FISCAL INCENTIVES FOR MANUFACTURING ENTERPRISES

BENEFITS UNDER FISCAL INCENTIVES ACT

The Fiscal Incentives (Amendment) Act (2001) provides a maximum 15-year tax holiday to any manufacturer of an approved product, provided that the company is :

- manufacturing an approved product (i.e. a product declared by Order of the Minister for manufacture by an approved enterprise but does not include a product specified in the **First Schedule** or a product of an established industry);
- an Enclave Enterprise (manufacturing exclusively for export outside of CARICOM); or
- highly capital intensive.

Enterprises qualifying for fiscal incentives may fall within one of five classifications:

Classification	Criterion	Tax Holiday
Group I Enterprise	Local value added is ≥ 50%	15 years
Group II Enterprise	Local Value Added is ≥ 25% but < 50%	13 years
Group III Enterprise	Local Value Added is ≥ 10% but < 25%	11 years
Enclave Enterprise	Enterprise produces exclusively for export to countries outside of CARICOM	15 years

Benefits include exemption from customs duties on equipment, spare parts, and raw materials from outside CARICOM. Dividends and other distributions to shareholders are also exempt from the payment of income tax during the tax holiday. Non-resident shareholders liable to tax in their country of residence are subject to Barbados withholding tax at a lower rate.

Applying for Fiscal Incentives

Manufacturers who wish to qualify for benefits under the Fiscal Incentives Act should submit an **Application Form** to the Ministry of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce. Following receipt of the completed application form (along with **supporting documents and reports**) the BIDC will conduct an interview with the prospective investor before preparing an analysis for the Minister's consideration. (Space appl.& Environmental forms)

The Fiscal Incentives (Amendment) Act, 2007 provides for a five-year extension of benefits contingent upon new investment by an approved enterprise or the provision of a new regime of benefits based on the production of new products. To qualify for the five year extension, the approved enterprise under Section 11A of the Act, must have invested in equipment or technology or innovation methods of production and management amounting to $1 million or more during a three year period prior to application for the extension. To qualify for the new regime of benefits (up to 15 years) the approved enterprise, under Section 11B of the Act, must prove that it intends to manufacture or is engaged in the manufacture of a new product that qualifies for approval.

Completed **Application Forms** should be submitted to the Barbados Investment and Development Corporation.

An approved enterprise whose period of tax holiday expired on or before the commencement of the Amended Act is still eligible to apply for an additional five-year tax holiday, where the enterprise meets the requirements set out in Section 11A or 11B of the Act.

INCENTIVES FOR EXPORTING ENTERPRISES

Export Allowance

Enterprises not obtaining benefits under the Fiscal Incentives Act and generating export profits (other than from exports within CARICOM) may receive an Export Allowance under the Income Tax Act, expressed as a rebate of corporation tax (between 35-93%) on profits. The maximum rebate of 93 % applies if more than 81 % of an enterprise's profits result from extra-regional exports. Enterprises are entitled to a rebate of Corporation Tax on profits as follows:

Export Profits as a % of total profits	Rebate of Income Tax as a % of income tax on export profits
Up to 20	**35**
21-40	**45**
41-60	**64**
61-80	**79**
81 and up	**93**

The Export Development Allowance permits a company to deduct from taxable income an additional 50% of what the company spends in developing export markets outside CARICOM.

Export Credit Insurance Scheme

The Export Credit Insurance Scheme was established to promote and facilitate the growth of Barbados' manufactured exports. This Scheme provides insurance cover against losses as a result of the non-payment for Barbadian exports by foreign buyers. The Scheme offers a number of facilities and is administered by the Central Bank of Barbados.

Enhanced Credit Guarantee Scheme

The Central Bank of Barbados provides additional support to exporters through the **Enhanced Credit Guarantee Scheme** under the following terms:

Any credit institution desirous of participating in the Scheme may apply to the Central Bank to do so and, upon approval, provide credit facilities to eligible borrowers.

The borrower may be an individual, partnership, a corporate body, or an association of individuals, and must have the ability to contract loans and other credit facilities. To qualify the borrowers must meet the following criteria:-

(a) The enterprise must be in the foreign exchange earning sectors, or be a direct supplier to an enterprise earning foreign exchange.
(b) Sales in foreign currencies must be at least 75% of gross revenue, or at least 75% of gross revenue must be supplied to enterprises earning foreign exchange.

Under the scheme:

- Credit facilities to be guaranteed shall be the net amount of new credit advanced to the enterprise.
- The maximum amount of credit facilities to be guaranteed shall not exceed 80% of the loan from the credit institution or Bds$2.0 million, whichever is lower.
- Guarantees may be provided for working capital facilities up to a maximum maturity of three (3) years.
- Guarantees for medium-term facilities may be provided up to a maximum of ten (10) years.
- Credit facilities which may be guaranteed include demand loans, term loans, overdraft, discounts, letters-of-credit, acceptances, payment guarantees, tender bids and contract bonds.

Export Finance Guarantee Scheme

The Export Finance Guarantee Scheme is designed to remove the laborious systems involved in accessing financing for exporters fulfilling the production of goods for export. The Scheme covers both pre and post-shipment costs and

evidence of a firm contract or agreement of sale with a foreign buyer is required. This Scheme is offered by the Central Bank of Barbados.

Export Rediscount Facility

The Central Bank has sponsored this facility to assist in the promotion of non-traditional exports from Barbados. The Facility will allow exporters to obtain export finance at minimum cost. All commercial banks operating in Barbados which maintain a reserve account with the Central Bank of Barbados are eligible to participate. All exporters who possess bills receivable for the exportation of non-traditional goods, wholly or partially manufactured in Barbados, are eligible to participate in the Facility. The Central Bank reserves the right to impose discount limits for individual exporters. Only bills with credit periods not in excess of 180 days will be considered for rediscount. Advances against sight bills will be considered upon request.

Export Certification Services

The Exports Promotion Division of the BIDC is the Certification Authority for all Trading Agreements with the exception of Lomé (Cotonou).

The Barbados Customs undertakes the certification role under this agreement.

The agreements certified by the Division are:

1. The Caribbean Community and Common market (CARICOM)
2. The Caribbean Basin Recovery Act (CBI)
3. CARICOM/Venezuela
4. CARICOM/Colombia
5. CARICOM/Dominican republic
6. The Commonwealth Caribbean and Canada (CARIBCAN)
7. Generalized System of Preferences (16 countries plus EEC) – GSP
8. CARICOM/Cuba

During the certification process all Certificates of Origin are signed by the authorized officers and the BIDC stamp is affixed, confirming that the declaration given by the exporter that the goods identified were produced in Barbados and that they comply with the provisions governing the determination of origin is correct.

FIRST SCHEDULE
PRODUCTS EXCLUDED FROM DEFINITION OF APPROVED PRODUCTS

Aerated waters
Automobile mufflers (not produced as part of an integrated automobile exhaust system)
Bakery products
Beer
Brushes and mops
Cardboard boxes
Cigarettes
Clocks
Coir products, mats and matting
Concrete blocks
Concrete pipes (non-asbestos)
Concrete tiles
Copra
Corrugated cardboard containers
Drinking straws
Edible oils and fats from copra
Handicraft items
Hats and caps
Hollow ware (aluminium)
Mattresses
Nails
Paper bags
Phonograph records
Plastic film
Popcorn
Printing
Rum
Shirts and knitted underwear
Stationery (other than continuous business forms)
Syrups
Tissue paper products
Tubular furniture (aluminium)
Twine
Umbrellas
Window frames (aluminium)