

Address by the Honourable Ronald Toppin
Minister of International Business and Industry
International Business Week Conference, Embrace the
Opportunities
Sir Lloyd Erskine Sandiford Centre
“Riding the Curl.....Future Forward”, October 25th 2018

President of the Barbados International Business Association (BIBA), Ms. Julia Hope, CEO of BIBA, Mr. Henderson Holmes, other members of the Board of BIBA, Permanent Secretary in the Ministry of International Business and Industry, Ms. Sonia Foster, Members of the Media, Ladies and Gentlemen, Good morning

It is indeed a great honour to stand before you this morning to deliver the feature address, **Riding the Curl.....Future Forward**. I am honoured because I am truly humbled by the opportunity to play a part in the refashioning of the International Business sector brought about by this season of change. I have no doubt that, in time, the country will reap the benefits of the transformation in the sector that we are now contemplating. We are, together, writing history; a history that I am sure we will look back on with a sense of pride and accomplishment.

A pre-Socractic Greek philosopher is quoted as having said, “The only constant in life is Change.” And the International Business sector over the last 50 years has undergone change as a result of a myriad of factors. Changing international regulatory standards, changes in domestic legislation of treaty partners,

protocols to treaties as a result of noted treaty abuse signalled by treaty partners, the emergence of new products and services and dwindling trade preferences reducing access to certain markets, are but some of the factors which have occasioned change to the Barbados international business product.

The dynamic nature of this sector is such that change has become part and parcel of international business, and you practitioners, as well as the regulators, keenly understand that for Barbados to remain relevant as an international financial centre, a certain agility and proactivity are necessary in order for the country to successfully ride the waves of change.

The Barbados international business model was conceptualised out of a necessity for diversification of the Barbadian economy. The leaders at the time took a deliberate strategic approach to create a services sector which, at its core, revolved around the country's greatest asset, its people, and the value that they could add to any enterprise. Unique tax benefits were weaved into the fabric of an incentivised regime buttressed by a network of double taxation agreements and bilateral investment treaties, so designed to attract the foreign investor on the look-out for creative ways of optimising global business strategies.

I daresay that some of us have seen the progress of this sector from its early developmental phase. Some of you may have been around to witness and benefit from the sector during its growth phase. Judging by the number of youthful faces I see in this audience, I'm guessing that many of you may have joined

the sector in this current phase, where it has become clear that unique tax benefits alone, characterised by some as “artificial contrivances”, can no longer guarantee this sector’s valuable contribution to the national economy.

Change is never easy; in fact it can be downright scary. I’m sure we all have that friend that we have not seen for the last 10 years who will tell the same story irrespective of what may be occurring in his or her life. “Everything is the same”, they say, “nothing new”. This rhetoric makes this friend feel secure. To say anything different would take them out of their comfort zone.

However many business people and sportspersons at the top of their game will often tell you that it’s better to make changes, or reengineer products, while they are at their peak; before they reach the decline phase. Surfers tend to refer to “bailing out of a wave” as having a “get-out-of-jail-free card”. On the website surfertoday.com, an unknown author states, “Sometimes you just got to bail. Whether a wave isn’t working for you and you want to stay outside to line up for a new set, or there’s an obstacle on your line you need to manoeuvre around to avoid, there comes a time when you need to know how to cut a ride short safely and fluidly.”

While in surfing, decision-making may be based on the surfer’s level of skill, experience, current environmental conditions, and even the distance from the hospital; by and large it is still largely intuitive. However, we in the international business sector still have some measure of control over where we

want our sector to take us, of course taking into account all those factors that impact on the decisions we make.

I believe the moment of truth has come for our sector. The time for us to reposition ourselves, as safely as is possible and line up for the new set. The time has come for us to ask some tough questions and craft solutions based on our specific circumstances, our expertise, and our dreams. To do this we should ponder on how we define Barbados as a global business and financial services centre? Ask, Is this how we want to be defined? If no, then what do we want to look like? How do we want to transform ourselves to become a newer version? How will we use technology to enable us to provide quality services to the rest of the world? How will we allow innovation to play a key role as an engine for growth in this transformation? How do we retain the skills of our highly trained citizens? At the centre of this reflection we must be very clear on the ideals that we as a sector, and by extension a country, want to pursue.

This Government has always touted the importance of the international business sector to the economy and has pledged to protect it against threats to its sustainability. Indeed, Mission Critical 4 as outlined in the Government's blueprint for Barbados, sets out key action items relative to the Financial Services Sector for immediate attention.

Since assuming office, the Honourable Prime Minister, Mia Mottley, has time and time again endorsed a vision for Barbados as a global business centre, symbolised by excellence, attracting quality businesses of substance, producing high-value goods and

services for export and well respected by all. We are fully cognisant that, in order to achieve this, we must take a holistic view of the framework for business and make necessary changes.

This has already started with the work being carried out on the Barbados National Action Plan as it relates to the strengthening of the legal and administrative systems in place to prevent and combat money laundering, in line with the Financial Action Task Force's (FATF) standards.

The International Business Unit is involved in this process as well and we implore you in the sector to continually upgrade your systems and, thereby, remain abreast of obligations for compliance. There are also efforts underway to consolidate information technology functions of key registration and licencing departments to create much needed efficiencies to facilitate the conduct of business in Barbados.

This brings me to **OUR** work as it relates to Action 5 on Harmful Tax Practices of the Organisation for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) project. I am pleased to say, "our work", for, to date, Barbados' progress as it relates to commitments to bring our incentivised regime in line with the agreed OECD standard, must be attributed to the extraordinary public-private partnership which has been nothing short of phenomenal, given the tight deadlines imposed upon us.

I wish at this juncture to publicly thank the BIBA Task Force chaired by Mr. Ben Arrindell, and the Regulatory Authorities, for

the tremendous effort that has so far gone into developing the proposals that were last week endorsed by the Forum on Harmful Tax Practices (FHTP) during a meeting on October 16th. After presenting proposals for legislative amendment of the regimes in question, the FHTP encouraged Barbados to continue work on completing legislative amendments by December 31st, 2018 and to report back to the FHTP in early January 2019. Going forward, we will need all hands on deck in order to meet these commitments and I am confident that we can do it.

Since assuming responsibility this year for the Ministry of International Business, I have had the privilege (if you want to call it that) of having to dive head-first into what I could liken to the vast ocean of international tax. But I also consider myself rather fortunate to have been on the receiving end of several expressed views and theories on the real benefits of the OECD BEPS process.

Despite the real challenge that committing to BEPS has brought about, I invite you, if you haven't already done so, to consider and possibly embrace the following opportunities that BEPS has created, and is likely to create in the future:

Firstly this process has given us cause to examine the excess reliance on tax incentives and subsidization, as enablers of economic activity. International centres like ours must be aware that over reliance on such factors can lure us, both policy-makers and practitioners, away from the real value that economies like ours can add to business enterprise. It is imperative that serious effort be spent on reinvigorating and

diversifying Barbados' offering of weightless services. And I speak here directly of the development of indigenous capacity, driven by innovation and technology that will be necessary in order to create businesses of substance.

Secondly the BEPS process has re-emphasised the importance of State-to-State relationships and the cooperation between states that is necessary to promote effective tax and other information exchange practices. We must never be seen as turning a blind eye to the real concerns of other States; experience has taught us time and time again that no man is an island.

Barbados' commitment to implementing Action 5 of the BEPS project, as well as the ongoing economic recovery transformation programme, have caused us to critically examine our systems with a view to understanding how they contribute to Barbados' overall competitiveness or the lack thereof, and improving them.

It is under this rubric that I want to indicate and highlight some of the changes that, subject to the approval of Cabinet, will be soon implemented as we transition from an International Business Sector mindset to a Global Business ethos.

It is proposed that the Foreign Currency Earnings Credit will be abolished and that Barbados will be moving to a regime which will see the convergence of tax across all business entities. The details are still being assessed and various modules are currently being run. What I can state is that the new rate will remain

competitive and ensure that those international businesses which are here will continue to benefit from certain incentives.

I also have to announce that as of December 31st 2018, the Ministry of International Business and Industry, through its International Business Unit, will cease to issue International Business Company licenses and International Societies with Restricted Liability licenses. This will, in effect, close off these regimes as the IBC Act will be repealed and the SRL Act will be amended to give effect to the end of new International Societies.

A new regime will be rolled out in January 2019 which will seek to maintain, as far as possible, the current benefits to the industry. Again, the details will be taken to Cabinet, hopefully, next week. What I will say is that, shortly, we will be announcing the nuances of the transition process and two new vehicles that will be used to traverse this global arena.

Action 5 of BEPS has afforded Barbados the opportunity to critically examine important aspects of our ease of doing business and, so, the response thereto is not only to address BEPS concerns but to enhance and improve areas such as the use of technologies, and improvements to our regulatory regime, the Companies Act and the Foundations Act, to name a few.

Barbados' position brings to mind the image of David, with the mammoth task before us being that of conquering Goliath. Let me state categorically that Barbados is positioned to be triumphant over this Goliath and achieve the necessary legislative

amendments by the deadline of December 31st 2018. We are nimble, skilled and strategic enough to accomplish our mission.

To this end Barbados will be represented by the Director of International Business and the Special Adviser to the Ministry of International Business at the extra-ordinary meeting of the Forum of Harmful Tax Practises (FHTP) during the period January 7th and 8th 2019 to provide the final update on our progress. The European Union is monitoring our progress by way of the reports issued by the OECD through its FHTP and, therefore, we do not expect or anticipate any negative listing by the European Union.

My final comment on this aspect of our international monitoring is to reiterate elements of a statement I released last week. The OECD published an article relative to the avoidance of the Common Reporting Standard (CRS) by individuals who seek to exploit citizenship by investment schemes. Barbados' High Net Worth Individual (HNWI) Special Entry Permit (SEP) regime was identified as one which poses a potential threat. That article was NOT a blacklist and Barbados has NOT been blacklisted by the OECD. I also categorically re-enforce that Barbados never had and does not have a citizenship by investment programme.

In closing, I wish to encourage you to embrace the opportunities presented to us to improve Barbados' international business product. I am buoyed by the determination and partnership I have witnessed first-hand in developing solutions to the challenges faced. I am of the belief that the sector can continue to drive growth and contribute positively to the Barbados economy. Question is, are you willing to ride this curl?