



Key updates affecting Barbados international business sector

Recent developments affecting the international business sector in Barbados include the country's removal from Spain's "blacklist," amendments to the Income Tax Act (ITA) to implement reporting requirements under the US Foreign Account Tax Compliance Act (FATCA) and the extension of Barbados' tax treaty network.

Removal from Spain's blacklist: In 1991, Spain amended its legislation to categorize some territories with very low or no taxes as "tax havens" (i.e. jurisdictions on the blacklist that are subject to certain anti-avoidance provisions under Spain's domestic law).

In 2003, Spain's legislation was amended to automatically exempt territories from the blacklist if the territories sign a tax information exchange agreement or a tax treaty with Spain containing an exchange of information clause. While the amendment resulted in some countries (e.g. Cyprus and Hong Kong) being removed from Spain's blacklist automatically, automatic removal was not granted to other territories, including Barbados, even though Barbados signed a tax treaty with Spain on 1 December 2010 (and which entered into force on 14 October 2011). Barbados' removal from Spain's blacklist on 11 August 2015 took almost five years to occur.

The removal of Barbados from the blacklist should allow companies in Spain to recommence business with Barbados, without being subject to Spain's anti-avoidance provisions.

Amendments to ITA for FATCA reporting: FATCA was enacted in 2010 to identify US persons with foreign accounts who are noncompliant with their tax obligations in the US. According to the US Internal Revenue Service (IRS), FATCA focuses on reporting relating to US taxpayers with certain foreign financial accounts and offshore assets, foreign financial institutions with financial accounts held by US taxpayers and foreign entities in which US taxpayers hold a substantial ownership interest.

Over the last few years, many countries have entered into intergovernmental agreements (IGAs) with the US government to implement FATCA, to ease the reporting burden and to avoid the punitive withholding tax of 30% that otherwise could apply on certain withholdable payments to persons resident in their countries.

On 28 August 2015, the Barbados House of Assembly passed a bill to amend section 83(2) of the ITA to effectively grant domestic enforceability to the IGA that was signed by the government of Barbados and the US in 2014. This, coupled with the newly implemented administrative and information technology infrastructure in Barbados, allows for the reciprocal exchange of information between the US and Barbados and demonstrates the government's efforts to cooperate with the US IRS.

Expansion of tax treaty network: In August 2015, Barbados expanded its tax treaty network by signing a treaty with Italy and commencing negotiations with Cyprus. These events mark new milestones for Barbados' international business sector, as the country pursues new business opportunities worldwide and seeks to be removed from the EU list of uncooperative jurisdictions.

On 18 June 2015, Barbados was placed on the EU's list of the top 30 uncooperative jurisdictions. The list is comprised of countries that have been included on the blacklists of 10 or more countries within the EU and that do not have what the EU considers good tax governance (transparency, exchange of information and fair tax competition). Increasing its treaty network with countries within the EU and including an

exchange of information clause in the relevant treaties should increase the likelihood that Barbados will be removed from the EU list.

The signing of the tax treaty with Italy, the treaty negotiations with Cyprus and the removal of Barbados from Spain's blacklist are all steps in the right direction to ensure that Barbados' strong reputation is not compromised.

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