

GUIDANCE NOTE

OGC No. 03/2024

Value Added Tax Act, Cap. 87

Budgetary Proposals and Financial Statement 2024/25

Reference	OGC No. 03/2024
Title	Value Added Tax: the Supply of Electricity
Subtitle	Value Added Tax on the Supply of Electricity
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, as amended.</i>

Value Added Tax on the Supply of Electricity

On Monday, 18 March, 2024, the Honorable Prime Minister and Minister of Finance and Economic Affairs, Culture, Security and the Public Service, Mia Amor Mottley, S.C, M.P, delivered the Budgetary Proposals and Financial Statement for the financial year 2024/2025.

The following is applicable in respect of the supply of electricity in Barbados:

- (a) rate of Value Added Tax (“VAT”) on the supply of electricity for domestic premises will be reduced from 17.5% to 7.5%¹ on the first 250-kilowatt hours of electricity used; and

¹ NOTE: The typographical and verbal error regarding the applicable reduced rate of VAT, mentioned in the Budgetary Proposal and Financial Statement 2024/25, will be corrected in the legislative process.

Guidance Note: VAT on the Supply of Electricity

- (b) standard rate of VAT 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 April 2024 until 30 September 2024.

To give effect to the foregoing, the Barbados Revenue Authority advises that:

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 **April 1, 2024 to September 30, 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%.

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
April 2024**