personal income tax rate from 12.5% to 11.5% up to the first \$50,000 of taxable income.
- The CIC is applicable to individuals who are resident in Barbados for tax purposes.
- Individuals will be eligible for the credit upon filing their Personal Income Tax (PIT) return.
- Individuals who earn \$25,001 up to a maximum of \$50,000 annually will be entitled to the CIC.

Example 1

An individual earning \$50,000 during income year 2025 will have taxable income of \$25,000, which is taxed at 12.5%. The tax payable on this amount will be \$3,125 which is deducted by his employer. On filing his return, the taxpayer would receive a credit and a refund of \$3,125 as calculated in the table below:

Income Year 2025	\$BDS
Taxable Income	25,000.00
Tax payable before Compensatory Income Credit	3,125.00
Compensatory Income Credit	3,125.00
Net Tax Payable	0.00
Tax Paid	3,125.00
Refund Due	3,125.00

Example 2

An individual earning \$45,000 during income year 2025, will have taxable income of \$20,000. Such individuals will receive a credit of \$2,500 and a refund of the same amount as detailed below:

Income Year 2025	\$BDS
Taxable Income	20,000.00
Tax payable before Compensatory Income Credit	2,500.00
Compensatory Income Credit	2,500.00
Net Tax Payable	0.00
Tax Paid	2,500.00
Refund Due	2,500.00

Note:

The following are not entitled to the Compensatory Income Credit:

- a) self-employed persons;
- b) persons in receipt of income from goods and services;
- c) directors of companies.

Administration

- The increase in the income limit for the Compensatory Income Credit will be administered through the Tax Administration Management Information System (TAMIS).
- The increase in the income limit for the Compensatory Income Credit will be part of the **2025 Income Tax return**, which is to be filed on or before April 30, 2026.
- **Employers are reminded that they must deduct and remit PAYE to the Barbados Revenue Authority, for all persons employed, whose income is greater than \$25,000 annually or \$2,083.33 monthly or the equivalent, even if the individual is still entitled to the CIC.**

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

**Office of the General Counsel
Barbados Revenue Authority
April 2026**