

Address by the Honourable Ronald Toppin
Minister of International Business and Industry
Consultation for Service Providers
The Savannah Hotel
June 28th 2019

Director of International Business, Mr. Kevin Hunte, Deputy Director, Mr. Robert Folkes, Int'l Business Unit Staff, Corporate and Trust Service Providers, Members of the Media, Ladies and Gentlemen, Good Morning!

It is with great pleasure that I address you this morning, especially at a time when this sector is fluid and changing rapidly. While Barbados remains an attractive and mature centre for global business and financial services, it is imperative that we meet the international obligations as framed by the International Standard Setting Agencies such as Organisation for Economic Co-operation and Development, Caribbean Financial Action Tack Force, International Monetary Fund, etc.

Therefore, stakeholders, practitioners and regulators should have a thorough understanding of the elements that keep Barbados compliant as an international business and financial services centre. We must be aware of the commitments that Barbados has made to introduce legislative

amendments to address potentially harmful features of Barbados' regimes outlined by these agencies and the implications of not implementing these changes.

Action 5 of the OECD Base Erosion and Profit Shifting (BEPS) constructed under the OECD Forum on Harmful Tax Practices (FHTP), has afforded Barbados the opportunity to critically examine important aspects of the international business sector. Through the FHTP review process, nine of Barbados' regimes came under scrutiny and were assessed as potentially harmful. The Barbados Government committed to amending these regimes to bring them in line with the FHTP's criteria.

In fact some of you here would have contributed, alongside the Government to develop proposals on legislative reform in order to bring these regimes into compliance with the FHTP's criteria. Out of the significant amendments made to the International Business Suite of legislation to improve to our regulatory regime, the International Business Companies (Repeal) Act, the Foreign Currency Permits Act and The Business Companies (Economic Substance) Act, to name a few were introduced.

Last week the Director of International Business and our Principal Legal Officer attended the FHTP meeting in Paris where the proposed amendments to the Business Companies (Economic Substance) Act and its guidelines were reviewed. The outcome of this review will be made public at next month's Inclusive Framework meeting in Paris, France.

Barbados along with 11 other jurisdictions, have enacted legislation requiring corporate entities carrying on specified activities in these countries to have adequate economic substance. Last week's meeting allowed Barbados and these countries to discuss the stages in the process they are at and their steps going forward.

Our government undertook a tax reform with effect 1 January 2019, which brought the country into the "no or only nominal tax jurisdiction" process for the first time. Barbados passed the Business Companies (Economic Substance) Act, 2018 on 31 December 2018, but is in the process of finalising amendments to this legislation and issuing guidelines in order to meet the FHTP standard.

Substance requirements in Barbados are applicable to companies that are resident in Barbados for tax purposes. A company is resident if its central management and control is here. The Guidelines provide that a Barbados

incorporated company will be treated as resident in Barbados for the purpose of the Economic Substance Act; unless it can demonstrate to the satisfaction of the authority that it is tax resident and subject to tax in another jurisdiction.

Entities will have reporting obligations in relation to their compliance with economic substance requirements. Penalties can be imposed both for failure to provide required information and for operating a legal entity in breach of the economic substance requirements, including fines, imprisonment and/or strike-off the register.

This Government has always touted the importance of the international business sector to the economy and has pledged to protect against threats to its sustainability.

In order to maintain this protection, Barbados is committed to ensuring that we are known as a compliant jurisdiction whilst yet creating a business environment which is globally competitive and attractive.

The devastating effects on many financial markets across the globe where fraud and greed from both within and without, resulted in many financial

institutions literally collapsing in the wake of decreased vigilance in regulation as well as a decrease in compliance measures.

Emphasis has been placed on the importance of the role of the Regulator and the almost symbiotic relationship between regulators and the entities they regulate and the need to work together in the areas of Anti-Money Laundering, Controlling the Financing of Terrorism Due Diligence and Compliance, so as to prevent fraud and abuse of their financial systems.

The IBU is currently building out its capacity and framework with respect to its critical role as regulators of its licensees and registrants. To this end we are seeking to utilise technology to enhance internal efficiencies and external customer experience.

There is an inordinate amount of pressure on Government to meet the various requirements legislatively and from an effectiveness perspective. However, concurrently, you the Service Providers also have a high degree of responsibility in ensuring that Barbados is a jurisdiction of substance and a jurisdiction of professionals of exceptional quality.

Ladies and gentlemen, we are all stakeholders and we each have our role to play in ensuring that Barbados becomes the premier jurisdiction of choice for International Business activity. I am buoyed by your presence

here this morning, it demonstrates your commitment to the sector. The presentations to follow will provide you with greater details in relation to Substance and AML Guidelines and how it affects the conduct of business in Barbados.

Thank you.