

**Good Afternoon. Today the Cabinet of Barbados made a decision that will give effect to several positive changes to our International Business and Financial Services sector.**

**However, in order for me to paint a picture of the future, I need to take you on a journey back in time. This journey began many years ago when our forefathers, most notably the late Tom Adams, understood clearly that an economy in a heavy import country such as ours cannot be upheld solely by the sale of cane sugar. It was also clearly understood that Tourism was not enough in and of itself. And so the concept of attracting corporate entities from other countries to ply their businesses here in Barbados was born and developed.**

**This design had, and still has at heart, a network of double taxation treaties and bi-lateral investment treaties which were fostered with many countries both within and outside the CARICOM region. Barbados, therefore, became a very attractive place to do business because of our treaty network, wonderful climate, stable political system, educated workforce, good telecommunications and reliable justice system. This sector quickly became the sector that made a sizable contribution to our intake of foreign currency and grew to be responsible for approximately 70% of Barbados' corporate tax revenue.**

**The sector is so structured that, among other things, those international businesses are presently prohibited from offering their goods and services to the local market. They are licensed through the International Business Unit of the Ministry of International Business and Industry and have available to them certain economic and tax incentives which are all protected by legislation and designed to encourage businesses of quality and substance to our shores.**

**In the more recent past, the then Owen Arthur led Administration took the lead in the fight to preserve this critical sector against the Organization for Economic Cooperation and Development (OECD). This Paris based organization sets international standards on fair taxation, and demands that countries, especially those with international financial services sectors like ours, comply with those standards or face negative action, commonly known as black-listing. I am deliberately taking us as a country along this journey to illustrate clearly for you how and why we are where we are and to provide you with context so that you will appreciate where we are going.**

**Let me state that Barbados has no issue with good international taxing standards and principles, but what we do have an issue with is how this was done and the time frame within which changes are required to be made.**

**In 2017, through a Programme called BEPS (Base Erosion and Profit Shifting), particularly Action 5 of that Programme, Barbados' International Business Sector was reviewed. Specifically, nine pieces of our suite of legislation were reviewed against the criteria of the BEPS Programme and found to be in need of amendment or abolition altogether. Put differently, a number of our regimes were deemed to be potentially harmful.**

**It is here that I must state that, clearly, the last administration dropped the ball and my predecessor failed in a number of respects.**

**Firstly, he, and by extension the then Prime Minister and the entire former administration, failed to engage you, our fellow Barbadians, on this matter to ensure that there was a national understanding that our very way of life was under**

**severe threat. He, and his government, failed to mount any serious and robust response to the conclusions drawn concerning our regimes. And it must be understood that this BEPS programme has been, and is, affecting almost all countries which are engaged in the provision of international business and financial services. And he also failed to tackle head-on, at an early stage, the near impossible timeline of making legislative changes by December 31<sup>st</sup> this year.**

**What made it worse was that my predecessor, Mr. Donville Inniss, by various letters, made National commitments to the OECD, that Barbados would make changes to our legislation by December 31<sup>st</sup> 2018, a timeline imposed by the OECD (and monitored by the European Union) without any Cabinet approval and without keeping you our citizens informed. And then, even when his error was realized, the Democratic Labour Party at one of its last Cabinet meetings prior to the May 2018 General elections, approved and endorsed the commitments made by Mr. Inniss. This was clearly a decision taken to bind a future government while keeping the people of Barbados in the dark.**

**But Barbados has always been bold and resilient; and even as the former Administration was casually and disjointedly handling, or perhaps not handling, the serious issues facing the sector and thereby, the economy, the private sector stepped up to the plate and a collaboration was formed between the Ministry and the Barbados International Business Association (BIBA). And so in February of this year, BIBA, on its own initiative, formed a Task Force, chaired by now Special Advisor to the Government of Barbados, Mr. Ben Arrindell. That Task Force filled the breach and, on July 31<sup>st</sup> this year, in record time almost, provided to the now Prime Minister the Hon. Mia Mottley and the Minister of International Business and Industry, a detailed and comprehensive report containing**

**a myriad of recommendations on how Barbados should go about solving its BEPS' problem.**

**My Ministry, through the International Business Unit, has been working closely with the Task Force and many other Government agencies, Ministers and individuals, and engaging the OECD's Forum on Harmful Tax Practices' Secretariat weekly, for months, to finalize Barbados' Response.**

**I am conscious that our International Business Sector has been waiting to hear exactly what Barbados is doing. I want to publicly thank you for your patience and your commitment to remain with us as you play your vital part in contributing to the growth of our Nation while maintaining a healthy viable industry.**

**I will now outline for the country most of the new measures to which Cabinet has agreed. Of course, the administrative details will be made public in the coming weeks. Cabinet, as I said, has therefore agreed on the following:**

- 1) Effective December 31<sup>st</sup> 2018 the International Business Companies Act will be abolished and my Ministry will not issue any new IBC licences.**
- 2) The Societies with Restricted Liability Act will be amended to remove references to International Societies with Restricted Liability and so from December 31<sup>st</sup> my Ministry will not issue any new ISRL licences.**
- 3) Effective January 1<sup>st</sup> 2019, all IBCs and ISRLs will automatically by operation of law become Regular Barbados Companies and Societies. Those IBCs and**

**ISRLs that qualify for grandfathering are entitled to be so grandfathered until June 30<sup>th</sup> 2021.**

- 4) This will make it possible for all companies and societies to be able to conduct business locally, regionally and internationally.**
  
- 5) Effective January 1<sup>st</sup> 2019, all those entities (former IBCs and ISRLs) which earn 100 % of their income in foreign exchange will be entitled to receive a Foreign Currency Permit, granted by my Ministry, which will afford them practically the same benefits they presently enjoy. Therefore those entities (IBCs and ISRLs) are encouraged to submit their renewals as normal. My Ministry will be advising you shortly on the transitioning process which will be made as smooth and as seamless for you as possible.**
  
- 6) The Exempt Insurance Act will be repealed and the Insurance Act will be amended to remove the provisions for the entities known as Qualified Insurance Companies. Consequently, all Insurance entities will now fall under the Insurance Act.**
  
- 7) The Insurance Act will now provide for three Classes of licenses: Class 1 would include Captives which will pay a licence fee and be zero taxed. Further details on this will be forthcoming. Class 2 would include all other insurance companies which insure and reinsure risk of third parties and will be taxed at the normal rate. Class 3 will include brokers, managers and the like and will also be taxed at the normal rate.**

**8) The International Financial Services Act (IFSA) will be repealed and the Financial Institutions Act (FIA) will be amended to create a new part which will make provision for those institutions conducting business which generate solely foreign currency (Foreign Currency Earnings Banks) to be licensed. The companies formerly regulated under the International Financial Services Act will now come under the Financial Institutions Act. There will now be four classes of licences under the Financial Institutions Act: Class 1 – Commercial Banks; Class 2 – Trust Companies, Finance Companies, Merchant Banks and money or value transmission service providers; Class 3 – Financial Holding Companies and Class 4 – Foreign Currency Earning Banks.**

**9) The Shipping Act will be amended removing two sections that constituted ring fencing but the Ministry is presently working on new Legislation.**

**10)The International Trust Act will be renamed the Trusts (Miscellaneous Provisions) Act and will remove all elements of ring-fencing. The opportunity will be taken to make improvements to our trust regime as well, and those will be made known shortly as well.**

**These are but some of the changes that will be coming and these that I have highlighted will be effective January 1<sup>st</sup> 2019. Other changes are coming shortly thereafter such as amendments to our Foundations Act.**

**The above changes represent the fact that this Government took the bold decision that, despite being put in a position we would never have chosen to be in, we would defend the**

**integrity of Barbados. We will comply with our international commitments and we will do so on time.**

**To this end we have secured the services of experienced draftsmen, dedicated to working exclusively on these pieces of legislation, to lend aid to the Chief Parliamentary Counsel's office to ensure that we meet our deadline. Indeed, the work has already commenced.**

**We have in essence been forced by the irresponsibility of the last Government to overhaul our entire corporate tax system, one that has developed over the past thirty years.**

**It is not an easy task. We are still finalizing the details and working with the industry and teams across Government and the Central Bank to make sure that it works.**

**However, I can confirm that we will be compliant with the OECD and EU requirements at the end of this year. It is not that we hope to be, or that we speculate that our negotiations will go well. We will be compliant. This involves taking the bold step of removing the distinction between offshore and on-shore corporation tax.**

**I can also assure the entire business community that the rates at which all companies will pay corporation tax, which the Prime Minister will announce in a few days will be internationally competitive. There will be a few tax bands determined by the level of corporate profits.**

**There will be tax convergence, i.e. no more distinction between off-shore and on-shore. With this bold step Barbados becomes more competitive internationally.**

**Those entities that hold the Foreign Currency Permit will enjoy the existing ancillary benefits including things such as Exchange Control, Stamp Duty and the like – these details will also be announced shortly.**

**The issue of Grandfathering and the Government Guarantees will also be dealt with in-depth in the coming days. I give the assurance that companies will not be disadvantaged but an environment will be fostered to see Barbados be that global hub of business.**

**To achieve this, it will take all of us. Not only corporate Barbados, but every citizen, as we change our way of thinking and our way of doing business. Barbados must and will become global.**