

# **Ministerial Statement on Corporate Tax Reform**

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**Prime Minister**

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Mr. Speaker, on November 20, 2018, just short of five years ago, I rose in this Honourable Chamber and delivered a statement that gave effect to what was an historic change to the system of rates of taxes within our corporate sector.

The situation facing the country then was that in September 2017 and November 2017 the then Minister responsible for International Business made a commitment to the Organisation for Economic Cooperation and Development, commonly known as the OECD, that Barbados would dismantle the more than four-decade-old regime.

What was particularly unfortunate was that the last Government gave the commitment truly in the dead of night without debate, consultation or discourse and, worse yet, they did it without any plan for the rest of us to know as to how they would achieve it. This left my Government, Sir, upon assuming office on May 25, 2018, with just a matter of months, to transform the sector and to place it on a more sustainable path.

You would forgive me, Sir, if I call some names without the appropriate notice but I would like to thank the former Minister, the former Honourable Member for St. Michael North, Mr. Ronald Toppin, for leading the charge and for putting the country in a position to honour its word for bringing the

following 13 pieces of legislation to this House on December 14, 2018, which all needed to be passed by December 31, 2018.

I want to also thank the former Advisor Mr. Ben Arrindell (now deceased) and the task force from the private sector who led the effort for the preparation for these amendments, such that Minister Toppin was able to work seamlessly with them.

The pieces of legislation relate to the:

1. International Business Companies Act, (Repeal) Bill, 2018;
2. Business Companies Economic Substance Bill, 2018;
3. Companies (Amendment) Bill, 2018;
4. Corporate Trust and Service Providers Bill, 2018;
5. Foreign Currency Permits Bill, 2018;
6. Property Transfer Tax (Amendment) Bill, 2018;
7. Shipping Corporations (Amendment) Bill, 2018;
8. Societies with Restricted Liability (Amendment) Bill, 2018;
9. Stamp Duty (Amendment) Bill, 2018;
10. Trust (Miscellaneous Provisions) Bill, 2018;
11. Value Added Tax (Amendment) Bill, 2018;
12. Financial Institutions (Amendment) Bill, 2018;
13. Insurance (Amendment) Bill, 2018.

Mr. Speaker, 13 pieces of legislation were passed in order to reposition this sector after less than five months in Government. You perhaps see now why I am truly indebted as leader of this Government to the former Minister and to the former Advisor.

Mr. Speaker Sir, I announced then in November 2018 that Barbados would converge our corporate tax rates to address the concept of ring-fencing with the intention of furthering Barbados' international competitiveness. We simplified the tax code allowing for only three allowances: annual capital allowances; a renewable energy allowance; and an allowance for research and development.

This reality Sir, reinforced my Government's recognition that tax competitiveness is not equivalent to business competitiveness. Tax incentives alone do not convey a competitive advantage to jurisdictions in attracting business. We know that. Therefore, other factors affecting competitiveness have to be emphasised and policy reforms accelerated, including:

- i. removing regulatory and administrative impediments to decisions;
- ii. strengthening the institutional framework for streamlining the conduct of business in Barbados; and
- iii. improving the quality of life and facilitating the participation of persons working in Barbados in businesses of economic substance.

The truth is, Sir, the Government started work in earnest, as I said, and it was led at the time by the Member for St. Michael South Central, in terms of her work to address the issues confronting the country in order to improve our competitiveness at the beginning of 2019. We thank the Honourable Member for St. Michael South Central for starting that work for us.

The onset of COVID-19 genuinely robbed us of the opportunity to complete all of the necessary reforms as we had to focus then on survival, focus on the essentials. Indeed, for the better part of three years that became the lot of those of us in this country. Sir, this is not an excuse, but simply the country's reality.

Given the acute exposure to the climate crisis, strengthening resilience on all fronts is vital to the country's long-term approach as it is becoming increasingly difficult for small island developing states to remain an attractive investment option.

Countries like Barbados are in a race against time. We face the prospect of the risk associated with investment becoming unattractive. Therefore, we must achieve a pre-determined level of economic and financial

resilience, if we are to attract capital to the region. Indeed, Sir, we need to run the race of ensuring that we do not become uninvestable as a region as a result of the onset of the climate crisis.

## **Summary of GLoBE RULES**

Where are we today Sir, however, must be asked and answered with respect to our corporate tax structure. What has happened in the international environment that is of relevance to us today?

On July 1, 2021, the OECD/G20 Inclusive Framework on what is known as the Base Erosion and Profit Shifting, otherwise known as BEPS, issued a statement on its plan to reform international taxation rules to address base erosion and profit shifting risks arising primarily from the digitalisation of the economy.

In October 2021, the Inclusive Framework agreed to a two-pillar solution to address the tax challenges arising from the digitalisation of the economy, commonly known as BEPS 2.0.

Let me explain very quickly, Sir.

**Pillar One** seeks to re-allocate some profits and in turn, taxes, from where the economic activities are conducted to where the markets, that is, the customers, are. This is the case even if profits are currently allocated in line with transfer pricing rules. Pillar One applies to multinational enterprises (MNEs) with global turnover above 20 billion EUROS and profitability above 10 %. In other words, profit before tax over revenue.

**Pillar Two** introduces a minimum effective tax rate (ETR) of 15 % for MNE groups with revenue in excess of €750M (US\$800M) per their consolidated financial statements via the **Global Anti-Base Erosion** Model Rules. Hereafter, I will refer to them as GloBE rules. Pillar Two also includes a **Subject-to-Tax Rule** (STTR). The Subject to Tax Rule allows a jurisdiction to impose taxes on royalties, interest and other service payments, including

all intra-group service payments, if the treaty partner taxes at a rate below nine %.

So, Mr. Speaker, if Barbados had a treaty partner, let's say Canada, and we kept a rate at below nine %, our treaty partner could then seek to impose a tax on all royalties, all interest payments and all other service payments in the intra-group transactions. It therefore would leave us exposed and those companies that are domiciled here, would be exposed to that additional taxation.

Mr. Speaker, the momentum in international taxation has rapidly shifted with the advent of BEPS 2.0. The framework has significantly reformed the law with Pillar Two implementing for the first time, a global minimum tax.

Mr. Speaker, Barbados, like many other countries, indeed 139 countries across the world and 95 % of the global economy, committed to the two-pillar plan on August 12, 2021 and formally joined the two-pillar plan on October 8, 2021.

As such, Sir, the implementation of this policy framework is necessary to reform the domestic legislative framework accordingly.

### **Application of GLoBE Rules**

The GloBE Rules which are the main Pillar Two Rules, consist of, as follows:

1. An **Income Inclusion Rule**, which imposes top-up tax on a parent entity in respect of the income of subsidiaries and permanent establishments that is taxed at less than a 15 % minimum effective tax rate;
2. A supporting **UnderTaxed Payment Rule**, and I can say that the income inclusion rule to which I just referred, is referred to as the IIR, a lot of acronyms about the place, Sir. If the public gets confused, have no fear, I would sometimes too, so don't feel badly about it. So a supporting **UnderTaxed Payment Rule (UTPR)**, which denies deductions or requires an equivalent adjustment in the event a parent entity's allocable share of the top-up tax

- regarding a low-taxed constituent entity is not subject to tax under an Income Inclusion Rule.
3. A **Qualified Domestic Minimum Top-Up Tax (QDMTT)** by which a jurisdiction imposes the 15 % minimum tax on constituent entities of in-scope MNEs.

The GloBE Rules, Sir, are therefore designed to ensure that large multinational enterprises pay a minimum effective tax rate of 15 % on the income arising in each jurisdiction in which they operate, through the application of a system of top-up taxes in other jurisdictions -- an Income Inclusion Rule and/or an UnderTaxed Payment Rule and/or a Qualified Domestic Minimum Top-up Tax.

Where, for example, Sir, profits earned by a group subsidiary located in Barbados are taxed at an effective rate of only five %, then the new rules will come into play from 2024.

Therefore, Sir, with the global minimum tax rate of 15 %, the jurisdiction where the parent company is based will have the right to charge an additional ten % in taxes on the subsidiary's profits. This will ensure that even those profits located in Barbados are ultimately subject to an effective tax rate of 15 %. Any top-up tax to be paid in the other jurisdiction might be reduced or eliminated by any qualifying domestic minimum tax which allows Barbados to collect the tax.

### **Proposal for Corporate Tax Reform**

Mr. Speaker, at the global level, it is estimated that GloBE rule implementation will generate an additional annual €200B (US\$215B) in revenue. The allocation of this revenue is however uncertain, as this is highly dependent on the country and company's behavioural response.

To date, more than 50 jurisdictions have commenced implementing the GloBE rules. This is the case of Japan, South Korea, and the United Kingdom which already have draft rules in place. European Union member states are in the process of implementing them and are completing

implementation before the beginning of 2024. Legislation has been tabled in most European Union countries, as well as in Canada, our friendly partner, adoption is expected by year end by most of these jurisdictions. However, Sir, the United States and China have not adopted the GloBE rules and there is no evidence as to when they will move in that direction.

The United States has adopted the **Global Intangible Low-Taxed Income (“GILTI”)** tax provisions in 2017, which are in part similar to the GloBE rules with the exception that instead of calculating the effective tax rate on a jurisdictional basis, the rules do so at a global level, allowing therefore the blending of highly and lowly taxed income, as it is computed.

Mr. Speaker, the GILTI minimum rate is currently 10.5 % even though it is expected that it will be increased to 16 % in 2026.

Even though GILTI provides for more stringent rules for the allocation of expenses, this provision is not considered as equivalent to the GloBE rules by the BEPS Inclusive Framework. In the absence of changes, US headquartered companies will be subject to the **Under Taxed Payments Rule** as from 2025. Further, US tax reform may occur in 2025 as many of the Tax Cuts and Jobs Act provisions come to an end and will need to be either modified or extended.

Sir, in summary, the adoption of the GloBE Rules in 2024 by countries with whom we conduct the majority of our business, presents the opportunity for our country Barbados, to review and reform the corporate tax regime, such that we, Mr. Speaker, can shape our future, and not simply be a victim of circumstances.

Mr. Speaker, it is of note that if there is one constant feature of the international business sector, it is *change*; and Mr. Speaker, we came to understand this even within less than 15 years, after the foreign sales corporation (tax regime) had been established under the Barbados/US

Treaties, the European Union opposed it under the WTO. Accordingly, the World Trade Organisation (WTO) ruled that it was an inappropriate vehicle for Barbados to be using for the conduct of foreign business at the time. Mr. Speaker, it is fair to say that change has been the constant feature of this sector. To find an analogy it would be that of riding or surfing a wave, because with each wave, your movement has to be adept enough to keep riding it, if not you will fall down and hopefully you will survive; but there is no such a guarantee in turbulent waters.

With that, Mr. Speaker, I therefore propose the following measures. From Income Year 2024 with effect January 1, 2024, the Income Tax Act, Cap. 73 of the Laws of Barbados will be amended to include the following provisions:

1. There shall be a new corporation tax rate of nine %, subject to the following regimes:
  - (a) A company whose gross income is currently below \$2M and which is registered as a Small Business under the *Small Business Development Act*, Cap. 318C, shall be subject to corporation tax rate of 5.5 %.
  - (b) The corporation tax rate that is currently applicable to the insurance business sector of 0% for Class 1 businesses and 2% for Class 2 businesses, shall remain.
  - (c) International shipping business will remain taxed under the current tax regime established in 2019, noting that the international shipping industry is out-of-scope for the GloBE Rules and Barbados' industry therefore, needs to remain competitive as in many other countries it will be same. After consultation with the sector, the Ministry of Finance will advise on whether Barbados



should adopt a new regime in the future, for international shipping companies from the fiscal year 2025 and onwards.

- (d) For Income Year 2024, with effect from January 1, 2024 with respect to an In-Scope Multinational Enterprise whose Ultimate Parent Entity is in any jurisdiction, which has not implemented an Income Inclusion Rule and the Undertaxed Profits Rule, or whose Constituent Entities are not subject to an Income Inclusion Rule or an Undertaxed Profits Rule, the current tax regime established in 2019 shall be maintained and applied accordingly. For such entities, there will therefore be no application of the Qualifying Domestic Minimum Top-Up Tax.

It is recognised Sir, that the Income Year 2024 for a company may begin as early as January 2, 2023 or as late as January 1, 2024.

Therefore, for the avoidance of doubt, the new corporation tax rates will only be applicable for that portion of profits in income year 2024 that is earned from January 1, 2024.

### **New Top-up Tax**

In addition, Mr. Speaker, as of Income Year 2024 and with effect from January 1, 2024, a Qualified Domestic Minimum Top-up Tax shall be introduced consistent with the GloBE Rules for in-scope companies. This Qualified Domestic Minimum Top-up Tax shall apply to subsidiaries or permanent establishments of in-scope Multinational Enterprises (Constituent Entities) with an Ultimate Parent Entity in a jurisdiction that has introduced an Income Inclusion Rule or an Under Taxed Profit Rule. This means, Sir, that a top up tax will be imposed on such Constituent entities to ensure that they are subject to an effective tax rate of 15 %, in accordance with the GloBE rules.

Mr. Speaker, these reforms to the corporation tax regime are fully compliant with the GloBE Rules. Barbados will ensure the Qualified Domestic Minimum Top-up Tax meets the required standards to qualify for the Qualified Domestic Minimum Top-up Tax Safe Harbour. More detailed information on the Safe Harbour Rules and provisions for IFRS 17 accounting standards, and Deferred Tax Treatment are outlined in the accompanying policy note that I will lay in this Honourable Chamber as an appendix to this Ministerial Statement, Sir.

The rules will be adapted as necessary in the future, to reflect changes in the international standards; peer review results, as well, and to ensure that Barbados remains compliant and remains competitive, as a financial centre.

The Barbados Revenue Authority shall be responsible for the administration of the Qualified Domestic Minimum Top-up Tax. More specifically, this shall relate to the calculation of the tax base, control, determination, collection, as well as the recovery of the top-up tax.

### **New Prepayment Cycle**

I should advise you, Mr. Speaker, that in accordance with international best practice, the Government will introduce a requirement for smoother cash-flow to facilitate its fiscal circumstances as follows:

Effective January 1, 2024, in-scope GloBE companies will be required to pre-pay corporation tax on a monthly basis from Income Year 2024. Currently, most (companies) do so on a quarterly basis.

For Income Year 2025 and with effect from January 1, 2025, all other registered companies, except registered small businesses under the Small Business Development Act, will be required to pre-pay corporate taxes on a monthly basis. Mr. Speaker, this brings this jurisdiction in line with international best practice.

Monthly pre-payments for the fiscal year will be calculated based on the previous year's tax base, multiplied by the new applicable rate, net of the impact of the tax credits mentioned in the following section which I shall now announce, where relevant.

## **New Tax Credits**

What are these new tax credits, Sir? In addition to existing allowances, which are maintained, tax credits that meet the requirements of a Qualified Refundable Tax Credit under the GloBE Rules will be introduced. These credits, which shall be offset against any other tax liability for a period of four years, are offered to encourage economic growth, development and employment in strategic sectors.

Qualified Refundable Tax Credits will be available to companies taxed at the rate of 9% and to companies subject to the Qualified Domestic Minimum Top-up Tax. The credits proposed are as follows:

**Qualified Jobs Credit:** In the following sectors, a refundable qualified jobs credit for eligible payroll costs for designated activities will be introduced in the following sectors:

- i. Fintech activities;
- ii. Wholesale distribution and trading without physical inventory or storage in Barbados;
- iii. Research and development in medical/scientific engineering, information technology, including artificial intelligence, and other activities to be determined by Ministerial Order.

In addition, companies in the foregoing sectors must have the specified number of employees to qualify for the credit. The Qualified Jobs Credit, will be calculated on the average payroll cost on the sliding scale as follows:

1. For the first 50 employees, a credit of 75%
2. From 51 employees to 100 employees, a credit of 175%
3. From 101 employees to 150 employees, a credit of 300%
4. From 151 employees to 200 employees, a credit of 400%
5. For more than 200 employees, a credit of 475%

The maximum average qualified jobs credit shall not exceed 300% collectively.

The 'eligible payroll costs' means the expenditures for salaries, wages, as well as other employee benefits or remuneration such as medical insurance, National Insurance contributions, payments to a pension fund or other retirement benefits, bonuses and allowances payable to eligible employees.

'Employees' means a *full-time employee* as defined under *Section 85 (1)* of the *Income Tax Act, Cap. 73*.

The Qualified Jobs Credit shall not be granted for eligible payroll costs that can reasonably be considered excessive and unreasonable in relation to the company's economic operations. Eligible payroll costs shall not be deemed excessive and unreasonable provided they are ordinary and necessary business expenses incurred primarily for *bona fide* business purposes other than to obtain the Qualified Jobs Credit.

Next, the **Research and Development Credit** is a new such credit. It is a credit of 50 % of qualifying expenses incurred for qualifying research and

development activities, and in addition to the Qualified Jobs Credit outlined above.

This credit may be made available to any company in Barbados, which carries out basic research, applied research or experimental research to innovate and introduce new products and services approved by the Minister of Finance by Order in the following sectors:

- a. medicine;
- b. science and technology;
- c. finance;
- d. information technology including artificial intelligence;
- e. distillery and refinery which I should have mentioned before under qualifying job credits; and/or
- f. any other industry added by Ministerial Order.

It is anticipated, Mr. Speaker, that the country will seek particularly to attract also, areas of research in the ocean and marine environment given the climate crisis that we face.

Mr. Speaker, qualifying expenses include expenses for plant, equipment, materials and assets used in qualified research and development activities, outsourcing expenses, local overhead expenses that support these activities.

We, Sir, Mr. Speaker, are early adopters of these rules, and we expect that there will be additional credits that will be announced. We are currently examining and looking very closely now at the introduction of a **National Development Credit** which will focus on the investment in projects in the country, for low-income housing, historic buildings, public medical facilities including hospitals and polyclinics, hospices and public education facilities up to tertiary level.

We also expect, Mr. Speaker, as we go forward we will also respond to the events of our times. As you know, Barbados has always been a strong advocate for globally unlocking investment to address the challenges of the climate crisis. Many of you have heard of the Bridgetown initiative.

We want therefore, to continue to refine the areas of activities in the Blue and Green economies that will help the world in building resilience, but to help Barbados in particular. To that end, we will also be working on developing a tax credit that will address **environmental, social and governance** issues, otherwise known as ESG. More details of these credits will be addressed early next year as we now pronounce for next year, the Budget Speech in March 2024.

As a result, we will expect there to be a working group on these areas, and there will also be a working group, as I pointed out earlier, on the area of international shipping so that we can refine completely those other areas that we will want this country to be competitive in.

## **Conclusion**

Mr. Speaker, approximately 72 % of our corporation taxes are paid by companies for whom the majority of their profits, if not all, are made outside of this country and therefore, Bajans cannot ignore the reality of this development. To put it another way, Bajans carry only 28 % of the corporation taxes that are paid in this country. Last year, we collected on or about 470 million dollars in corporation taxes and the majority of it was paid by global entities domiciled in this country, but for whom the majority of their profits are not necessarily generated in Barbados.

This has allowed us, as a country, to be able to do things that have eased the burden on the average Barbadian; and it is to that end that we want to

continue in this vein. The truth is that as a Government, we have said from the beginning in 2018, those who share the burden share the bounty, and we have tried as a Government to distribute the burden of taxation, not just on those who live here for 365 days, but for those who visit here and those who domicile here in the conduct of their business. This has allowed us, therefore, to anchor other tax policies at the current levels supporting our continued investment in building strong social capital. The most recent example of it was the increase in the tax-free component of land taxes to three hundred thousand dollars this year which would mean that the average Barbadian, or any person for that matter, who owns a house in Barbados, would not pay land taxes on the first three hundred thousand dollars. We made that promise and we have kept it. But in order to keep these promises, it means that we have to be able to ensure that the balance of our revenue is such that we can support both the conduct of Governmental activities, but also ensure that we can pay down on our debt at a trajectory that is comfortable.

I therefore hope Sir, that citizens deeply appreciate that the share of the tax burden carried by Barbadians, is indeed shielded by the performance of these companies. It therefore means, Mr. Speaker, that we have work to do. And as I say to my Cabinet, if we don't fish, we don't eat, if we don't reap, we don't eat. Therefore, Barbadians must appreciate at all levels, in both the public and private sector, that we must work each and every day to be fully competitive.

And it is for this reason, Mr. Speaker, that I was recently in Canada, I traveled there with the Director of Finance and the Revenue Commissioner of the Barbados Revenue Authority, to engage in face-to-face meetings with principals of the major stakeholders who have a long corporate history with our country. On Thursday this week, I travel today, I will meet with the Organisation for Economic Cooperation and Development, otherwise known as the OECD, which is at the centre of the imposition of these rules. I will also use this opportunity to meet with members of the French private sector in an effort to keep the business that we already have there and to

expand the business footprint that we need to, in France, and in Europe generally.

Mr. Speaker, as I said, we do not believe this ambition is beyond us which is why we set a clear mission to become world class by 2030. This, however, requires continuous changes and dialogue; and in the same way that we met with stakeholders in Canada, I expect over the course of the next two to three months, that we will also have to consolidate our existing business with respect to entities in the United Kingdom, Europe, United States of America and CARICOM, to as far as possible reduce the downside risks.

Mr. Speaker, do we expect some businesses to leave? Probably. But we do believe that all will not leave. We also believe that continuous engagement with them can make the case for them remaining in Barbados, particularly since, with respect to tax rates, what is it that we are looking at?

Other jurisdictions which are now tax havens will soon have to be able to make the changes that are here, and our early action is motivated more because of the fact that Canada is our predominant treaty partner, and Canada has indicated their adoption of the rules from January 1, 2024.

There are other countries in the region whose predominant business comes from the United States of America or from China, and they may have the luxury, therefore, of an additional year. We do not have that luxury because of our close relationship with Canada over the years. It therefore means, Sir, that there is a downside risk but at the same time I can say comfortably, that the ones with whom we have interacted thus far when I was in Canada, have all committed to want to work with us through this transition period, and therefore to continue to pay taxes here. If companies do not go to those jurisdictions that may well end up having to change in a year, then they will ask themselves, "*Do we stay in Barbados at nine % or do we go to our own countries, most of which in the North Atlantic, have significantly higher tax rates?*"



In the United Kingdom, they have now gone to 25 %. In the United States of America, it is 21 %. In France it is 25 %. In Canada it is 25 % and, Mr. Speaker, as I said, most of those other countries that have themselves sometimes been labelled as tax havens have varying tax rates too, beyond the zero; I will not go into all of them but there is an appendix that we will also make available as to this statement.

On a parallel track, Sir, the Government, in recognising that we need to be aggressive in acquiring new business, will establish a Standing Task Force on product development. Work has been done in the past, but we believe it needs to be Standing Task Force rather than a periodic and ad hoc one. We will also have a separate Standing Task Force on treaty negotiations to further market our investment and commercial opportunities in Barbados.

If I may say, Sir, the pace of work on treaty negotiations was halted in large measure because of the failure of us and other countries to come to the point of doing what we are doing today. These changes will now make treaty negotiations imperative again because the GloBE rules literally undermine our capacity to remain in strong treaty relationships if we do not make the adjustments to become compliant with the GloBE rules. That work will resume immediately. Alongside of this, Sir, there must be a dedicated team focused on legislative drafting, and I have asked the Attorney General to work with others to ensure that there are at least two dedicated draftsmen engaged, recognising that the one constant feature of this sector is in fact, *change*.

Mr. Speaker, if we can do these things and if we can enhance our response time as a nation to make changes and to do the expanded treaties network, then I believe, Sir, that we can bring substantially more business to our country. It is, however, going to be a transition, and I do not fool anyone about this. But, we can do it!

Over the past five years, our Government has established new missions in Panama, in Ghana, in Kenya, in the United Arab Emirates, and now do so in Ireland. Each of these missions has been chosen specifically for the advent

of a day such as this. We knew that we would have to expand beyond the traditional North Atlantic and CARICOM relationships – our expanded commercial relationships, our commercial diplomacy – so that we could garner new business. I am satisfied, Sir, that once we continue to cement these relations and accelerate initiatives to unlock opportunities for Barbadians in these regions to bring new investment to our shores, we can make it through this challenging time. This important work also complements the decision that the Cabinet took just last week to establish an independent entity called '**Business Barbados**' and this will house the corporate registry and the intellectual property registry with a separate division as well focused purely on business facilitation in Barbados.

Mr. Speaker, this is critical if we are to see greater efficiency in our regulatory compliance and in our business facilitation as a nation. We must now, therefore, engage with the workers and the representatives in the current institutions that exist, to ensure that there is a seamless transition, and we will of course engage with all stakeholders across the private sector and the labour movement as well, who are not directly involved in this immediate transition.

Mr. Speaker, the initial feedback, as I said, has been generally positive but we genuinely do not know where we will land until countries fully implement the rules. As the old people remind us of that phrase in the Bible, *"Faith is the substance of things hoped for and the evidence of things unseen,"* so that we must now be prepared not now to rely on faith but we have to rely on actual achievements and action.

Therefore, Mr. Speaker, that is one of the reasons we are transitioning to the monthly pre-payment system so we do not have to wait until the end of the fiscal year to know what our fate shall be as a nation. Equally, we will review the performance of these reforms over the course of the next year in order to make a determination as to the future of the Bank Asset Tax.

Further, we have articulated to the OECD that as a small state, should there be any significant fall-off in revenue in our attempt to be compliant

with the GloBE rules, that we will argue strongly for compensation, not for speculative losses, but for actual losses below where we are with the receipt of corporation taxes. I do, however, hope that that will not be the case.

Mr. Speaker, we have been in deep consultation with this sector, and we have been asked what the Government will do with the extra revenue that we expect to get. In other words, should there be an upside benefit as opposed to a downside reality.

You may recall Sir, that we have demonstrated our underlying philosophy to discharge our fiscal responsibility by reducing our debt as I did in the Budget of this year, in March. When we have the capacity to pay down a little something, this Government has always chosen to do that, rather than to believe that we should leave everything for future generations.

Mr. Speaker, we will therefore, maintain fiscal discipline as we have committed to throughout this entire period, and in accordance with the targets which we have set in the BERT 2.0 programme which embeds long-term fiscal and debt sustainability.

As such Sir, additional revenue accruing beyond what is required for the attainment of these targets will be spent on enhancing Barbados' development trajectory via strengthening climate and economic resilience, improving our people's quality of life, and reducing poverty from our landscape in accordance with Mission 2030.

In short, it is critical, Sir, that this country stays laser-focused on sustaining development progress while maintaining fiscal discipline. We are in the position that we are in largely because of an absence of fiscal discipline over a prolonged period of time.

Sir, we have already indicated that we will establish a Legacy Fund which will accommodate much of Government's illiquid assets, in other words a lot of its land that is sitting down there with nothing happening to it and with nothing but a book value remaining in a book. We will use that Legacy Fund to house these illiquid assets. We will also use this Legacy Fund to deposit any surplus revenue beyond that which is needed to maintain fiscal stability and growth in the BERT 2.0 programme.

So, Sir, if we get a bounty, which is a possibility, we cannot use all of it on current expenditure but must be prepared as has happened traditionally in our history, to keep it for a rainy day.

Mr. Speaker, the priorities for spending in that Legacy Fund with respect to any surplus funds coming corporation taxes, will be for improvements in the education system with heavy concentration on skills and digital skills development; the strengthening of the health care system; the building of resilience with increased spending on adaptation to mitigate climate change effects for our people and our businesses; for debt reduction as I said; and for investing in the development of our young people, particularly through sports and cultural development.

However, Sir, while we anticipate, as I said, these positive upside risks; do not for one moment believe that there cannot be downside risks, and I therefore say, we must walk by sight and not by faith alone.

The Government, as I have said before, remains in constant dialogue with the companies and service providers to ensure that over the next two to three months, we can persuade as many of them to stay here and to mitigate the risks.

In addition, Invest Barbados, as I have said, is accelerating its promotion activities to match our commercial diplomacy footprint in the Ministry of Foreign Affairs. We therefore expect, that in addition to consolidating the existing markets, Invest Barbados will engage investment promotion partners to work in Central and Latin America, and also Africa, the Middle East and the Gulf states.

Mr. Speaker, why are we doing what we are doing? Simply put Sir, the future of this country is at stake and just as we did in 2018 when faced with a not too dissimilar situation, we determined as a country and as a Government that we have what it takes to weather the storm as it was, at that time. We have been able to do so such that it helped us to get through a pandemic; and it also helped us to get through natural disasters that we have not faced in over sixty years.

Mr. Speaker, we have a strong reputation as a country to protect, and therefore every effort must be made to protect all the attributes that this country of ours has to offer in order to strengthen our domestic base.

Mr. Speaker, how will we get new business, both local and global? Well, we have determined that regulation must now not be an obstacle, but it must be a competitive advantage and used as a tool for growth and that it must be appropriate to risks. It cannot be a one-size-fits-all measurement if we are to effectively move nimbly.

Therefore, regulating for growth must be our mantra in order to get Barbados to world class status by 2030. Working with Invest Barbados, with the Barbados International Business Association (BIBA), the service providers, our regulatory agencies along with our full network of diplomatic missions abroad, we plan to bring true meaning to the phrase 'Business Barbados'.

Strong engagement and training across the public and private sectors including the labour movement, will be critical to achieving this objective.

And Mr. Speaker, Sir, why are we still, a stable jurisdiction, this Barbados?

This country Sir, has a proud history in building strong social capital. It is our strength, our people. We have made a significant investment over the years – both pre-Independence and post-Independence -- in education, health and institutional capacity that has allowed us to punch above our weight more often than not. This long-term investment has now to be leveraged to engineer sustainable and inclusive economic growth.

We have done well in engaging partners – both in the international financial sector and as countries, sovereign states. We must do better in engaging industry and in engaging academia in order to ensure that Barbados can be a domicile from which local business can be conducted.

Mr. Speaker, I believe, my Government believes, that our future can be bright, but that light will shine favourably only if each of us gets up each and every day and commits to achieving personal and world class excellence; forget the buzz words, in everything we do. In other words, that we go beyond what is our duty, whether we are working as an employee or whether we are seeking to invest as an entrepreneur.

Mr. Speaker, the sum total of our efforts will make a difference to this country; and if we want to be able therefore to distance ourselves from others, then it is critical that each Barbadian sees that they have a responsibility under the Charter of Barbados to be able to go beyond our normal duty to ourselves, to our job, to our family and so add additional value to the output that we as a nation can put out.

Mr. Speaker, it is clear that the transition to this new corporate tax system will require the restructuring of existing regimes and will require the acceptance of doing new business in different ways in addition to maintaining old business. This restructuring, we believe, will be achieved

through the operation of law and the policy directives which we have here, but can only come to full fruition when people meet policy and people meet laws to use them as competitive tools and not as obstacles of business.

Sir, I would like to thank members of the Private Sector, the accountants and other service providers, who have continued to work with us over the course of the last few months as we navigate yet another set of fundamental reforms. I would be lying to you if I did not say that I miss, and we miss deeply, the presence and involvement of Ben Arrindell. I believe only this weekend, a tournament celebrating his name and honour, was held. Regrettably, those of us who were deep in work, could not attend that tournament, but we were there in spirit.

I also want to thank the Barbados Revenue Authority, its leadership, its staff, including those who came out from vacation and worked beyond the call of duty to allow us to be here today. Of course, I would like to thank our external advisors who have worked with us equally in spite of the time differences, at sometimes some very unsociable hours, to allow us to be here today.

And of course, I would like to thank the Honourable Minister in the Ministry of Finance, the Member for Christ Church East Central, as well as the Director of Finance and Economic Affairs as well as the Permanent Secretary in the Ministry of Finance as well as Ambassador Dr. (Clyde) Mascoll and all other players with whom we consulted, including the Central Bank, to ensure that we are as surefooted as possible, in the changes that we are doing. All have worked exceedingly long and unsociable hours to bring us into safe harbour, no pun intended.

So, as I close Mr. Speaker, let me repeat: With the implementation of this new corporate tax regime, let us fully embrace global competitiveness, let us invest in it, let us invest in the training of our people to become one of the finest workforces with globally competitive skills.

Indeed, Mr. Speaker Sir, we are not setting ourselves regional or hemispheric targets. Barbados can be a global destination of excellence once we put our minds to it. We have the core foundation but we need now to ensure that people meet policy and legal frameworks in order to create life and to earn for all of our people.

So what is it Mr. Speaker? The world is our business, and our business is the world. With the help of Barbadian people and all who call Barbados home, I have no doubt Sir, that we shall succeed.

Global excellence with Barbadian values, that is and must always be, the Barbadian way. God bless us and God bless this nation.

I am obliged to you.