

| 2016 | ANNUAL REPORT |



BARBADOS REVENUE AUTHORITY
ANNUAL REPORT AND ACCOUNTS
For the Year ended March 31, 2016

Presented to the Minister of Finance and Economic Affairs
pursuant to Section 23 of The Barbados Revenue Authority Act 2014-1



CONTENTS

- **1. OUR CHARTER**
- **3. MESSAGE FROM THE CHAIR**
- **5. MESSAGE FROM THE REVENUE COMMISSIONER**
- **7. OVERVIEW**
- **25. CORPORATE GOVERNANCE REPORT**
- **33. GENERAL TAX INFORMATION**
 - Tax Policy Issues*
 - Summary of Taxes Collected*
- **40. KEY PERFORMANCE INDICATORS**
- **50. STATEMENT OF MANAGEMENT RESPONSIBILITY**
- **51. FINANCIAL STATEMENTS - AGENCY ACTIVITIES**
- **65. FINANCIAL STATEMENTS - ADMINISTERED ACTIVITIES**

Our Charter

Our role

The Barbados Revenue Authority ("the Authority") was established on April 1, 2014 as a statutory corporation. The Authority is responsible for effective and efficient tax administration in a fair open and transparent manner fostering a high degree of voluntary compliance.

Taxpayers' rights

Taxpayers in their dealings with the Barbados Revenue Authority have the right to:

- Be respected
- Be informed
- Receive quality service based on the principles of integrity and honesty
- A fair system administered in an even-handed manner
- Privacy and confidentiality of their information
- Expect that the Authority has a technically proficient and professional workforce
- Appeal to an independent Tribunal against any assessment of the Authority.

Taxpayers' obligations

Taxpayers are required to comply with certain key obligations:

- To register with the Barbados Revenue Authority
- To file returns and provide information on incomes, transactions and relevant activities
- To report correctly and completely and
- To pay the amount of tax due on time, in accordance with the law.

What we do

The governance structure of the Barbados Revenue Authority is set out in the Barbados Revenue Authority Act, 2014-1. The Board of the Authority is responsible for the overall management of the Authority and the Revenue Commissioner is the chief executive officer of the Authority and reports to the Board. Overall responsibility for the operations of the Authority is vested in the Minister of Finance and Economic Affairs.

The Authority has a staff complement of just over 330 and collects revenue in the region of BDS\$2.2 billion per annum on behalf of the Crown, from approximately 6,350 businesses and 103,000 individuals.

Mission and Vision

Our mission and vision as articulated in our Corporate Strategic Plan are:

To administer tax and ensure compliance, by providing responsible enforcement and quality service to taxpayers thereby contributing to the economic well-being of Barbados.

and

To be a model for trusted tax administration and unparalleled customer service, offering outstanding career opportunities for our employees.

Our key objectives are to:

- Secure and maximise revenue as we transition to an integrated organisation
- Improve our service delivery through a more customer-centric approach to tax administration
- Improve compliance and enforcement through the use of risk management techniques

In pursuit of these objectives we are committed to investing in the development of our human capital and will be guided by our core values of: integrity, fairness, professionalism and responsiveness supported by characteristics of courtesy, consistency and cooperation.

Message from the Chair

It is my distinct honour as Chairman of the Board of the Barbados Revenue Authority to submit my second annual report to the Honourable Minister of Finance and Economic Affairs. The financial year ended March 31, 2016 saw the Board presiding over the further streamlining of the Authority's operations as we seek to fulfil the Authority's mandate to administer specified tax enactments and to perform the all important functions as the principal revenue collecting agency of the Government of Barbados.

The Board is well aware of the need to follow good governance practices relevant to the Authority as a statutory body. The Board's supervision and oversight of operations disclose a need for everyone within the Authority to remain ever mindful of our obligation to our key stakeholders (a) our customers, the taxpayers of Barbados and (b) the Government of Barbados. The Board has identified a number of areas on which we must remain focused if we are to play our role in fulfilling this mandate. These are outlined below.

We appreciate the need for the Authority to deliver good service by not only developing and improving our human capacity but also by building and maintaining an information and communications technology infrastructure which is robust and flexible enough to serve our diverse record-keeping, information and reporting requirements. Existing legacy systems have hindered our ability to maintain and extract accurate and timely information. Consequently, while considerable resources are being devoted to strengthening our human resources, it is equally incumbent on us over the next two years to invest in the acquisition and implementation of a reliable network infrastructure, and fully integrated management information and tax administration systems with acceptable standards of information security. This is an absolute priority if we are to manage our business efficiently and optimally and achieve our strategic goals.

During the year, the Board remained focused on monitoring the execution of the 2015-2016 Business Plan and its Key Performance Indicators. The Board also gave increasing attention to the management of risk which focuses attention on the key risks facing the Authority and how these risks are being mitigated. In keeping with good corporate governance, we consider strategic direction and the oversight of risk to be among the most important areas of the Board's responsibility. In order to support this, we reviewed our Board Competency Matrix and determined that

we must expand the expertise available to the Board to include two key competencies – Information Technology and Risk Management. We will achieve this by accessing such skills and expertise through co-option to Board Committees pursuant to powers conferred under section 11 of the Second Schedule of the Barbados Revenue Act, 2014-1.



Sandra Osborne, SCM, QC, FCIS
Chairman of the Board of Directors

"We appreciate the need for the Authority to deliver good service by not only developing and improving our human capacity but also by building and maintaining an information and communications technology infrastructure which is robust and flexible enough to serve our diverse record-keeping, information and reporting requirements."

The Report of the Auditor General on the audit for the year ended March 31, 2015 and his inability to express an opinion on the Authority's financial position for the year then ended reinforced the need to address a number of issues which the Board is committed to

having resolved. The Audit Committee has been charged with overseeing the resolution of these issues, many of which are inherited from legacy agencies and will take time to work through. The separation of our financial reporting to reflect agency activity on behalf of the Treasury and the Authority's administration has allowed us to have a clearer picture of these two distinct areas of operations and brings the Authority into compliance with applicable accounting standards. The risk-based Internal Audit function also provides the Board with the ability to assess the extent to which Management is strengthening internal controls by addressing operational weaknesses identified by Internal Audit.

The anticipated adoption of a Code of Conduct by the Board and its incorporation into the Authority's Terms and Conditions of Employment with the blessing of the Staff's main trade union will set the tone for the conduct of the Authority's business operations in an ethically responsible manner. The Board looks forward to the roll out of the Code across the Authority in the ensuing year.

During the year, a number of officers either retired or opted to return to Central Government. My fellow Directors and I wish them well in the future and thank them for their service to the Authority in its first two years. To those officers who have chosen to remain with the Authority, we look forward to continuing to work in partnership with you to fulfil the weighty responsibility bestowed on us for the benefit of the people of Barbados.

The transition of the Customs Department did not materialize during the year but we look forward in the current financial year to welcoming the officers of this department into the Authority. This will complete the integration of the designated legacy agencies into one central revenue authority and will represent the achievement of one of our strategic goals.

I am pleased to report on the reappointment of three Board Members whose tenure expired during the year. I welcome their continued guidance and contribution to the Board's deliberations.

In my first report I mentioned the need for us to commit to developing the Barbados Revenue Authority into a model of public service efficiency and one of the most successful tax administration agencies within the Caribbean. I again urge us all to recommit to the

task. It is imperative that the policies, processes and procedures which facilitate sound management and effective Board oversight be strengthened and rigorously followed within the shortest possible time frame.

I record my profound thanks to the Revenue Commissioner, Management, Staff and my Colleagues on the Board for their ongoing dedication and commitment.

Message from the Revenue Commissioner

The Barbados Revenue Authority has grown over the past year as it continued to emerge from its embryonic stage to that of a young but determined organization. It is recognized that the way we serve the taxpaying public must and will change. This has resulted in a number of organizational changes during the year, one major initiative being the formalization of the Policy, Planning and Governance Division, reporting directly to the Commissioner, to assume the operational functions and drive the reform processes of the organization.

We have, through a number of stakeholders' fora, sought to improve our interaction with our taxpayers. By enhancing access to services and providing information and tools to assist in meeting their obligations, we seek to clear away some of the barriers to voluntary compliance.

Of importance therefore, is that in financial year 2015-2016 we saw an increase in the number of taxpayers filing and an increase in the total taxes due to the Crown. This clearly demonstrates that service and compliance go hand in hand.

The Authority continued to seek out and implement new initiatives to make compliance easier and to reduce the incidence of

non-compliance and evasion across all tax types.

The Authority recognizes that there are various tax avoidance schemes that may be utilized and will seek to ensure, that these are applied in accordance with the object, spirit and intent of the specified enactments.



Margaret Sivers, FCMA, FCPA
Revenue Commissioner

"This was a rewarding year for the Barbados Revenue Authority. Though faced with many challenges, we were not deterred but continued to advance our strategic goals – customer service; improved governance; improved compliance, reporting and security."

Our tax system will however only work effectively if we maintain public confidence in the fairness and integrity of our processes. In 2015-2016 we continued to build on our existing culture of integrity, solid business practices and accessibility to our taxpayers, while taking several steps to increasing security and confidentiality of taxpayer information.

Every employee plays a vital role in maintaining the Authority's integrity while advancing service and compliance; I extend a heartfelt thank you to everyone in the organization for their cooperation and support throughout the year.

Despite the challenges facing the organization as it completes the transition process, our employees demonstrated strength, resilience and commitment to the task at hand. With their continued help and dedication the Barbados Revenue Authority will be well placed to serve the Barbadian public in the years ahead.

GOAL 1: IMPROVE ORGANISATIONAL STRUCTURE
AND GOVERNANCE

GOAL 2: IMPROVE SERVICE DELIVERY THROUGH
A CUSTOMER-CENTRIC ORGANISATION

GOAL 3: IMPROVE PROGRAM DELIVERY THROUGH
THE USE OF RISK MANAGEMENT PRINCIPLES

GOAL 4: DEVELOP AND IMPLEMENT A PERFORMANCE
MANAGEMENT FRAMEWORK

GOAL 5: IMPLEMENT AN INTEGRATED MIS IN SUPPORT
OF BRA STRATEGY

BARBADOS REVENUE AUTHORITY

OVERVIEW

Organisation

The Barbados Revenue Authority ("the Authority") was established on April 1, 2014 by the Barbados Revenue Act 2014-1 ("the Act") to administer a number of specified tax enactments, to advise the Government and other public authorities and to represent Barbados on matters relating to taxation.

The Board of the Authority is responsible for the overall management of the Authority and the Revenue Commissioner is the Chief Executive Officer of the Authority. The Minister with responsibility for the Authority is the Minister of Finance and Economic Affairs.

The Barbados Revenue Authority has a staff complement of just over 330 employees with six locations across Barbados from the north to the south of the island. Although our employees operate from different locations we function as "one team, many places" sharing the same goal: delivery of a customer-centric service in a secure and flexible environment based on transparency, cooperation and trust between taxpayer and administration.

Our activities form the basis of the collection of in excess of seventy-five percent of Government's revenue which is used to provide services to the people of Barbados. Last year the Authority reported just over BDS \$2.19 billion in revenue and paid out just over \$200 million in refunds. Our activities are guided by the principles of good governance, customer service and cooperation.

**THE BARBADOS REVENUE
AUTHORITY COLLECTS
IN EXCESS OF 75%
OF GOVERNMENT'S
REVENUE**



Environmental Analysis

The Authority operates within the economic sphere of Barbados, but its reach is global as it interacts with other tax administrations, governments and persons in the international arena. Taxation is a global activity. Cross border trading, transnational corporations, and the movement of citizens of a state to work in another state are all factors which impact the operations of the Authority as a tax administration.

Economic Outlook

The Authority operates in an economy which is diverse - tourism, agriculture, light manufacturing and international business are the main pillars of the economy. The government has been faced with serious challenges to its cash flow and a debt to GDP ratio of 130% at the end of 2014 (*Barbados Economic and Social Report 2014*). According to the Quarterly Economic Review October to December 2015, published by the Ministry of Finance & Economic Affairs, unemployment stood at 11.3% and inflation 0.2%. Current revenue was estimated to have declined by 1% to \$1.24 billion and current expenditure increased by 9.3% to \$2.32 billion. However, the economy "showed slow but positive signs of recovery" and it is projected that this would positively impact on tax revenues, especially in the area of goods and services.

International Taxation

Barbados has thirty-six (36) Double Taxation Agreements (DTAs), six Bilateral Investment Treaties (BITs) and four Tax Information Exchange Agreements (TIEAs) which, along with the island's infrastructure and strong regulatory environment, drive the international financial sector. In addition, the country has completed a reciprocal agreement with the United States Internal Revenue Service under the Foreign Account Tax Compliance Act (FATCA) and has become a signatory to the Multilateral Convention and Multilateral Competent Authority Agreement under the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Technological Environment

Barbados has a stable, and excellent communication system. The island has kept pace with improvements in technology as evidenced by the use of fibre optics in the communications sector. The Authority, despite the myriad of challenges being faced in implementing a single integrated secure

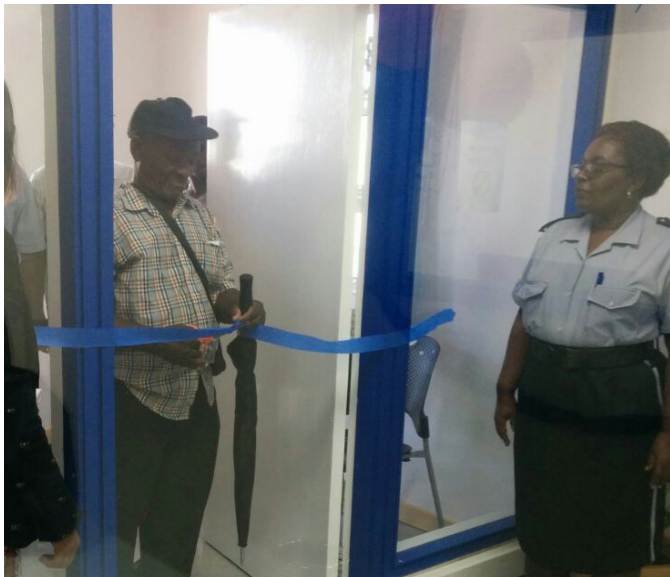
electronic environment for the administration of taxes, has been able to move all of its major tax administration systems from manual to online systems. Taxpayers have responded favourably to this use of technology, a trend that is expected to continue.

Strategic Achievements

2015 – 2016 was the second year of establishment of the Authority and this year was spent mainly in refining and implementing our strategic goals and objectives and settling into our new mode of operation. Change management is never easy and for the Authority this was no different as we sought to merge a number of differing cultures, systems and business processes. Despite the challenges faced during the year however, we were able to achieve a number of key objectives.

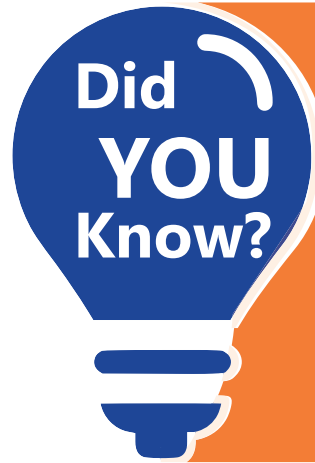
Service delivery

During the year the newly refurbished location in Hometown was re-opened offering services to the public in all areas of tax administration. In addition, this location is now also able to collect on behalf of the Licensing Authority for fees and payments for licenses relating to Highway Revenue. Reopening of this office offers a full service to the north and east of the island



A newly renovated Hometown branch was reopened in Aug 2015

and was welcomed by taxpayers especially the pensioners and businesses who reside in the north of the island. Additionally, taxpayers are now able to pay their taxes and access customer service activities at all locations of the Authority across the island. This is part of the Authority's efforts to take taxation to the public as opposed to the public coming to a single location for its services.



THE
BARBADOS REVENUE
AUTHORITY
HAS
6 LOCATIONS
SERVING TAXPAYERS

Integrity and Security

The success of the tax administration system in Barbados is grounded in the trust which the Barbadian public places in the fairness of the administration and the practices it employs. This trust was earned through the security and confidentiality with which the Authority handles the information entrusted to it on a day to day basis. During the year the Barbados Revenue Authority strengthened its security infrastructure through the implementation of an Information Security Policy which seeks to manage and monitor the security practices used by the Authority's Board, staff, suppliers, and service providers alike.

As part of the process of implementing the requirements of the Foreign Account Tax Compliance Act (FATCA) under the Inter-Governmental Agreement (IGA) with the United States Internal Revenue Service (IRS), we would also have gone through a rigorous confidentiality and safeguard assessment exercise. We were able to successfully complete the exercise with satisfactory results in 40 of the 42 cases assessed. This was a significant achievement for the Authority since the review covered areas such as information technology security, legislative framework, internal audit and risk assessment.

Organisational performance measurement

An organisation is only as good as its ability to report on its performance openly and with a high degree of transparency. Tax administrations are no different in this area and so, during the financial year 2015 – 2016, the Authority launched its five-year Strategic Plan, and Annual Business (Operations) Plan against which its performance will be measured and reported to the Minister of Finance and Economic Affairs.

Staff development and satisfaction are also recognised as integral to the success of any organization in achieving its goals. We therefore sought to encourage staff to interact with both their counterparts in the region as well as extra-regionally. During the first quarter of the year the Authority successfully hosted the Annual Regional Revenue Games which brought together the various tax administrations across the region for a weekend of competition and camaraderie.



Members of staff playing a game of cricket during the Revenue Games 2015

Compliance

As a tax administration, we recognize that while most of our taxpayers are willing and do comply with their tax obligations, there are some who must be encouraged and persuaded to comply. We however also recognize that given our limited resources we would be unable to efficiently achieve our objectives of improved compliance unless new methods and approaches are used to carry out our functions. With this in mind, the Authority developed a risk-based framework within which we will operate going forward. Additionally, a number of local, regional and international training workshops and seminars, group meetings and conferences were supported throughout the year.

Managing Enterprise Risks

Implementing a risk-based approach

This year continued to be one of learning and discovery for the Risk Management Unit. There was a mixed reaction to the implementation of the Risk Management Approach which was viewed by many as an addition to their current duties.

The Risk Management Approach strives to refine the decision making process towards bringing transparency and accountability to the activities of the organisation. It identifies the different steps in the decision making process, to allow us to make explicit and more informed decisions at each stage before moving on to the next. As a result, risk management allows us to better measure the quality of each stage of the decision making process, making it easier to detect potential risks or opportunities.

The first phase of the Risk Management Approach started with the establishment of the Risk Management Framework and Policy. The risks assessment process reviewed the risks to the organisation in relation to the achievement of our strategic goals, the tax compliance obligations of the Authority governed by the tax legislation and the corresponding activities and infrastructure necessary to achieve these goals. Out of this assessment a Risk Register was developed.

The major risks identified were in relation to:

- Information Technology and the need to upgrade or improve the current infrastructure
- Data Integrity, and its impact on our ability to provide an efficient and effective service to our taxpayers
- A need for the completion of the business reorganization process to meet the organizational needs
- Taxpayer compliance and a need to foster voluntary compliance
- The establishment of the BRA culture and brand
- The integration of risk management into our culture.

Risk rates were assigned to each risk and proposed risk treatments were identified.

As a first step to the implementation of the risk-based approach a communication plan to keep management aware of the risk process and to review and monitor the progress of implementation was developed. This established the platform for communication between the staff of the Risk Management Unit and that of the operational units.

Meetings were held monthly between the Risk Management Unit and the various departments of the Authority with the intent of gathering information on the risks encountered to enable the Risk Management Unit to report on the progress of mitigation strategies. These meetings also served to develop a relationship between the Risk Unit and the managers and staff of the sections and to foster the risk management culture. Risk treatments in relation to the identified risks were developed, discussed and documented with a view to ensuring continuous monitoring.

Implementing the risk approach has been a challenge. However, it is opined that this should improve with time and as staff become more familiar with this new approach to operation. Throughout the year the Units focused on ensuring the reduction and mitigation against enterprise risk. We will continue to foster the culture of risk management and to develop our knowledge of risk management for the benefit of the organisation.

Table 1 is a summary of the Risk Register at March 31, 2016.

"Risk is like **fire**:
If **controlled** it will
help you;
if **uncontrolled**
it will rise up and
destroy you."

Theodore Roosevelt



Risk Owner

RISK SCORE

	SEP 2015	MAR 2016
Revenue Commissioner		
Lack of a strategic plan	9	n/a
Business plans not being followed by senior managers	9	n/a
Senior Management		
Refunds processing process	25	25
Underutilization of the Post Clearance Audit Unit	20	20
Poor execution of prescribed procedures	9	9
Operational plans not being followed by units	9	9
Lack of a performance management framework – monthly reporting and analysis, quarterly reports	4	n/a
Revenue Management		
Data integrity - inaccurate taxpayer balances	25	25
Filing risk	16	16
Late payment of refunds	15	25
Registration risk	12	12
Inadequate use of third party information	12	12
Risk Management		
Insufficient information provided to write criteria for taxpayer profiling	16	16
No use of risk based audit selection	15	15
Customer Service		
Data Integrity - taxpayer registry	20	20
Communications/ PR		
Poor internal communication	16	12
Poor external communication	16	12
Tax Arrears Management		
Payment risk	20	20
Segmentation of taxpayers not being utilized to the full extent	15	15
Legal		
Ambiguities present in the existing tax legislation (VAT, IRD, Land Tax) which lead to differences in interpretation	9	9

Table 1: Risk Register 2015 – 2016

Policy & Planning	SEP 2015	MAR 2016
Absence of procedural manuals	20	8
Tax administration policies not clearly defined	12	12
BRA administration policies not clearly defined	12	9
Operational plans not being followed by units	12	2
Ambiguities present in the BRA legislation	6	6
Human Resources		
Lack of training across all sections and in all aspects of tax administration (legislation, policies and procedures)	16	12
Inadequate staffing	16	12
Existence of legacy agency cultures	15	9
Loss of staff and therefore loss of technical capacity	12	12
Poor labour relations	9	9
Finance & Accounting		
Inadequate tax payment options	6	6
Economic conditions – availability of funding for infrastructural needs and technical assistance	4	4
Information Technology		
Lack of infrastructure for sharing of information across units of organization (LAN)	20	20
Inconsistency of telecommunications and networking infrastructure	20	20
Lack of software which enables extraction of data for performance measurement	20	20
No integration of legacy databases	20	16
Lack of a comprehensive needs assessment	16	16
Not enough resources allocated to administer the project for the reform of IT systems	12	12
Inadequate access to important taxpayer information by taxpayer	12	12

Table 1: Risk Register 2015 – 2016

Table Key

0 - 10	low risk
10 - 20	medium risk
20 - 30	high risk

Internal Audit

The overall objective of the Internal Controls and Systems Audit Department (ICSAD) is to determine whether the Authority is operating according to International Public Sector Accounting Standards (IPSAS), the Financial Management and Audit Act (FMAA) and the Barbados Revenue Authority Act.

The ICSAD reports directly to the Audit Committee of the Board and administratively to the Revenue Commissioner. During the year, reports completed were presented to the Audit Committee for their approval and submission of findings and recommendations to the Board.

Audit Program Results & Analysis

The focus of most of the audits conducted was to assess the level of controls and to determine whether there was compliance with the established operating procedures.

The ICSAD would have issued twenty-six (26) audit reports, including investigations and advisory memos which highlighted areas of concern and noted possible corrective action.

The audits completed by the department included reviews of the information technology systems, audits of the refunds payment process for income and profits, the Human Resources Division, Policy & Planning Unit, the procurement function and revenue collection, all of which were considered to be high risk areas to the organisation's compliance programme. The department was also mandated to conduct and report on special audits as required by the Revenue Commissioner.

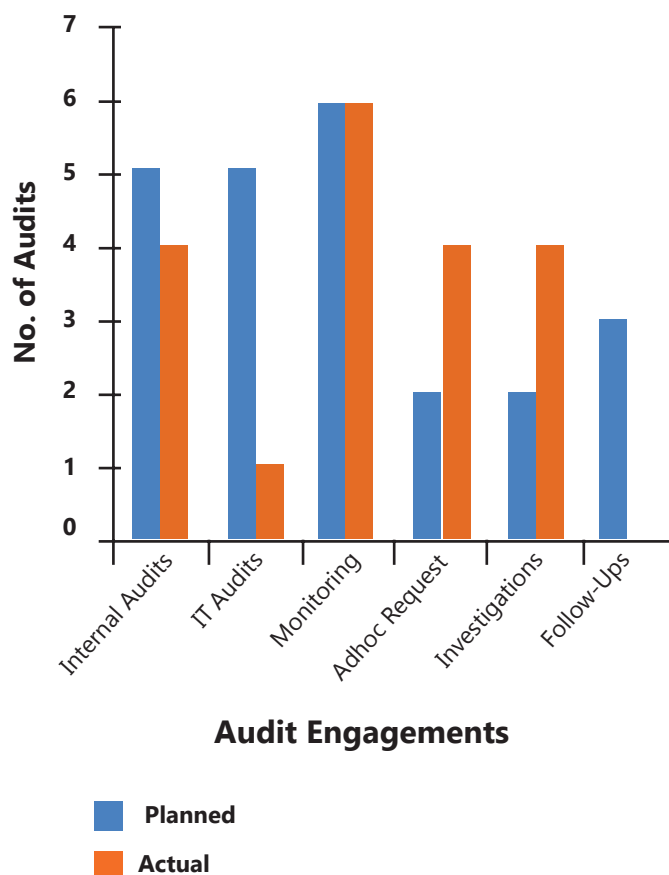
From the work performed the following were identified as the most significant and recurrent control issues.

- Information Technology – during the 2015-2016 reporting period thirty-three (33) recommendations were made to improve and protect the information system assets and maintain a high level of integrity. To date most of them were addressed, fifteen (15) were completed, fourteen (14) were partially completed, and four had no action taken. Although a significant amount of remedial efforts have been made in response to issues identified, IT security remains a significant system wide risk due to the large number of systems being monitored and maintained and lack of integration.
- Refund payment process – this process remains of concern to the ICSAD. It is hoped that with

continued effort issues raised can be contained to an acceptable level.

- Control of Cash – a number of internal control issues were noted in the area of cash collection and will lend to much needed standard operational procedures and general consistency of work deposit and reconciliation. The ICSAD noted that these issues can be resolved with the issuance of documented procedures and improved supervisory monitoring. The recommendations made were accepted and are being implemented by the department.
- Training and capacity building – the Authority intensified efforts in this area and a number of staff members were trained locally, regionally and internationally. Efforts have commenced towards developing procedures manuals, completion of which will significantly assist the Authority in strengthening its operational controls.

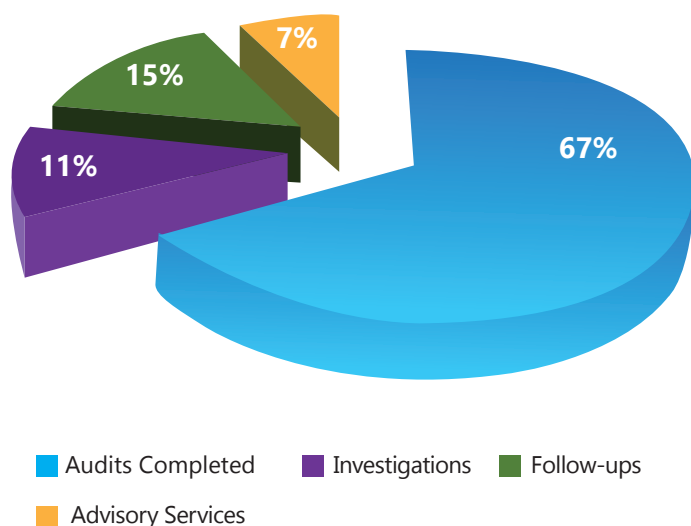
Planned/Actual Audits Completed 2015-2016



Our findings, highlighted the fact that due to the lack of fully documented policies and procedures within the Authority, there are still some endemic inefficiencies in key processes. In addition, though efforts have been made to train officers, there is still a need for further training to enhance productivity levels.

In total the department issued ninety-seven (97) recommendations as a result of the audits completed as shown in the Table below.

Audit Recommendations 2015-2016



Taxpayer Services

The Customer Service Department focused on the following areas of tax administration as part of its mandate to foster a customer-centric approach to tax administration while ensuring a high degree of registration and filing compliance;

- registration of new taxpayers and the cancellation or de-registration of others,
- preparation and issuance of tax clearance certificates across all platforms,
- updating taxpayer information in the various tax systems,
- processing of estate clearances,
- facilitating pensioner & agricultural rebate applications and
- generally serving customer inquiries from walk-ins, telephone and emails.

The Authority partnered with the National Initiative for Service Excellence (NISE) in developing a draft Service Standard and Customer Charter which will be rolled out to the public and staff in the coming year.

In keeping with our stated customer outreach programmes, the Authority has made presentations to various agencies on the subject of Donations to Charities. Officers also used talk shows to sensitise the public to a number of areas of tax administration, especially those arising from changes to the legislation as a result of new tax policies.

To improve service to our customers and to foster a more customer-centric approach to administration a Customer Service presence was established in the north of the island at the Holetown branch. The refurbished location provided the clientele from this part of the island with services that were previously only available in Bridgetown or Oistins. This brought the number of locations where full customer service, including the collection of tax clearance certificates and duplicate tax bills, can be accessed to three.

During the year 4,328 general tax clearance certificates, 5,309 land tax clearance certificates, 553 certificates for estate succession clearances and 400 new registrants for Value Added Tax were processed by this Department.

IN EXCESS OF
10,000
TAX
CLEARANCE
CERTIFICATES
PROCESSED



The reporting year 2015-2016 signalled a departure from the previously utilised mode of issuing land tax bills. This year, the Authority engaged the services of a private sector printery to print and distribute the land tax demand notices. These notices featured a new design using the Authority's corporate colours. This paradigm shift was necessary to meet the requirements of postal authorities worldwide which no longer accept carbon based mail. This initiative has been a time saving measure which eliminated the need for the officers to physically strip and sort the bills. It proved to be a successful undertaking and is expected to continue in coming years.

A major source of concern for the Authority however, was the level of returned mail with which it continues to be faced. This issue affected all sections of the Authority especially Valuations and Assessments where undelivered land tax bills represents a loss of potential revenue for the Authority. Approximately 3,351 bills were returned to the Authority during the year. The main reasons associated with the non-delivery of the mail were persons having left the address, were unknown at the address shown, and the intended recipient was deceased. Of the total returned bills, 844 were returned with the reason shown as "owner is deceased" and 2,143 were categorized as "unknown at address". Steps taken to minimize this occurrence by physically going to the site to ascertain the correct mailing addresses of the recipients proved difficult where the lands in question were vacant and the postal addresses of the owners are outside of Barbados. Taxpayers are being reminded that updating of their personal information is critical to the Authority offering an efficient service and meeting their obligations

Compliance

The Authority through its compliance activities seeks to ensure that the integrity and effectiveness of its self-assessment system remains in place. These activities run the full range of compliance to enforcement including, though not limited to, education, sensitization of the taxpayers as to their rights and obligations; auditing of taxpayers to ensure they are reporting correctly on their tax returns and engaging in various enforcement and intelligence gathering activities.

Risk-based approach

The Authority commenced the implementation of a risk framework during the year by identifying and reviewing the areas which posed the highest risk to achieving its objectives regarding improving taxpayer compliance. A Risk Treatment Plan was developed to mitigate those areas of highest risk identified. The activities outlined in the Plan included training of new and inexperienced staff in tax auditing (both desk and field); developing procedural manuals for standardisation of practices and procedures in the Authority; developing a training programme in the application of legislation to the auditing process; enhancing sensitization programmes for the public including increased use of media and networking workshops and seminars for interacting with the public and tax practitioners, keeping them informed of their obligations, how to meet these obligations and any changes and amendments made to the tax legislation framework.

OVER 90% OF
PERSONAL INCOME
TAX RETURNS
ARE FILED
ELECTRONICALLY



Registration compliance

Non-filers are defined as individuals, corporations or trusts that do not file tax returns despite a legal obligation to do so. Non registrants are business entities or individuals that do not register as required. Once non-filers and or non-registrants are identified, a measured approach is taken to promote or enforce compliance.

Filing and Payments Compliance

Compliance with respect to filing and payment requires that the taxpayer files on time, pays on time and pays the correct amount. The collections and filing compliance programmes implemented during the year sought to identify, address and prevent non-compliance and to help resolve tax debt matters quickly.

The Authority used mail, telephone calls and in-person contact in an effort to get outstanding returns filed. Where these actions did not work it became necessary to take legal action against taxpayers or to seize and sell assets or property.

Filing Compliance

During the first year of transition a number of outstanding manual returns were brought forward to the new organization. To mitigate against the risk of revenue not being collected as a result of these manual returns, a project was developed to address this situation. The project commenced in July 2015 with an end date of June 2016. At the end of the first six (6) months of the project it was identified that to be of greatest effect the activities would need to be separated by tax type and addressed accordingly. It was further agreed that Incomes and Profit Taxes would be addressed first, for six months and then Value Added Tax (VAT) for the remaining six months.

A number of findings were obtained from the first six months of the project which will form the basis of a Compliance Plan to be developed for 2016 – 2018. Areas identified to be included in the Plan to address the most significant findings included:

- Enhancing and expanding the use of third party information;
- Reducing the number of manually filed returns especially by corporations and on the behalf of corporate taxpayers;
- Implementing an integrated tax administration system which will allow for a single view of the taxpayer;

- Paying greater attention to the small and micro businesses to enhance their ability to meet their obligations in a timely manner; and
- Implementing a Large Taxpayer Unit.



THE
**REGISTRATION
THRESHOLD**
FOR **VAT** TO
BE **INCREASED**
TO **\$200,000**

During the calendar year, amendments to the income tax rates and the allowances granted to taxpayers were made by the Minister in his Budgetary Statement 2015. These adjustments included a reduction of individual and corporate income tax to 16% and 33.5% from 17.5% and 35% respectively, as well as the removal of a number of personal allowances.

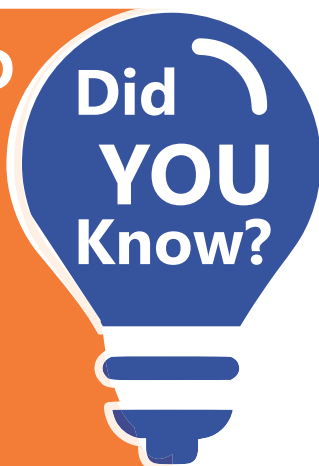
These adjustments impacted on the number of persons who were required to file. As a result, there was a marked diminution in the number of income tax filers for the year 2015 when compared with the 2014 tax year. During the current year, 78,195 persons filed online, as compared to 89,264 last year. It is noteworthy that there was also a drop in the late filers for the year. This category of non-compliance showed a reduction from 11,089 in 2014 to 3,522 in 2015.

Filings for VAT also experienced some changes over the 2014-15 tax year. The reluctance to adapt to the online filing has gradually been replaced by an encouraging embrace of the system. The number of manual returns has dropped significantly from 21,427 to 14,426. As such, there has been a concomitant and significant rise in the persons filing online. This category has increased from 9,390 in 2014-15 to 14,525 in 2015-16.

Despite the sluggish activity in the Barbadian real estate market, there was still a constant demand on the Land Valuation and Assessment Unit. During the year, the unit received 2,442 notices of proposed Change of Ownership. These notices are used in the updating of records associated with the property. This compares with the 2,628 forms which were accepted in the previous year.

The number of parcels of land recorded in the cadastral rose to 121,488 from 118,136, during the previous year. As a result, the Authority sent out 118,514 tax demand notices. No notices were issued where the properties are statutorily exempted from taxation.

WE **PROCESSED**
OVER **2400**
CHANGE OF
OWNERSHIP
NOTICES



Payment Compliance

During the latter half of the year the Authority, with technical assistance provided by the Caribbean Technical Assistance Centre (CARTAC), established a separate Unit to address the area of arrears management. One of the outputs of this technical assistance was the development of a Strategic Plan for the new Unit to be implemented in the year 2016-2017.

The major goals of the Unit will include:-

- Increased use of technology and online services to promote payment of arrears and consultation with stakeholders
- Application of analytics to improve arrears management;
- Development of policies and procedures to standardize all activities relating to the monitoring and management of tax arrears;
- Leveraging the capacity of senior staff in managing high risk tax payers; and

- Strengthening the interaction between the Legal Services Department and the Tax Arrears Management Unit to improve the success of litigation and other enforcement actions of the Authority.

Reporting compliance

An important tool to ensure the reporting compliance of businesses and individuals is the audit. An Audit Selection Committee was established to identify and select cases for auditing throughout the year. This Committee includes representatives from the areas of audit, shared services, risk management and business intelligence. This new approach to audit case selection was intended to ensure that a more systematic risk-based approach is utilized in the selection of cases for the audit teams and to ensure the achievement of the strategic programme objectives by the organization.

A Quality Assurance Programme of the audit services was also developed and implemented to ensure audit consistency and quality. This programme was implemented in 2015-2016 by the Internal Audit Department and the findings of the completed audit will provide the basis for the new reporting compliance programme for 2016-2017.

Implementation of FATCA

Tax transparency has become the focus of worldwide attention. It is one of the most significant tax elements being considered at a global level in the fight against tax evasion and in the move to increase tax compliance. A key aspect of this effort relates to the exchange of information between jurisdictions. During the period under review, the Authority held consultations with institutions from the financial and international business sectors regarding the implementation of the Foreign Account Tax Compliance Act (FATCA) protocols for the exchange of information in September 2015. This activity was very successful ensuring that the compliance rate for this requirement was high. A number of sensitisation and educational activities were implemented resulting in a 99% compliance rate in this area.



The Authority engaged with stakeholders at the FATCA Consultation held at the Lloyd Erskine Sandiford Centre July 2015

Corporate Services

Our Strategic Plan 2015-2019 and our Business Plan 2015-2016 identified the following as our main objectives in carrying out our internal services programme:

- Complete an organisational needs assessment and develop a three-year rolling training plan for the organisation
- Development of a performance measurement system to enable the Authority to measure results against targets
- Development of a BRA brand emphasising service excellence
- Enhance electronic administration through the implementation of a single BRA portal and web services
- Improve communication within the organisation through the use of a variety of technologies and media.

Human Resource Management

The Authority was established through the consolidation of four legacy agencies of the public service of Barbados. Critical therefore to the success of the Authority will be the bringing together of the various cultures of these legacy entities to create a single culture. The Human Resource function therefore sought to:

- Manage the change process to ensure that new policies and procedures are aligned with the business objectives.
- Play a lead role in creating the organisational culture, by providing guidance to the changing culture as well as identifying issues and creating solutions to rectify these.
- Perform the role of business partner in the new entity partnering with department heads and line managers to devise cost efficient approaches to build capacity and to effectively utilise resources to achieve the strategic objectives of the Authority.
- Design good practice, human resource and talent management programmes to engage and develop employees throughout each stage of the employee life cycle.



At March 31, 2016 the total number of employees at the Authority stood at 326, inclusive of 189 employees who were on secondment for a period of two years. A significant achievement for the Authority was that in excess of 80% of seconded staff opted to remain with the Authority. The organization also offered over 95 temporary employees long term positions and hired 21 new recruits.

During the year, 13 employees retired from the Authority while one employee resigned. Of notable mention was Mrs. Waveney Johnson, who served the public of Barbados for a total of 45 years and retired from the Authority in July 2015.



Staff showed their appreciation to Mrs. Johnson at her retirement

Employee Retention Strategies

The ability to attract top talent is an important factor for the Barbados Revenue Authority. Likewise, its ability to retain top talent is equally important. Although the strategies involved in keeping them are listed as retention approaches, some of these factors may actually convince potential employees to view the Authority as an “employer of choice”.

During the period under review some of the retention strategies utilised included:

- Promotion from within
- Improved working conditions
- Employee input
- Employee awards
- Flexibility of working hours
- Strong channels of communication.

**“TREAT
EMPLOYEES
LIKE THEY MAKE A
DIFFERENCE
AND THEY WILL”**

Jim Goodnight

Training and Professional Development

The Authority was committed to providing training and development opportunities for its employees so that they gained the necessary skills and competencies to effectively carry out their duties, while allowing them to reach their full potential and become confident, highly qualified individuals. This also included capacity building which goes beyond training, as it involves equipping individuals with the understanding skills, and access to information, knowledge and training that enables them to perform effectively.

To this end during the period April 1 2015 to March 31, 2016 the Authority invested in its employees in a number of capacity building activities including in-house training programmes as well as overseas conferences and workshops. These included:

Local/In-House Training

- Computer training in the various applications used at the Authority
- Training in data analytics, risk management and risk-based auditing at the MIS Institute
- Record Management
- Communication and interpersonal skills
- Information Security Policy seminars
- Personal Financial Planning seminar
- Improving Productivity for Individual and National Prosperity

- Performance Appraisal and Development Training
- Property Tax seminar
- Emergency Management seminar
- Caribbean Financial Action Task Force (CTAFT) Pre-Assessment Workshop.



Overseas Training: Workshops /Seminars /Attachments

- Tax Analysis and Revenue Forecasting, North Carolina, USA
- IMF Fiscal Management in the Caribbean, Grenada
- Internal Audit Training, Trinidad and Tobago
- VmWorld Security 2015 Training, San Francisco, USA
- Oracle Open World, San Francisco, USA
- Advanced Auditing for In-Charge Auditors Conference, Orlando, Florida
- Network Security Essentials, Orlando, Florida
- Auditing from a risk based approach, Orlando, Florida
- Automatic Exchange of Information Implementation seminar, St. Kitts.



Ms. Sophia Samuel from the Internal Audit Department attending CARTAC Internal Audit Training Program in Trinidad & Tobago in September, 2015

Conferences and Meetings

- CIAT General Assembly and Technical Conference, Lima, Peru
- 4th Global Forum AEO1 Group Meeting, Rome, Italy
- First Round of Double Taxation Agreement, Cyprus
- Institute of Chartered Accountants of Barbados (ICAB) Annual Conference, Barbados
- Commonwealth Association of Tax Administrators (CATA) Annual Technical Conference, Malaysia
- 17th Conference for Commonwealth Heads of Valuation Agencies (CHOVA), Sri-Lanka
- Sixth AEOI Group Meeting, Mexico
- Advanced Auditing for In-Charge Auditors Conference, Orlando, Florida
- CIAT Steering Committee Meeting, Panama



The Barbados Revenue Authority attended several conferences and meetings hosted by the Global Forum

Performance Management

Performance Management not only provides the basis for self-development but more importantly, it also ensures that the support and guidance employees need to develop and improve are readily available.



David Stuart
Manager Human Resources

The Authority was committed to fostering an environment that creates and embeds a performance culture in which giving feedback was encouraged, good performance was recognised and poor performance addressed.

In March 2016, approval was granted by the Board for a new Performance Appraisal System within the Barbados Revenue Authority to be implemented effective April 1, 2016. This Appraisal systems will seek to:

- formally evaluate the performance of all employees twice a year
- maximise the motivation and commitment of all levels by clearly stating what is expected of staff and taking appropriate action to reward good performance and tackle any areas of deficiency identified
- provide feedback to the employee in a meaningful way on how they are performing and providing the

opportunity to discuss concerns with their supervisors and managers.

Wellness Programme

The Authority recognises that a healthy staff is more productive and as such, a Wellness Programme was established and launched in October 2015. The programme was designed to assist the organisation in getting its staff healthy. Wellness is a healthy balance of the mind, body and spirit that results in an overall feeling of well-being. Research has shown that a Wellness Programme builds a cohesive team and assists in the development of healthy lifestyles as well as reduced sick leave, health care cost and compensation and disability claims.

Other benefits of these programmes include:

- increased employee retention and productivity,
- increased employee job satisfaction,
- improved personal practices such as weight loss, obesity prevention and chronic disease management.

A number of wellness activities were conducted during the year, including:

- Breast Cancer Walk – October 4, 2015.
This was the 1st activity that took place as a group effort in the walk against breast cancer.
- Sneaker Day held every last Friday in the month where staff wear their soft wear and do not use the elevator
- 1st Wellness Walk at the Garrison – January 21, 2016
- Road Tennis Competition at Warrens – March 4, 2016



Employees at the Wellness Walk at the Garrison Savannah Jan 2016

Training Loan Fund and Vehicle Loan Scheme

During the period under review, a Training Loan Fund and a Vehicle Loan Scheme were approved by the Board and established within the Barbados Revenue Authority for access by staff members. At March 31, 2016 four applications were approved, three for vehicle loans and one for study leave.

Information Technology

The success of any Information Communication and Technology (ICT) system is measured by how well the system meets its requirement for the provision of information technology support to its various stakeholders. During the year, a number of key performance indicators (KPIs) were achieved of which the Department can be proud; however, we will not sit on our laurels but will try to make greater strides towards achieving those which were not met.

Some achievements for the year were:

- Development and implementation of the information Security Policy to guide staff in the acceptable use of the Authority's information assets and resources. This was approved by the Board in May 2015.
- Upgrading of the Wide Area Network (WAN) bandwidth at all the Authority's locations. This resulted in faster access to information resources and created a better environment for the sharing of data.
- Implementation of one email domain (bra.gov.bb). This standardization allowed not only for a common platform but also allowed us to implement our standards for data transmission and storage. It also aided in the branding of the Authority.
- Rebuilding the Excise Tax module in the VETAS application. This led to the implementation of the Excise Tax module in VETAS, thereby allowing the accurate capturing and monitoring of Excise Tax payments and schedules.
- The development of a system to meet the filing and reporting requirements of Foreign Account Tax Compliance Act (FATCA).
- The implementation of a system which facilitated the reporting of data to the US Internal Revenue Service (IRS) by the September 30, 2015 deadline.

- The development of new web documents which were published in January 2016 to support filing of corporation and income tax returns.
- The completion of system development for the Automated System for Customs Data, (Asycuda) World.

Despite these successes a number of challenges were faced by the department during the year. Some of the challenges were:

- The inability to maintain constant network connectivity to all sites
- The inability to deliver some of the reports requested
- The inadequate maintenance of the various custom built applications
- The lack of one interconnecting telephone system across the Authority
- The lack of network storage space.

Each challenge was approached from the viewpoint of its impact on the Authority as a whole and the identification of factors which impacted the issues. Part of the solution process involved soliciting third party support services where necessary. Solutions were identified and implemented where possible and strategies were developed during the problem solving process to mitigate against repeat of the issues. Given the challenges listed above, the issues identified by the Internal Audit Department as well as the areas of risk as defined in the risk register, the ICT system was able to perform at a level that allowed each department of the Authority to meet their deadlines.

Public Relations and Communications

The Department's mission is to inform and engage taxpayers, staff and the public in tax administration and the Department will ensure that timely, informative and educational communication is maintained.

In a move to become more customer-centric, the Authority made strides in executing initiatives which informed taxpayers and engaged with stakeholders more directly during the year under review. This is in keeping with the Public Relations and Communications Strategic Plan presented to and approved by the Board.

There was an increase in media presence in the form of articles and advertisements notifying the public on legislative amendments and announcements on tax related activities, when compared to the previous year. The Authority further connected with stakeholders through participation in tax update sessions with the Institute of Chartered Accountants of Barbados, hosting tax clinics during the income tax filing season

and exposing taxation and careers in taxation to future taxpayers through career showcase events. Steps were also initiated in revamping the Authority's web presence and a more user-friendly website is being built to improve how taxpayers interact with the Authority electronically.

Continued staff empowerment was the driving force behind the Authority hosting two general staff meetings and the introduction of electronic bulletins as an internal communication resource.

The merger of the legacy institutions to form the Authority necessitated re-branding. So far in the process stationery, document headers and most forms have been re-branded. Branded banners were designed and created for use in raising the Authority's profile and presence during activities. Alongside these implementations, a programme for re-branding the signage at all of the Authority's locations has commenced. The improved signage is expected to assist in expediting the various requests and queries from taxpayers and the public by informing and guiding them to the sections that would best fulfil their requirements.



Finance and Administration

The Finance and Administration Department is mainly responsible for the collection and reporting of Government's revenue and for the operations of the Authority. The Department manages six collection locations situated at Warrens, Treasury Building, Holatown, Oistins, Pine and Weymouth; with Weymouth being the main financial centre. The Department is organised into four primary areas: Procurement, Expenditure (including payroll and tax refunds) Revenue and Ledger. The major tasks include managing the cash flows, preparation of annual operating and capital budgets, preparation of financial reports and the processing of tax refunds.

During the financial year ended March 2016, the Department achieved the below listed objectives inter alia:-

Improved financial statement preparation procedures

The Auditor General in his report on the financial Statements 2014-2015, noted the requirement for the Authority to separate the financial information of the Authority from that of the Administered Activities. This was completed during the year and the financial statements for 2015-2016 are presented as two separate sets of statements with accompanying Notes and Analysis.

Additionally the Department refined the financial reports to provide high level information and detailed analysis to guide Management in prudent decision making. The focus remains on continuous improvement in the reporting process until the goal of simplified, clear electronic reports is achieved.

Computerisation

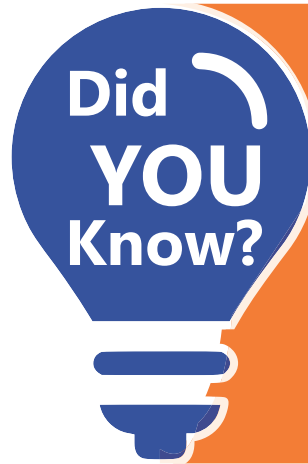
Computerisation of the accounting activities, which is paramount to expediting the reporting process, has been established as another priority. Although there has been significant accomplishment in this area, greater strides will be taken to achieve full computerised reporting.

In line with the strategic objective "Enhance Electronic Administration" the Department successfully converted the manual requisitioning system to an electronic process by way of implementing the Smartstream Requisitions module on a pilot basis at one of the BRA's locations. The implementation of Online Requisitions is aimed at expediting the ordering while maintaining effective controls for all procurement activities.

It is planned to roll out the program to all departments early in the next financial year 2016-2017.

Refunds Processing

The processing of tax refunds is one of the major roles performed by the Finance Department. During the financial year 2015-2016, the Department processed over 69,000 refund payments totalling just over BDS\$200M. This task created a heavy demand for the scarce resources available but was achieved through the great level of teamwork and professionalism displayed by the staff who were willing to work beyond the call of duty to ensure taxpayers received their refunds in as timely a manner as possible.



We processed over
69,000 refund
payments
totalling just over
BDS\$200M

Relocation Project

The Department is happy to report that the temporary closure of the operations at the Pine office at the end of the financial year went smoothly and staff at this location were incorporated across the other locations.



BARBADOS REVENUE AUTHORITY

REVENUE
 APPLICATION FOR CERTIFICATE OF CLEARANCE

Address of Tax

FINISHED

© 2000 The McGraw-Hill Companies

1998, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

Source: Author's calculations.

Form of Government: _____

CORPORATE GOVERNANCE REPORT

GOVERNANCE STRUCTURE



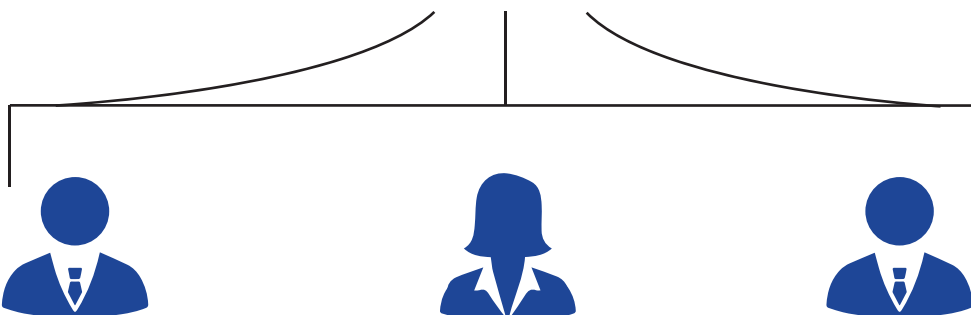
Minister of Finance and Economic Affairs



Barbados Revenue Authority Board



Revenue Commissioner



**Director Shared
Services**

**Director Corporate
Services**

**Director Audit
Services**



**Senior Manager
Shared Services**



**Senior Manager
Audit Services**



**Senior Manager
Information
Technology**



**Senior Manager
Policy, Planning &
Governance**



**Chief Information
Security Officer**



**General Counsel &
Board Secretary**

Governance



Board of Directors - Barbados Revenue Authority

From left to right: Frank Thornhill, John Pilgrim, Margaret Sivers, Lawson Yearwood, Sandra Osborne, Cecil Drakes, Annice Dalrymple, Karol Ashby and Martin Cox.

Structure of Board of Directors

The Board comprises nine Directors, six of whom are appointed by the Minister. Five of the six Directors appointed by the Minister are required to be qualified and experienced in economics, accounts, finance, tax, law, public administration or business or such other area, as in the opinion of the Minister, is required for the discharge of the functions of the Board. The sixth person appointed by the Minister is nominated by the most representative trade union from among employees. The appointed members are independent of management. The ex-officio Directors are the Revenue Commissioner, the Director of Finance and Economic Affairs, and the Chief Technical Officer or his nominee.

Director Rotation and Re-appointment

The terms of office of the appointed Directors are for a period of two years or three years in order to ensure Board continuity. Directors are eligible for reappointment. During the year, the respective terms of office of Directors Karol Ashby, Annice Dalrymple and John Pilgrim came to an end and they were re-appointed for the further term of two years.

Sandra Osborne, SCM, QC, BSc (Hons), LLB (Hons), FCIS, chairs the Board and is appointed by the Minister. She is a Queen's Counsel of Barbados and a Chartered Secretary with over 35 years' experience in the legal, governance and corporate secretarial field. Ms. Osborne worked in the financial services industry for 25 years, retiring in 2013 from the position of Executive Vice President, General Counsel and Corporate Secretary of Sagicor Financial Corporation, one of the Caribbean's leading financial services Groups, where she played an integral role in effecting fundamental corporate change, including demutualisation, corporate mergers, acquisitions, take-overs, as well as public and private offerings. Her areas of expertise are insurance, securities and corporate law, and corporate governance. Ms. Osborne serves on Boards in the financial services sector and in the non-profit sector both in Barbados and overseas and is an experienced Sport Administrator.

Lawson Yearwood is the Deputy Chairman of the Board and is appointed by the Minister. Mr Yearwood has over 27 years of commercial banking experience, having worked at Barclays Bank PLC and Barbados National Bank. He was responsible for the set-up of the Wildey branch of the National Bank in 1981 and served as its first manager until 1984. He also worked at the Barbados Development Bank as Manager of Internal Audit. He is Deputy Chairman of the Anti-Money Laundering Authority and a member of the Board of the Financial Services Commission. Mr Yearwood served as a member of the Board of Management of the Princess Margaret Secondary School from 1983 to 2003 and Deputy Chairman of the Barbados Agricultural and Development Corporation (now the Barbados Agricultural Development and Marketing Corporation) from 1986 to 1994.

Karol Ashby, BSc. (Hons), FCCA, CA, CIA, is appointed by the Minister. She holds a BSc in Accounting, the FCCA designation and is a Member of the Institute of Internal Auditors. Ms. Ashby has 19 years of experience in the accounting profession. She is a Partner of Burrowes Chartered Accountants and formerly held senior financial positions in both the private and public sector. She is currently a Council Member of the Institute of Chartered Accountants of Barbados and a Member of the Appeals Tribunal of the Financial Services Commission.

Martin Cox, BA, MSc. Econ UWI, CMA, is an ex-officio Member of the Board by virtue of his office as Director of Finance and Economic Affairs. Mr. Cox began his public service career in September 1978 as a Senior Project Analyst in the Public Investment Unit of the Ministry of Finance and Planning. He was appointed in April 1995 as a Permanent Secretary,

responsible for Economic Affairs, in the Ministry of Finance and Economic Affairs after serving as a Chief Project Analyst, Chief Budget Analyst, Deputy Permanent Secretary and Manager of the Public Investment Unit in the said Ministry. Subsequently, he had responsibility for Tourism, Education, Industry, International Business and Telecommunications, Labour and Social Security. He was assigned to the Finance portfolio in the Ministry of Finance and Economic Affairs on September 01, 2011 and has sat as a Government representative on the National Insurance Board, the Barbados Development Bank, the Caribbean Development Bank, the Pine Hill Dairy and the Queen Elizabeth Hospital amongst others. Additionally, he has acted as Head of the Public (Civil) Service. He chairs the Committee of Permanent Secretaries, the Public Service Training Committee, the Standing Accommodation Committee and the Rausing Fellowship Advisory Committee.

Annic Dalrymple, JP, BSc, MBA, CMA, is appointed by the Minister. She holds an MBA in Financial Management and a BSc in Accounting and is a Certified Management Accountant (CMA) and Justice of the Peace. She started her professional career in the public sector before joining UWI Cave Hill, where she served for 15 years, retiring as Campus Bursar. She has for many years been active in the Anglican Diocese, serving in various capacities including Treasurer and Chairman of the Finance Committee. She is active in her Church and is currently Treasurer and a Member of the Parochial Church Council. A keen orchid grower, Ms. Dalrymple is a Member of the Barbados Association of Flower Arrangers and is its current Treasurer.

Cecil Drakes is appointed by the Minister and is nominated by the trade union representing the highest number of employees within the Authority. Mr Drakes first entered the public service as a Clerical Officer and thereafter enjoyed an extensive and fulfilling public service career. Through the years, he worked his way up to the ranks of Assistant Accountant, Accountant, Senior Accountant, Tax Inspector, Senior Tax Inspector, Principal Tax Inspector and finally Assistant Commissioner of the Inland Revenue Department. He therefore worked in several Ministries, Departments and Statutory Corporations including the Ministry of Health, the Barbados Water Authority, Seawall Airport Development Project and the Prime Minister's Office. Mr. Drakes has also been actively involved in the National Union of Public Workers (NUPW) for over thirty years, where he served as Shop Steward, Treasurer of Division 2, Deputy General Treasurer, General Treasurer, President, National Councillor and Chairman of the Medicare Scheme. Additionally, he represented the union at several conferences and

seminars both locally and overseas and successfully led the union in two salary negotiations. He was a vital part of the salary negotiating team on numerous occasions. Mr. Drakes is a member of the Lions Club of St. Michael.

John Pilgrim, BSc., MA, is appointed by the Minister. He is Executive Director of the Barbados National Productivity Council, holds a BSc in Economics, an MA in Agricultural Economics and is a Fellow of the World Academy of Productivity Science. He has been involved in the design and development of Productivity Improvement programmes in Barbados and throughout the wider Caribbean for many years and has written extensively on productivity-related management issues, conducted seminars and studies and is the author of several publications in this field locally, regionally and internationally. He has worked as a Project Analyst at the Caribbean Development Bank and as Senior Economist with the Caribbean Community Secretariat. Mr. Pilgrim is the past Vice President of the Caribbean Management Development Association and a member of the Project Advisory Committee of the ILO Programme for the Promotion of Management and Labour Cooperation.

Margaret Sivers, BSc. (Hons), FCPA, FCMA, is an ex-officio Member of the Board by virtue of her office as the Revenue Commissioner. Ms. Sivers, the first Revenue Commissioner of the Barbados Revenue Authority, is a Fellow of Certified Management Accountants, FCMA, and holds a BSc in Management Studies. After commencing her career in the private sector, Ms. Sivers joined the public service as Finance Officer. Her last assignment in the public service prior to taking up her position with the Authority was as Permanent Secretary (ag), Ministry of Finance, Special Projects Unit, where she was responsible for the establishment of the Barbados Revenue Authority, the Financial Services Commission, and the modernisation of Government's Procurement System. She previously performed a number of pivotal roles in the Ministry of Finance, including Accountant General, Project Manager - Public Expenditure Management Project and Special Assignments Officer - Office of the International Monetary Fund. Ms. Sivers has served on a number of Boards during her career including the Board of the Kensington Oval Management Inc., the Grantley Adams International Inc. and the Financial Services Commission. As Revenue Commissioner Ms. Sivers also serves as Chair of the Land Tax Relief Board. She is active in the community as the Treasurer of her Church and sits on the Parochial Church Council.

Frank Thornhill, BSc. MSc., is an ex-officio Member of the Board by virtue of his office as the Chief Technical Officer, Ministry of Transport and

Works. He was appointed as an Engineer to work in the Ministry of Communication and Works in 1975 and has worked on a number of infrastructural projects throughout the island notably the construction of the Spring Garden Highway, the ABC Highway, the Lower Greens and Cheapside Bus Terminals and the throughout the island notably the construction of the Spring Garden Highway, the ABC Highway, the Lower Greens and Cheapside Bus Terminals and the District 'A' complex. He has also worked as the Project Director of the Sewerage and Solid Waste Project Unit which was responsible for the Construction of the South Coast Sewerage Project and the Solid Waste Project. Mr. Thornhill holds a BSc. in Civil Engineering from the University of Coventry, England, an MSc. in Highway and Traffic Engineering from the University of Strathclyde in Scotland, a Diploma in Management Studies from UWI Cave Hill Campus and a Certificate in IT from the Barbados Community College. He has served on the following Boards: Rural Development Commission; Engineer's Registration; Architect's Registration; Scotland District; Barbados Water Authority; and Licensing Authority. He is also a member of the Chartered Institution of Highways and Transportation of the United Kingdom.

Board Competency Matrix

The Authority's Corporate Governance Guidelines, which accord with best practice internationally, require that the Board be comprised of a group of individuals who have the appropriate combination of competencies (skills and experience) and personal attributes (behaviour and attitude) to support the Authority's mission, and contribute together as a highly motivated team. The desirable competencies are driven by the Authority's mandate and the skills needed to complement its Management team. It is expected that the requisite skills and experience will change over time as the Authority evolves to face changes in its operating environment. During the year, the Board reviewed the collective skills and experience necessary to enhance its effectiveness, and determined that two key additional competencies in Information Technology and Risk Management should be accessible to the Board through co-option to Board Committees pursuant section 11 of the Second Schedule of the Barbados Revenue Act, 2014-1.

The updated Board Competency Matrix shows the core competencies which have been identified for the collective Board of the Authority:

Board Core Competencies	Sandra Osborne	Lawson Yearwood	Karol Ashby	Martin Cox	Annice Dalrymple	Cecil Drakes	John Pilgrim	Margaret Sivers	Frank Thornhill
Economics*				✓					
Accounts*			✓	✓	✓			✓	
Finance*			✓	✓	✓			✓	
Taxation*			✓	✓		✓		✓	
Law*	✓								
Public Administration*				✓	✓	✓	✓	✓	✓
Business*	✓	✓	✓		✓			✓	
Corporate Governance	✓								
Human Resources Management				✓		✓	✓	✓	✓
Information Technology									
Risk Management									
Other (Banking)		✓							
Other (Engineering)									✓

* Competencies required by Barbados Revenue Authority Act.

In addition to the above core competencies, all Directors are expected to possess appropriate personal attributes. These include integrity and high ethical standards, sound judgment, an ability and willingness to question conventional assumptions, strong interpersonal skills, and a high level of commitment to the Authority.

Board Roles and Responsibilities

The Board occupies a central position in the governance of the Authority. Its general role is to foster the Authority's short and long-term success consistent with its mandated objectives and accountability to its stakeholders. In the discharge of its mandate, the Board oversees the affairs of the Authority, supervises management, which is responsible for day-to-day operations and, through the Revenue Commissioner, sets the standards of the Authority's conduct.

During the year, the Board fulfilled its mandate by providing leadership with respect to the following specific responsibilities:

- (i) Selecting, assessing, compensating, and if necessary, replacing the Revenue Commissioner and planning for the Revenue Commissioner's succession with the approval of the Minister of Finance.
- (ii) Overseeing the development of and approving a strategic plan that takes into account the opportunities and risks facing the Authority.
- (iii) Approving the Authority's capital and operating budgets and ensuring the integrity of financial statements, internal controls, financial information systems, projections, forecasts and audited statements.
- (iv) Approving the Authority's material policies.
- (v) Working with management to identify the principal risks to the Authority and ensuring that systems to manage those risks are in place.
- (vi) Monitoring the Authority's performance against agreed goals and objectives.

- (vii) Approving major transactions.
- (viii) Ensuring compliance with legal and regulatory requirements.
- (ix) Ensuring that reporting, monitoring and accountability obligations are met.
- (x) Ensuring that controls, codes or guide lines are in place governing ethical conduct, conflict of interest, environmental protection, personal and public safety, equity and similar concerns.
- (xi) Ensuring that the Authority has an appropriate communications strategy.
- (xii) Providing for the Board's good management and on-going effectiveness including establishing of the committees, task forces and work groups required to assist the Board in the effective discharge of its mandate.
- (xiii) In consultation with the Minister, identifying the required competencies and personal attributes required on the Board, and providing recommendations for the orderly succession of Board members.

The roles and the expectations for the Chair, individual Directors, and the Revenue Commissioner have been clearly defined. The Chair's leadership skills are a critical factor in determining overall Board effectiveness, while collectively, the individual Board Members execute the Board's responsibilities set out in the Corporate Governance Guidelines, adhering to a high standard of performance and personal behaviour. The Revenue Commissioner is responsible for leading management, developing and implementing the Authority's strategy and reporting to the Board of Directors.

Board Operations

During the year, the Board held its regular monthly meetings and one other meeting. Business outside of these regular meetings was also attended to expeditiously by round robin decisions when required.

The table below shows the number and percentage of meetings attended by Directors during the year 2015-2016.

Directors	Board Meetings Attended	%
Sandra Osborne	13 of 13	100
Lawson Yearwood	11 of 13	85
Karol Ashby	13 of 13	100
Martin Cox	10 of 13	77
Annice Dalrymple	7 of 13	54
Cecil Drakes	13 of 13	100
John Pilgrim	12 of 13	92
Margaret Sivers	13 of 13	100
Frank Thornhill	13 of 13	100

Board Committees

The Board has established three mandatory Board Committees - the Audit Committee, the Human Resources Committee, and the Tenders Committee. It has been agreed that the Board will directly oversee all Corporate Governance matters. The purpose of these committees is to undertake detailed reviews and to provide in-depth supervision in key areas of Board responsibility. The use of committees helps the Board gain a more comprehensive understanding on matters requiring specialised attention. Each Committee operates within the framework of a written Board-approved charter, which defines its purpose, objectives, authority, roles and responsibilities.

Audit Committee:

Members: Annice Dalrymple (Chair), Karol Ashby and Martin Cox.

The function of the Audit Committee is to assist the Board in fulfilling its financial accountability, risk management, and oversight responsibilities. The Committee does this by reviewing the adequacy and effectiveness of the integrity of the Authority's financial statements and the financial reporting process, the system of internal controls, the internal audit function, the external audit process, the management of financial risks, and compliance with applicable legal and regulatory requirements. All Audit Committee members are required to be financially literate and at least one must have accounting or related financial management expertise. During the 2015-2016 period, the Committee's work included:

- Reviewing and recommending for Board approval the Internal Audit Plan for the year 2015-2016.

- Overseeing the work of the Internal Audit department led by Chief Internal Controls & Systems Auditor in respect of 26 internal audits and investigations, including follow up audits.
- Overseeing the 2015-2016 external audit by the Auditor General.

Human Resources Committee:

Members: Lawson Yearwood (Chair), Cecil Drakes and John Pilgrim.

The function of the Human Resources Committee is to assist the Board in ensuring that adequate policies and procedures are in place for the effective management of the Authority's human resources. The Committee does this by formulating Human Resource policies, procedures and practices and ensuring their implementation. At least one member is required to have expertise in Human Resources. During the year the Committee reviewed and made recommendations to the Board on the following matters:

- Employee Handbook containing the terms and conditions of employment
- Employee appraisal system
- Appointment of senior staff after the conduct of interviews, where required
- Establishment of a Pension Plan
- Matters relating to the integration of the Staff of Customs Department into the Authority
- Establishment of a Wellness Program.

Tenders Committee:

Members: Frank Thornhill (Chair), Lawson Yearwood and Cecil Drakes.

The function of the Tenders Committee is to oversee the procurement of goods and services by the Authority. The Committee does this by ensuring that a process is in place for the procurement of goods and services and monitoring, approving, and or recommending procurement as required. During the year, the Committee met to review and recommend to the Board the approval of a tender which was over Management's limit and therefore within the remit of the Committee.

BARBADOS REVENUE AUTHORITY

GENERAL TAX INFORMATION



Automatic Exchange of Information

After successfully implementing the Foreign Account Tax Compliance Act (FATCA) in 2014, the Authority received data from the Financial Institutions and transmitted that data to the Internal Revenue Service, United States of America in 2015. This admittedly was not an easy process. In addition to dealing with our own internal affairs, technical staff of the Barbados Revenue Authority ably assisted financial institutions in Barbados with the preparation of their data for transmission, by assisting them, inter alia, with the encryption of their files. These tasks were often performed outside of normal working hours, as we quickly discovered that many of these financial institutions were filing from outside of Barbados and from different time zones.

Barbados became a signatory to the Convention on Mutual Administrative Assistance in Tax Matters (MAC) on October 28, 2015 and also signed the Multi-lateral Competent Agreement Authority (MCAA) on October 29, 2015. This meant that the island officially will be responsible for transmitting data under the Common Reporting Standards (CRS) and the Authority was tasked with ensuring its implementation in Barbados.

In this regard, the Authority successfully held two public consultations on the CRS and Barbados is expected to commence transmission in 2017. These consultations were used to update financial institutions, deposit taking institutions and insurance

companies of their responsibilities under the CRS, and allowed them to be part of the decision making process with respect to its implementation. Feedback obtained from the participants who attended the two consultations was used to update the questionnaire as issued by the Organisation for Economic Cooperation and Development (OECD) on the CRS as well as to draft the Automatic Exchange of Information (AEOI) Regulations.

Harmonised Tariff

The World Customs Organisation publishes a Harmonised Tariff and continually updates it. The last HS Tariff published was the 2012 Tariff and the 2017 tariff is currently being prepared. In 2015, the Authority started a project to migrate from the 2004 HS Tariff which is currently in use to the 2012 Tariff.

Assistance on this project was provided by CARTAC. This project is currently about 85% complete. Upon completion, Barbados would be on par with the rest of CARICOM and the wider community with respect to the use of tariff rates.

Tax Advisory Committee

The Tax Advisory Committee was formed during Fiscal Year 2015. Its main purposes are to:

- Review proposed legislation,
- Formulate policy on new and existing legislation,
- Resolve ambiguous areas of tax laws and
- Meet with experts to obtain their opinion on specific issues.

The Committee met during the year with its main focus being the implementation of the 2015 budgetary measures.

Tax Adjustment

Consolidation Tax

The Consolidation Tax Act was repealed on March 31, 2016. With effect from April 1, 2016 employers must no longer deduct Consolidation Tax from the salaries of employees. However, employees and employers must still remit any unpaid tax which became payable while the tax was in force. The repealing of this tax meant that government gave up just over \$30 million in revenue.

Value Added Tax

Major adjustments to streamline the "basket of goods" zero-rated under the First Schedule of the



Exchange of Information is a key aspect in the effort towards tax transparency.

Value Added Tax Act (VATA) were undertaken during the year. This was done to ensure that basic food items remain accessible to the disenfranchised whilst ensuring the “luxury” items were eliminated from among the list of food items zero rated.

In addition, the sale of lottery tickets was removed from the exempt schedule, thus making this service taxable at the standard rate.

In an effort to reduce the administrative cost of the VAT by reducing the number of VAT registrants, it is proposed that the VAT threshold will be increased to \$200,000.

The collection powers of the Authority were strengthened by the addition of a distress provision in the VATA. Additionally, some further administrative strengthening of the VATA was achieved through provisions which:

- a) allow governmental agencies to withhold the VAT of persons doing business with them and remit it to the Authority
- b) provide for the payment due dates to be extended
- c) empower the Minister to waive, remit or refund the tax where it is just and equitable to do so. This last amendment removed the need for such applications to be heard by the Barbados Revenue Authority Appeals Tribunal as is currently the case for other taxes administered by the Authority.

The VAT imposed on mobile, voice, data and text messaging was increased to 22% effective January 1, 2016.

Excise Tax

The Excise Tax Act Cap. 69 was updated during 2015 and the new legislation came into effect from May 2016. This new Excise legislation has modernised the administration of Excise Tax in Barbados. Taxpayers of Excise Tax also started using the VETAS system to file online Excise returns, as well as to manage other Excise operations. The Authority prepared for this by offering training to both the internal and external customers.

A 10% Excise Tax was imposed on sugar sweetened beverages. The aim of this tax was to impact the negative trend of lifestyle diseases such as diabetes, by reducing the intake of sweetened beverages.

Land Taxes

The Municipal Solid Waste Tax was discontinued at the end of financial year 2014-2015 and at the same time adjustments were made to the Land Tax bands and rates. The rates currently in effect are as follows: Hotels, manufacturers and the agricultural sector can receive a 50 % rebate, Villas 25% and Pensioners 60 years and over 60%.

Vacant Land	0.8% of the site value
Non-residential Improved	0.7%
Residential Improved:	
Up to \$150,000	0.00%
\$150,000 ≤ \$450,000	0.1 %
> \$450,000 ≤ \$1,000,000	0.45%
≥ \$1,000,000	0.75%

Incomes and Profit Tax

A major review was done of the Income Tax system. The intent of this review was to move away from the system whereby taxes are taken from taxpayers during the year only to be refunded to them subsequent to the filing of their tax return. In this regard, the Personal Income Tax rates were moved from 17.5% and 35% to 16% and 33.5% respectively on income in excess of \$25000. At the same time, the following personal deductions, among others, were eliminated:

- Contributions to Political Parties
- Home Allowances
- Rental Expense
- Renewable Energy and Energy Efficient Training
- National Insurance and Severance paid on behalf of an Employee

Additionally, the following amendments were made to Corporate Income Tax:

- The loss carried forward period was reduced from 9 years to 7 years and group losses were eliminated. However, corporations were allowed to ‘grandfather’ any losses which were previously claimed. All expenditure on which a claim in excess of the amount spent was reduced so that only the amount spent can be claimed. This meant that previously in some cases 120 % or 150 % of an

expenditure could have been claimed but now only 100% can be claimed.

- Similar changes were made to the Cultural Industries Development Act.

Summary of Taxes collected

The Barbados Revenue Authority collects eleven types of taxes administered under seven main pieces of legislation, these being:

- Income Tax Act
- Land Tax Act
- Value Added Tax Act
- Excise Tax Act
- Consolidation Tax Act
- Taxes on Financial Institutions Act
- Municipal Solid Waste Tax Act

A summary of these various taxes is provided below. (Rates relate to the tax year ended March 31, 2016)

Taxes on Incomes and Profits

Personal Income Tax

Income tax is levied on:

- a) The income earned by individuals in a calendar year.
- b) The profits of a trade or business earned by an individual in a fiscal year.

Personal income tax is levied on the income/salary of individuals. The current tax rates for individuals are:

Taxable Income	Rate of Tax
between \$25,000 and \$35,000	16%
over \$35,000	33.5%

Income from business and investments is included in the assessable income of the individual and taxed at the prevailing rate of tax. Trusts and estates are also taxed at the same rates as individuals, however allowances are not granted.

Income from interest and dividends in the case of an individual is taxed at 12.5%. Individuals who are resident in Barbados who earn less than \$18,000 annually but not more than \$1,500 monthly enjoy the benefit of a "reverse tax credit" which is a grant of \$650 annually.

Individuals are granted a personal allowance of \$25,000 per annum, however, pensioners age 60 and over are granted a personal allowance of \$40,000. Individuals are also granted an allowance of \$3,000 for spouses with no income and a child allowance of \$1,000 per child - the maximum of two children.

Filing Requirements

The income tax return must be filed by April 30th each year. Persons with tax payable are required to pay half by April 30th and the remainder on or before September 30th of the same year. Employers are required to deduct Pay As You Earn (PAYE) deductions from the salary of employees every month and remit the amount deducted to the Barbados Revenue Authority by the 15th of the following month.

Self Employed

Self-employed persons with assessable income are required to file and make prepayments which are based on estimated income. Prepayment are made by self-employed individuals on the 15th day of March, June, September and December.

Income derived from the rental of residential property is taxed separately at the rate of 15%.

Consolidation Tax

This tax was implemented for a 24 month period ending March 2016. Consolidation Tax was payable by an individual on his gross income from all sources and was calculated using the following rates in accordance with Section 5 of the Act as follows:

For individuals earning gross income between \$50,000 and \$75,000, 0.5%; for individuals earning gross income between \$75,001 and \$100,000, 1%; for individuals earning gross income between \$100,001 and \$200,000, 2%; and for individuals earning gross income above \$200,000, 3%.

Corporate Income Tax

Companies are required to pay corporation tax on their profits. Companies with a fiscal year end between January 1st and September 30th have a March 15th filing date and companies with the year-end October 1st to December 31st must file by June 15th of the following year, respectively.

Companies with fiscal periods ending at any time during January 1st to September 30th, both dates inclusive, are required to prepay 50% of the tax paid or payable in respect of the previous income year as a prepayment of tax and the balance by September 15th each year.

Companies with fiscal periods ending at any time during October 1st to December 31st, both dates inclusive, are required to prepay 50% of the tax paid or payable in respect of the previous income year as a prepayment of tax for the income year by the 15th December and the other 50% by 15th March of the following year.

Exempt insurance companies pay a license fee of \$20,000.00 for the first 15 years of existence to the Financial Services Commission. Thereafter that amount is paid as a tax to the Authority.

The tax rate applicable to companies:

Company Type	Tax Rate
Life Insurance Companies	5%
Exempt Insurance Companies (taxable income to 250,000)	8%
Exempt Insurance Companies	0%
Approved Small Business	15%
Construction of 15 or more houses with a sale price of under \$400,000 inclusive of land	15%
Manufacturing Companies	15%
Interest on Government Securities	12.5%
International Business Companies at 2.5% rate	2.5%
International Business Companies at 2.0% rate	2%
International Business Companies at 1.5% rate	1.5%
International Business Companies at 0.5% rate	0.5%
Other Companies	25%
Rental Income from Residential Property	15%

Withholding Tax

Generally, the withholding tax on income under the Barbados Income Tax Act is 15%.

For payments from Barbados by other companies, the following treaty withholding rates apply:

(a) Dividends	0-15%
(b) Interest	5-15%
(c) Royalties	5-15%
(d) Management Fees	0-15%

For Non-treaty countries, the withholding rate is 15%. Interest on bonds, debentures or stock of the Government of Barbados, beneficially owned by a non-resident person is exempt from withholding tax.

Goods and Services Taxes

Value Added Tax (VAT)

VAT is imposed on the taxable supply of goods and services in Barbados and on goods imported into Barbados. The current threshold is \$80,000 but it is proposed that the threshold be increased to \$200,000.

VAT is imposed on the value added at each stage of production and does not cascade. In Barbados, they are four rates of VAT- a standard rate of 17.5%, 7.5% on holiday accommodation and Direct Tourism Services, 22% on mobile telephone services (voice, data and text messaging) and 0% on goods detailed in the First Schedule of the Act. In addition, goods listed in the Second Schedule of the Act are exempt from payment of the tax.

Registrants are required to, within 21 days after the end of each taxable period, whether or not the registrant makes a taxable supply during the taxable period, file with the Revenue Commissioner in such manner as the Revenue Commissioner determines, an accurate return for the taxable period.

Excise Tax

Excise Tax is imposed on tobacco products, petroleum products, automobiles, alcohol and sugar sweetened beverages. The rates of tax applied vary as per tariff heading and are outlined in Excise Tax Regulations, 2014. In January 2016 a new Excise Tax Act and Regulations were passed in Parliament and the old Act repealed.

Taxes on Insurance Premiums

General Insurance

In respect of a company carrying on general insurance business 4.75% of the gross direct premium in respect of resident and non-resident

insurers is payable as premium tax. In respect of a company carrying on general insurance business other than property insurance, 4% is payable in respect of resident and non-resident insurers.

Life Insurance

In the case of a resident life insurance company, taxes are payable at the rate of 3% of the premium income of the company for renewal business for the income year. In the case of a foreign company taxes are payable at the rate of 5% of the premium income of the company for renewal business for the income year. On new business taxes are payable at a rate of 6% in respect of resident and non-resident insurers.

Taxes on Assets of Banks and Financial Institutions

This Act was proclaimed on 3 February, 2015. It imposed a tax on the assets of commercial banks, insurance companies, credit unions and other financial deposit taking institutions with gross assets of \$40m or more. The rate of the tax payable is 0.2% per annum and is applied to the average domestic assets of the entities.

Taxes on Remittances

- (a) For remittances to a non-resident insurer carrying on general insurance business other than health plans, the tax is 20%
- (b) For remittances to a non-resident insurer carrying on long term business including health, the tax is 15%
- (c) For remittances to a non-resident person administering pension funds, the tax is 6%
- (d) Surplus funds by:
 - (i) A foreign company carrying on long term insurance business, the tax is 15%
 - (ii) A foreign company carrying on general insurance business, the tax is 10%.

Property Taxes

Land Tax

The Valuation and Assessment Department of the Authority values property every 3 years. Based on the improved or site value of the property, land tax is calculated at specified rates.

Rebates are available for pensioners, hotels, villas and the agricultural sector. In addition, there is a rebate for manufacturers whose exports are \$100,000.00 or more per calendar year.

Land Tax is due April 1 of each year; however property owners pay when their tax bill is issued by the Authority. If the bill is paid in full within thirty days after the date of issuance of the tax bill, a discount of

10% is granted to the taxpayer.

Current rates are set out in Table 1. below.

Rent Registration

A fee of \$2.00 is charged to facilitate registration of rent for residential properties.

Municipal Solid Waste Tax

This tax, which is no longer collected since the Act was repealed at the end of March 2016, was imposed on all land with an improved value to raise revenue to finance the treatment of solid waste in Barbados. It was calculated at 0.3% of the site value. Similar allowances to those for Land Tax were given for MSWT. Outstanding arrears relating to this tax are still being collected.

Table 1: Property Tax Rates

1. Residential		
(a)	On the improved value up to \$150,000.00	0.0%
(b)	On the excess greater than \$150,000.00 but not exceeding \$450,000	0.10%
(c)	On the excess of the improved value greater than \$450,000 but not exceeding \$1,000,000.00	0.45%
(d)	On the excess of the improved value greater than \$1,000,000	0.75%
(e)	The Tax Cap on residential remains at \$60,000	
2. Non-Residential		
	On the improved value of every parcel of land on which there is a building other than a residence	0.70%
3. Un-Improved Land*		
	On the site value of each parcel of unimproved land	0.80%
*NB - There is no charge to the rate on site values		

BARBADOS REVENUE AUTHORITY

KEY PERFORMANCE INDICATORS

"Tax Made Easy"

- ▶ TAX CLEARANCES
- ▶ REGISTRATIONS
- ▶ TAX RULINGS
- ▶ APPEALS & OBJECTIONS
- ▶ REVENUE COLLECTION

The following tables provide information with respect to the analysis of the Authority's performance in achieving its objectives for the year 2015-2016 as outlined in its Strategic Plan 2015-2019 and its Business Plan 2015-2016.

	EXPECTED OUTCOME	PERFORMANCE MEASUREMENT	TARGET	ACTUAL
Implementation of a performance measurement system to enable the Authority to measure results against targets				
1	Establish Framework for measurement and monitoring of the organisation's achievement of its Strategic Goals and Objectives	Annual Business Plans for all Divisions/ Depts. Completed by end-Dec 2015 for financial year 2016 - 2017	100%	100%
2		Revenue forecasts and targets prepared by Sept. 30 of each year for the following year	100%	90%
3		Comments and guidelines relating to policy matters included in the Annual Budget Statement completed within 60 days of the Budget Speech being delivered	90%	90%
4		Monthly status reports on performance measures submitted within the first 5 working days of the following the month of reporting.	90%	60%
5		Monthly reporting of revenue performance with appropriate analysis	100%	75%
6		Revenue forecasts and targets prepared by Sept. 30 of each year for the following year	90%	75%
7		Document comments and guidelines on Annual Budget Statement within 30 days of policy directives from MoF	within 30 days	between 30 - 60 days
8		Identification of changes to organisation structure and standard operating procedures to be submitted by Project Unit	end Aug 2015	Oct-15
9		Establish/Re-designate PPU as Policy Planning and Governance Division by end FY2016	Dec-16	Mar-16
10	Good governance practices established to ensure transparency and accountability by Board and Senior Management	Prepare documents for the monthly Senior Management Committee meeting within first 5 days of each Month	100%	90%

11		Annual Report approved by BRA Board and submitted to Minister of Finance by Sept 2015	Sep-15	Jan-16
12		Monthly and quarterly reports are submitted to Public Investment Unit and Caribbean Development Bank	100%	100%
13		Complete the design and training relating to the upgrade of Customs system to ASYCUDA World (AW) by end August 2015	100%	100%
14		Develop new CPC framework and structure for implementation in AW by end FY2016	100%	80%
II	Improve service delivery through a more customer-centric organisation			
1	Taxpayers and businesses have access to the services and information to voluntarily comply with tax Laws	Acquire and implement new Customer Service telecom and help desk system by end QII 2015 to improve service to customers and track queries	100%	25%
2		Complete the Customer Service system and update with taxpayer information, coordinating with Procurement vendor system	100%	100%
3		Develop Customer Education Plan by end of QI of each year	100%	50%
4		Re-open the Holetown Branch of the BRA	100%	100%
5		Conduct at least 5 Customer Tax Update seminars workshop during the year	100%	60%
6	Organisation re-branded	Development of Customer Charter for the BRA	100%	50%
7		Implementation of BRA brand by QIII 2016	100%	0%
8		Standard procedure document relating to Customer Service matters to be developed and implemented by end FY2016	100%	50%
9		Brand and Service pocket manuals to be developed by end QIII 2016	100%	50%

10		Develop procedures and implement the VAT Receivables Liquidity Facility in conjunction with the CBB	100%	100%
11	Taxpayers and businesses receive responses to their various requests within the established standard	Tax clearances issued within 5 working days of request for FCTC and 3 days for all others and 100% issued in 10 working days	90%	90%
12		Tax clearances issued within 5 working days of receipt of application	100%	90%
13		Share Valuations completed within 5 working days	100%	90%
14		Requests for valuation services provided within two months of receipt of request	100%	100%
15		20 % paper based maps are converted to digital by end of financial year	100%	105%
16		Revaluation of properties for 2017/18 cycle 2,000 parcels monthly per two officers	2000	2200
17	Timely and effective responses to taxpayers and businesses objections and appeals	Objections to valuations acknowledged within 10 working days of receipt	100%	100%
18		Reassessment of valuations completed within 30 working days of receipt	100%	100%
19	Taxpayers and businesses have access to timely and accurate responses to their queries.	Send first response to queries within 5 working days	90%	65%
20		Respond to customer queries (email, post) within 15 working days of receipt	90%	90%
21		Receipts mailed to customers within 15 working days of receipt of funds	100%	100%
22		Rate of e-filing increase by 10% per year	10% p.a.	100%

23	Timely and effective processing of voluntary reporting compliance	Percentage of returns received manually keyed accurately for assessment within 20 working days of receipt	90%	75%
24		Returns filed on time are assessed within 30 working days of filing	100%	75%
25		Returns filed on time that are to be manually assessed are completed within 60 working days of filing	100%	100%
26		Percentage of VAT returns keyed within the stipulated legislative time period	100%	85%
27	Taxpayers receive notification of assessment in a timely manner	Contact with taxpayers where the assessment changed the status or amount	100%	25%
28		Percentage of tax refunds paid and mailed out within 14 days of receipt of funds from Treasury	100%	85%
29		Complete Competent Authority Agreement for AEOI for FATCA by legislated deadline Sept. 15, 2015	100%	100%
30	Tax debt is resolved on a timely basis and is within targeted levels	Establish and monitor ageing system for arrears by end FY2016	100%	60%
31		Consolidate debt by taxpayer and sector	100%	Deferred
32		Develop and implement Arrears Management Strategy by end FY2016	100%	60%
33		Develop profile of outstanding accounts by end FY2016	90%	Deferred
34		Ratio of outstanding debt to revenue determined and reduced by .05% by end FY2016 (standard 1.75% prior year 2.74%)	2.69%	2.74%
35	Ensure compliance with registering, filing reporting and payment requirements	Increase tax roll each year until non-filers are reduced to less than 5% of estimated taxpayers (business vs individual)	10%	Deferred

36		Number of first-time tax filers increase by 5 % per year		kpi not met
37		Prepare and implement Plan for FATCA by August 15, 2015	100%	100%
38		Introduce new-look Land Tax bills and inform taxpayers of new bill	100%	100%
39		Complete contracts within 15 days of request being received	95%	80%
40		Complete all issues related to Tax Treaties within 90 working days	100%	90%
41		Development of manuals, for all divisions, of standardised processes and procedures	90%	50%
42		Develop and implement a time measurement process for division	End FY 2016	kpi not met
43		Complete 90% of assigned case within each quarter assigned (see case assignment schedule)	90%	60%
44		Conduct at least one meeting per quarter of the Audit Selection Committee	100%	100%
45		Additional tax assessed		
46		Time expended per audit		
47		Prepare various policy papers in connection with tax policy and administration	95%	95%
48		Complete training programme in the application of Income Tax and VAT Acts to auditing for beginner auditors	100%	95%
49		Tax Administration Advisory Committee established by Q1 2015/2016	100%	100%
50	Taxpayers and businesses receive timely rulings and interpretations under the various specified enactments	Process Tax Residency applications within 30 days	90%	90%

51		Prepare and finalise legal opinions within 45 working days	95%	80%
52		Prepare Court and Tribunal matters in a timely manner	100%	100%
53		Interpretations related to objections completed within 60 days; initial response within 10 days	90%	75%
54		Finalise matrix on BRA legislation for submission by December 31, 2015	100%	25%
55		Rulings assessed within 20 - 60 working days;	90%	75%
iii	Integration of compliance risk management techniques in the overall operations of the organisation			
1	Risk Management Unit established	Full staffing of RMU completed by end-FY2016 including a small group of skilled flexible policy experts to support divisions and departments of the BRA.	100%	75%
2		Risk Management Framework approved and adopted by end FY2016	100%	100%
3		Conduct training in data mining techniques for the RMU by end FY2016	FY2016	Deferred until FY2017
4		Transformation agenda, incorporating risk management into day to day activities of BRA developed and approved.	90%	50%
5	Risk Treatments plans implemented to mitigate the level of risk	Strategic risks defined and ranked by end December of each year. (these define operational control priorities for the next year)	100%	100%
6		Report on results of SRTs should be submitted to RC 10 days after the end of the quarter reviewed.	90%	75%
7		Report of Audit Selection Committee should be approved by the Senior Mgmt Committee at the last monthly meeting of the current quarter for the following quarter	100%	25%

8		Detailed Report on outcomes of SRTs should be submitted to RC 10 days after the end of the quarter reviewed.	90%	40%
9		Update risk profile within 30 days of becoming invalid	n/a	n/a
IV Enhance the professionalism and productivity of the Authority's staff				
1	Training needs are targeted to improve professionalism of staff in carry out their functions	Complete an organisation needs assessment and develop a three year rolling training plan by QI FY2016	100%	75%
2		Implement Training Plan for FY2016	100%	90%
3		Publication of Newsletter on a quarterly basis		kpi not met
4	Transition of staff completed	All seconded staff should be confirmed by Dec 31, 2015	100%	100%
5		Information on confirmed staff communicated to the MoF by end Jan 2016	100%	100%
6		Complete implementation of the SmS Human Resources module by end FY2016	100%	50%
7		Complete the implementation of a Pensions Policy Plan for BRA by end of second year of establishment FY2016	100%	65%
8		Develop and implement a Health and Safety plan for the BRA staff by end QII FY2016	100%	25%
9		Complete Employee Handbook by end QIII FY2016	100%	90%
10		Complete and implement HR Manual	100%	100%
11		Develop and implement Performance Appraisal System for employees by end QII 2016	100%	100%

V	Develop and implement a Business Intelligence and reporting strategy to enable Authority to meet its statutory requirements on time			
1	Submit monthly reports to the Accountant General	Completion of the Revenue Report by the 2nd Wednesday of the following month	100%	90%
2		Completion of Financial Statements and Report by the 3rd week of the following month	100%	100%
3		Completion of Management accounts within 5 days of the following month		100%
4		All invoices are paid 15n30 days of receipt or within the time period to avoid interest accrual	100%	90%
5		Completion of the bank reconciliation by the end of the month following the month of reporting	95%	75%
6		Complete processing of 90% of cheques received from taxpayers within 15 days following the month of receipt	95%	85%
7		Implementation of Smartstream Requisition module by end FY2016	100%	98%
8		Implementation of SmS Fixed Assets module by end QIII FY2016	75%	Deferred
9		Legacy systems are reconciled to Ledger by 2nd month of the following quarter	90%	25%
10	Organisation re-branded	Staff uniforms are issued by end FY2016	100%	50%
11		Upgrade facilities at 4th Floor Treasury Building by end CY2015	100%	Deferred
12	Staff trained to meet the needs of the department and to achieve departmental objectives	Operational Procedures Manual completed and implemented by end QII FY2016	100%	98%
13	A secure reliable ICT network in place	All staff of the BRA have a bra.gov.bb email address that is working efficiently by end August 2015	100%	100%

14		BRA portal and web presence established and in operation by QIII2016	90%	65%
15		Network infrastructure upgraded and integrated to facilitate seamless communication across the BRA in an efficient manner	100%	85%
16		Rationalise and regularize domains across the BRA sites by end 2016	90%	50%
17		Amalgamate all software licenses under BRA end QI 2016	90%	75%
18		Maintenance Agreements reviewed, approved and paid within thirty days of receipt	90%	75%
19		All databases can be accessed from all locations of the BRA by end	100%	100%
20		E-payments system is fully implemented for all types of taxes administered by the BRA by end FY2016	100%	60%
21		Electronic document and records management system developed by end FY2016	100%	Deferred
22		Develop Information Security Policy manual by end July 2015	100%	100%
23		All existing staff of BRA trained in ISPM by end QIV FY2016	100%	100%
24		Develop and implement a disaster preparedness strategy by end QIII FY2016	100%	25%
25	Reporting Strategy completed	Develop a reporting framework and strategy including timelines for design, testing and implementation of reports based on priorities established by RC by end FY2016	90%	25%
26		Develop a comprehensive listing of all reports required by the BRA by end FY2016	90%	25%

Statement of Management Responsibility Including Internal Control over Financial Reporting

The accompanying financial statements of the Barbados Revenue Authority (the Authority) have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are set out in Note 1 to the financial statements. Some of the information included in the financial statements, such as accruals, is based on management's best estimates and judgment, with due consideration to materiality.

The Authority's management is responsible for the integrity and objectivity of data in these financial statements. Management is also responsible for the preparation and the fair presentation of the financial statements in accordance with the applicable financial reporting framework and this responsibility includes:

- (a) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (b) Selecting and applying appropriate accounting policies; and
- (c) Making accounting estimates that are reasonable.

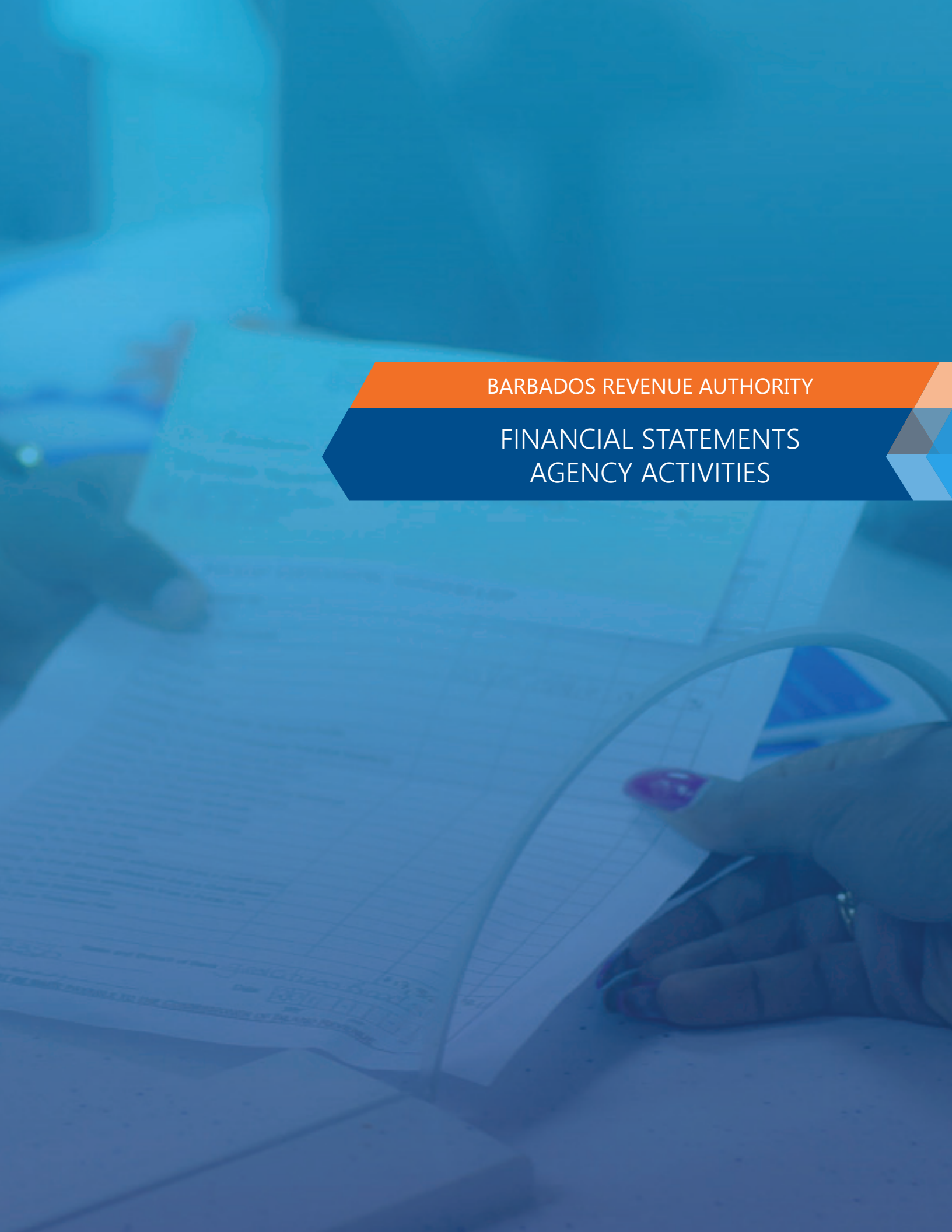
To fulfil its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the Authority's financial transactions. Management also maintains financial management and an effective system of internal control over financial reporting (ICFR) that take into account costs, benefits, and risks. They are designed to provide reasonable assurance that transactions are processed within the powers provided by the Authority's Act, are executed in accordance with prescribed regulations and the Financial Management and Audit Act, and are properly recorded to maintain the accountability of funds and safeguarding of assets.

Financial management and internal control systems are reinforced by the maintenance of internal audit programmes. The Authority also seeks to assure the objectivity and integrity of data in its financial statements by: the careful selection, training, and development of qualified staff; organisational arrangements that provide appropriate divisions of responsibility; communication programmes aimed at ensuring that its regulations, policies, standards and managerial responsibilities are understood throughout

the organisation, and by conducting an annual assessment of the effectiveness of its system of ICFR.

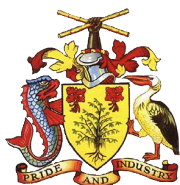
The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, assess the impacts and adopt strategies for risk management to assess the effectiveness of associated key controls, and to make any necessary adjustments. The effectiveness and adequacy of the Authority's financial management and its system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the Authority's operations and by the Board of Directors which is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board of Directors. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Barbados on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Barbados conducts independent audits and expresses separate opinions on the accompanying financial statements which do not include an audit opinion on the annual assessment of the effectiveness of the Authority's internal controls over financial reporting.



BARBADOS REVENUE AUTHORITY

FINANCIAL STATEMENTS
AGENCY ACTIVITIES



AUDITOR GENERAL'S OFFICE BARBADOS



REPORT ON THE AUDIT OF THE ACCOUNTS OF AGENCY ACTIVITIES OF THE BARBADOS REVENUE AUTHORITY FOR THE YEAR ENDED MARCH 31, 2016

I have audited the accompanying financial statements of revenue collection of the Barbados Revenue Authority ("the Authority" or "the BRA"), which comprise of the Statement of Financial Position as at March 31, 2016 and the statement of Performance, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Audit Opinion

I was unable to confirm opening balances as 1st April 2015 and fixed assets reported as \$327,000.00 because of the absence of supporting schedules. In addition, the receivables balances were understated by \$4,327,054.00. As a result of these matters I could not determine the total adjustments required on the financial position of the Authority as at 31st March 2015 or on its financial performance and statement of cash flows for the year then ended.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Revenue Authority as at 31 st March 2016, and of its financial performance and its cash flows for the year then ended.

L. E. TROTMAN
Auditor General

2017-01-27

Barbados Revenue Authority- Agency Activities
Statement of Financial Position
For the Year Ending March 31, 2016
BDS\$000's

	Notes	Actual Mar 2016 \$	Actual Mar 2015 \$
TOTAL ASSETS			
Current Assets			
Cash and Bank	4	3,819	2,031
Subvention Receivable		-	1,597
Staff Loans/Advances		128	14
Prepayments		101	-
Total Current Assets		4,048	3,642
Fixed Assets	5	327	139
Total Assets		4,375	3,781
Liabilities			
Accounts Payable & Accrued Liabilities		198	392
Total Liabilities		198	392
GENERAL FUND			
Donated Capital	6	3,421	3,274
Net Surplus (Deficit)		756	115
Total General Fund		4,177	3,389
TOTAL LIABILITIES AND GENERAL FUND		4,375	3,781

Financial Statements of the Barbados Revenue Authority



Chairman

31/07/2016

Date



Revenue Commissioner

31/07/2016

Date

Barbados Revenue Authority- Agency Activities
Statement of Change in Equity
For the Year Ending March 31, 2016
BDS\$000's

	Opening Capital	Surplus (Deficit)	Total
Investment by Government	3,274	-	3,274
Net Surplus	-	115	115
Balance as at March 31, 2015	3,274	115	3,389
Adjustments	147	-	147
Net Surplus		641	641
Balance as at March 31, 2016	3,421	756	4,177

Financial Statements of the Barbados Revenue Authority

Barbados Revenue Authority- Agency Activities
Statement of Financial Performance
For the Year Ending March 31, 2016
BDS\$000's

	Actual	Actual
	2016	2015
INCOME		
Subvention from Government	24,377	21,850
Other	2	-
Total Operating Income	24,379	21,850
EXPENDITURE		
Personal Emoluments	19,149	18,329
Travel	114	108
Utilities	754	527
Rental of Property	23	44
Library Books & Publications	24	2
Supplies & Materials	798	626
Maintenance of Property	1,392	1,152
Operating Expenses	1,052	631
Structures	67	40
Professional Services	220	183
Depreciation	50	29
Subscriptions to Int'l Organisations	95	64
Total Operating Expenditure	23,738	21,735
Net Surplus (Deficit)	641	115

Financial Statements of the Barbados Revenue Authority

Barbados Revenue Authority- Agency Activities
Cash Flow Statement
For the Year Ending March 31, 2016
BDS\$000's

	Actual Mar 2016 \$	Actual Mar 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus/(Deficit)	641	115
Add: Depreciation	50	29
Operating Income before working capital changes	691	144
Changes in assets and liabilities		
Decrease in Subvention Receivables	1,597	(1,577)
Increase in Staff Loans/Advances	(114)	(14)
Increase in Prepayments	(101)	-
Decrease in Accounts Payable & Accrued Liabilities	(194)	391
Net cash flows from operating activities	1,879	(1,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment & Machinery	(238)	(167)
Net cash flows from investing activities	(238)	(167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in General Fund	147	3,274
Net cash flows from financing activities	147	3,274
Net increase / (decrease) in cash and cash equivalents	1,788	2,031
Cash at beginning of Year	2,031	-
Cash at end of the Year	3,819	2,031

Financial Statements of the Barbados Revenue Authority

Significant Accounting Policies

1. Reporting Entity

The Barbados Revenue Authority is a body corporate owned and established by the Government of Barbados under Section 3 (1) of the Barbados Revenue Authority Act 2014-1. The Authority operates solely in Barbados.

The main activities of the Authority relate to the administration of the specified legislation set out in Schedule 1 of the Act. In addition, the Authority has responsibilities for the enforcement and collection of all forms of duties, taxes, interest, penalty, fees and any amounts payable under the specified enactments; to advise the Minister on all matters relating to the Act and the specified enactments and to represent Barbados on other matters relating to taxes.

The Financial Statements of the Barbados Revenue Authority are prepared in accordance with the requirements of the Financial Management and Audit Act 2007-11. This is in accordance with Section 22 of the Barbados Revenue Authority Act which requires that the Financial Management and Audit Act may be applied with such adaptations and modifications that may be required.

2. Accounting Policies

These financial statements comply with generally accepted accounting practice. The measurement base is historical cost. The accrual basis of accounting has been used unless otherwise stated.

2.1 Reporting and Forecast Period

The reporting period for these financial statements is the year April 1, 2015 to March 31, 2016.

2.2 Exchange Revenue (Revenue Earned through operations)

If revenue has been earned by the Barbados Revenue Authority in exchange for the provision of Goods and Services to third parties, the Authority receives its revenue through operations. Such revenue is recognised when it is earned.

2.2.1 Revenue for Operations

The Authority's main source of revenue to fund its operations is by way of a subvention from Government. Prior to the beginning of the financial year, the Authority is required to submit its Estimates of Expenditure for the financial year to be considered for the subvention.

2.2.2 Investment Income

Investment income is recognised in the period in which it is earned.

2.2.3 Fees and fines

Fees and fines are recorded as revenue as they become due, and payable.

Gains and losses

2.2.4 Gains

Realised gains from the sale of fixed assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Un-realised foreign exchange gain/losses on monetary assets and liabilities are recognised in the Statement of Financial Performance.

2.3 Expenses

Expenses are recognised in the period to which they relate.

2.3.1 Foreign Currency Transactions

Transactions in foreign currency are translated into Barbados dollars using the exchange rate on the dates of the transactions. Exchange rate differences arising on settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

Currency exchange rates are determined by reference to the Central Bank of Barbados.

2.3.2 Depreciation

Depreciation is charged on a straight line basis calculated to allocate the cost or valuation of an item of property, plant and equipment over the estimated useful life. Typically the estimated useful lives of different classes of property plant and equipment are as follows:

Buildings	40 years
Leasehold improvements	15 years
Machinery and Equipment	5 to 15 years
Computer Hardware	3 to 5 years
Computer Software	1 to 5 years
Furniture and Fittings	5 to 10 years
Motor Vehicles	3 to 10 years

2.4 Assets

2.4.1 Receivables and Advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash. Provision for bad debts has been established at a rate of two percent of the outstanding receivables.

2.4.2 Inventories

Inventories are recorded at the lower of cost and net realisable value. Where inventories acquired are recorded at cost, the weighted average cost method is used.

2.4.3 Investments

Investments, including marketable securities held for investment purposes, are recorded at the lower of cost and fair value.

2.4.4 Property, Plant and Equipment

Items of property, plant and equipment which include buildings, motor vehicles and office equipment, are recorded at cost less accumulated depreciation. Assets costing under \$3,000 whether individually or in group are expensed at acquisition.

Revaluations are carried out for the classes of property, plant and equipment noted below to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset.

Classes of property, plant and equipment assets that are revalued are revalued at least every three years.

2.4.5 Land and Buildings

Land and buildings are recorded at cost less accumulated depreciation on buildings.

All lands are valued using the Comparative Method which relies on the analysis of recent transactions involving similar lands.

Buildings are valued using the Depreciation Replacement Cost Method.

Currently the Authority does not own lands nor buildings.

2.5. Liabilities

All liabilities are recorded at the estimated obligation to pay.

3. Comparatives

These statements are presented with comparative figures for the year April 1, 2014 to March 31, 2015 for the Agency activities and the Administered Agency activities. Previously the statements were not separated but are hereby restated to issue separate financial Statements for the Agency activities and the Administered Agency activities.

4. Cash	2016 \$000's	2015 \$000's
Cash in Bank	3,813	2022
Cash on Hand	6	9
Cash at end of the year March 31	3,819	2,031

Barbados Revenue Authority- Agency Activities
Fixed Assets
As At March 31, 2016
BDS\$000's

	Vehicles	Computers	Office Equipment	Furniture & Fixtures	Total
Balance at April 1, 2014	-	-	-	-	-
Additions	95	72	0	0	167
Disposals	-	-	-	-	-
Balance at March 31, 2015	95	72	0	0	167
Additions	11	169	12	46	238
Disposals	-	-	-	-	-
Balance at March 31, 2016	106	241	12	46	405
Accumulated Depreciation					
Balance at April 1, 2014	-	-	-	-	-
Depreciation for year	13	15	-	-	28
Disposals (Depreciation)	-	-	-	-	-
Balance at March 31, 2015	13	15	-	-	28
Depreciation for Year	15	29	1	5	50
Disposals (Depreciation)	-	-	-	-	-
Balance at March 31, 2016	28	44	1	5	78
Book Value at March 31, 2016	78	197	11	41	327
Book Value at March 31, 2015	82	57	-	-	139

6. General Fund

General Fund represents the equity components i.e. the residual of assets less liabilities. At the point of separating the Agency activities from the Administered activities there was a resulting adjustment of \$217,074 at March 31, 2016 (2015: \$70,191) between the two agencies which has been netted in General Fund for the relevant year.

7. Related Party Transactions

The Authority consider related parties transactions to be those with Government owned entities

Treasury Department	The Treasury Department manages and remits salary related expenditure on behalf of the Barbados Revenue Authority from the subvention due.
Ministry of Housing & Lands	The Ministry of Housing & Lands negotiates and manages rental space on behalf of the Barbados Revenue Authority free of charge.

8. Financial Risk Management

The Authority has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity Risk
- Operational Risk

8.1 Risk Management Framework

The Senior Management team has overall responsibility for the establishment and oversight of the Authority's risk management framework, for monitoring the Authority's risk management policies. The management team periodically reports to the Board of Directors on its activities.

8.2 Credit Risk

Credit risk is the risk of financial loss to the Authority if a customer or counter-party to financial instruments fails to meet its contractual obligations, and arises primarily from the Authority's cash and cash equivalents, other receivables and loans receivable.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority has no significant concentration of credit risk attached to accounts receivables which comprise mainly car loans to staff members.

Cash and cash equivalents are held with substantial financial institutions, which present minimal risk of default.

Exposure to Credit Risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum credit exposure at the reporting date was:

	2016 \$000's	2015 \$000's
Cash and cash equivalents	3,819	2,031
Staff receivables	128	14
	3,947	2,045

8.3 Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The management of the Authority aims at maintaining flexibility in funding by monitoring and budgeting commitments and by monitoring the timing of its cash flows.

The Authority's liquidity risk is minimal since as discussed in note 2.2.1, the Authority is dependent on the Government for its financing.

	2016 \$000's	2015 \$000's
Accounts Payable	198	392
	198	392

8.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market or liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Authority's operations.

The Authority's objective is to manage operational risk by developing and implementing controls within the operation that would mitigate this risk. Compliance with the Authority's policies is supported by a programme of periodic reviews undertaken by the Internal Auditor and the Risk Management Unit. The results of these reviews are discussed with Management and the Board.

9. Operating Expenses

	2016 \$000's	2015 \$000's
Hospitality	95	43
Conferences	175	96
Board & Tribunal Expenses	190	111
Postage	176	80
Special Payments	156	108
Information services	44	10
Other Operating Expenses	156	142
Bank Charges	59	12
Relocation Expenses	-	30
	1,052	631

Financial Analysis and Discussion - Agency Activities

This section of the Annual Report provides a discussion and analysis of the financial condition and performance of the Barbados Revenue Authority's Agency Activities for the financial year ended March 31, 2016 as compared to the prior financial year ended March 31, 2015.

Overview

This being the second year of operations, the Authority saw improvement in its financial position as it sought to ensure that adequate resources were in place to achieve its mandate of collecting revenue on behalf of the Government.

General Fund

At March 31, 2016 General Fund stood at \$4.18m, an increase of 23% mainly represented by an increase of \$0.6m in net surplus recorded in its second year of operations. Also during the first year of operations, the Agency (Authority) and the Administered Activities were combined and reflected under one entity. In the current year, the financial activities were separated. A resulting adjustment amount of \$0.2m between the two entities, has been accounted for in the General Fund.

Asset / Liability Management

Fixed assets increased by 135% as the Authority continues to acquire or upgrade its plant to ensure that staff are provided with suitable equipment that meets ergonomically accepted standards. Prepayments increased by \$0.1m relating to annual maintenance contracts negotiated close to the end of the financial year.

While there was an increase in the fixed assets, the Authority was able to record a significant reduction in its liabilities which decreased by 50% due to the application of a strong payment policy with its suppliers.

Subvention Income

The Authority receives its operational funds via subventions from Government. During the financial year, the Authority received \$24.3m in subvention, an increase of \$2.5m from the prior financial year which aided in further streamlining its programmes to fulfil its mandate.

Expenditure

Major changes in expenditure were seen in Personal Emolument, Utilities, Supplies & Materials, Maintenance of Property and Operating Expenses.

During the financial year, Personal Emoluments increased by \$0.8m or 4% as the Authority sought to regularise its staff structure as defined by its organisational structure.

Utilities increased by \$0.2m or 4% when compared to the prior financial year stemming mainly from maintaining the Speightstown and Hometown offices as renovations were ongoing at Hometown.

In comparison to the previous financial year, Supplies and Materials increased by \$0.17m or 27% due mainly to the acquisition of stationery and printing supplies including receipts, forms and other relevant documents for all tax types as well as assets costing under \$3,000. In keeping with the Authority's policy, assets costing under \$3,000 are expensed under Supplies.

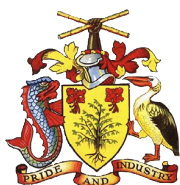
Maintenance of Property increased by \$0.2m or 21% when compared to the previous financial year. Over 50% of this cost relates to the maintenance contracts relative to the tax administration computer systems. In addition, this head includes the cost of renovations at the Hometown office.

Compared to the previous financial year, Operating Expenses increased by \$0.4m or 67% relating mainly to a correction of the payment of fees for attendance at Board meetings and Conferences as the Authority continues to ensure that its staff is adequately trained in the area of tax administration.



BARBADOS REVENUE AUTHORITY

FINANCIAL STATEMENTS ADMINISTERED ACTIVITIES



AUDITOR GENERAL'S OFFICE BARBADOS



REPORT ON THE AUDIT OF THE ACCOUNTS OF ADMINISTERED ACTIVITIES OF THE BARBADOS REVENUE AUTHORITY FOR THE YEAR ENDED MARCH 31, 2016

I have audited the accompanying financial statements of revenue collection of the Barbados Revenue Authority ("the Authority" or "the BRA"), which comprise of the Statement of Financial Position as at March 31, 2016 and the statement of Performance, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

I was unable to confirm the opening balances of at 1st April 2015 due to the absence of supporting documentation. In addition, I was unable to confirm a number of balances on the Statement of the Financial Position as at 31 March 2016 because of the lack of supporting schedules. These balances included the following assets: Tax Receivables (net) of \$995,107,000 and Other Receivables totaling \$234,614,000. I was also unable to confirm the following liabilities: Due to Treasury of \$1,017,698,000 and Tax Refunds Payables of \$222,481,000. As a result of these matters I could not determine whether any adjustments were required to the financial position of the Authority as at 31st March 2016 or on its financial performance and statement of cash flows for the year then ended.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements for Administered Activities.

L. E. TROTMAN
Auditor General

2017-01-27

Barbados Revenue Authority - Administered Activities
Statement of Financial Position
At March 31, 2016
BDS\$000's

	Notes	Actual Mar 2016 \$	Actual Mar 2015 \$
TOTAL ASSETS			
Current Assets			
Cash and Bank	6	29,884	24,752
Tax Receivables (Net)	7	995,107	794,516
Other Receivables	9	234,614	188,268
Total Current Assets		1,259,605	1,007,536
Total Assets		1,259,605	1,007,536
Liabilities			
Due To Treasury	10	1,017,698	794,653
Tax Refunds Payable	11	222,481	193,260
Deferred Revenue	12	7	7
Total Liabilities		1,240,186	987,920
GENERAL FUND			
Prior Year Bank Clearing Account		19,419	19,616
Total General Fund		19,419	19,616
TOTAL LIABILITIES AND GENERAL FUND		1,259,605	1,007,536

The accompanying notes form an integral part of these financial statements



Chairman

31/07/2016

Date



Revenue Commissioner

31/07/2016

Date

Barbados Revenue Authority - Administered Activities
Cash Flow Statement
For the year ending March 31, 2016
BDS\$000's

	Actual Mar-2016 \$	Actual Mar-2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in assets and liabilities		
Increase in Tax Receivables (Net)	(200,590)	(116,770)
Increase in Other Receivables	(46,346)	(167,452)
Increase in Due To Treasury	223,045	116,906
Tax Refunds Payable	29,220	172,446
Deferred Revenue	-	7
Net cash flows from operating activities	5,329	5,137
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in General Fund	(197)	(2,314)
Net cash flows from financing activities	(197)	(2,314)
Net increase / (decrease) in cash and cash equivalents	5,132	2,823
Cash at beginning of year	24,752	21,929
Cash at end of the year	29,884	24,752

The accompanying notes form an integral part of these financial statements

Barbados Revenue Authority
Statement of Administered Revenue
for the year ended March 31, 2016
BDS\$000's

	Actual	Restated
	2016	2015
	\$	\$
Goods & Service	1,212,078	1,120,140
Taxes on Insurance Premiums	27,005	28,472
Taxes on Bank Asset	18,644	20,798
Tax on Asset	10,432	6,518
Motor Vehicles	53,903	47,798
Public service vehicles	8,245	3,517
Taxes on Remittances	136	1,324
Excise Duties	168,964	122,246
Value Added Tax	924,749	889,467
Taxes on Income and Profits	797,058	780,009
Corporation Taxes	236,939	212,568
Income Taxes	458,320	466,265
Withholding Taxes	65,498	68,162
Consolidation Tax	36,301	33,014
Taxes on Property	175,278	131,719
Municipal Solid Waste Tax	<u>1,968</u>	<u>48,752</u>
Total Tax Revenue	<u>2,186,382</u>	<u>2,080,620</u>
Non-Tax Revenue - Highway Revenue	<u>10,953</u>	<u>10,601</u>
TOTAL REVENUE	<u>2,197,335</u>	<u>2,091,221</u>

The accompanying notes form an integral part of these financial statements

Barbados Revenue Authority – Administered Activities
Statement of Change in General Fund
For the Year Ending March 31, 2016
BDS\$000's

	Prior Year Activities
Balance at March 31, 2014	21,929
Prior year adjustments	(2,314)
Balance at March 31, 2015	19,616
Change in General Fund for the Year 2015 - 2016	<u>(197)</u>
Balance as at March 31, 2016	<u>19,419</u>

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting Policies

1. Administered Entity

The Treasury is the department in the public service with responsibility for ensuring that systems are in place to ensure the efficient monitoring and reporting of all Government's transactions. This includes the supervision of the collection and disbursement of all funds on behalf of the Crown to ensure that timely, up-to-date information is available for use by its stakeholders.

The Barbados Revenue Authority administers and collects taxes on behalf of the Treasury. Gross collections are paid over to the Treasury via deposits directly to accounts held at the Central Bank of Barbados and Republic Bank Barbados Ltd.

For financial reporting purposes, the Barbados Revenue Authority's activities have been divided into two sets of financial statements: agency activities and administered activities. The purpose of these administered activities statements is to give information about the tax-related revenues, expenses, assets, and liabilities that the Authority administers on behalf of the government. The Authority administers individual income tax, corporation income tax, property tax and vehicle licensing. The Financial Statements – Agency activities include the operational revenues and expenses that the Authority manages and uses to run the organisation.

2. Accounting Policies

These financial statements comply with generally accepted accounting practice. The measurement base is historical cost. The accrual basis of accounting has been used unless otherwise stated.

3. Reporting and Forecast Period

The reporting period for these financial statements is the year April 1, 2015 to March 31, 2016.

4. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognised amount and another reasonably possible amount.

Measurement uncertainty in these financial statements and notes exists in the valuation of the accruals for personal income tax, corporation tax and value added tax revenues.

Uncertainty related to the accrual for personal income tax, corporation tax and value added tax arises because of the possible differences between the estimated and actual economic growth and the impact of future tax assessments on tax receivable. Additionally certain systemic issues relating to the computation of interest penalty and accruals also impacted on the measurement uncertainty.

5. Revenue

5.1 Non-exchange Revenue

Payment of tax does not, of itself, entitle the taxpayer to an equivalent value of services or benefits as there is no direct relationship between paying tax and receiving services and transfers. Such revenue is received through the exercise of the Crown's sovereign power. Where possible, such revenue is recognised when the debt to the Crown arises.

While International Public Sector Accounting Standards (IPSAS) requires that tax revenue should be recorded net of refunds; revenue is reported gross of the accounts of the Administered activities with nothing done by the Treasury Department in the presentation of the accounts of the Crown.

Revenue Type	Revenue Recognition Point	Basis of Accounting
Income and Profits: Income Tax (source deductions)	When an individual earns income that is subject to PAYE and the necessary payment and schedule are submitted to the Authority	Accrual basis
Consolidation Tax	When an individual earns income that is subject to Consolidation Tax and the necessary payment and/or schedule is/are submitted to the Authority	Accrual basis
Corporation Tax	When payment is made with accrual of taxes due for the year at end of year	Accrual basis
Withholding Tax	When an individual is paid interest or dividends subject to the deduction at source	Cash basis
Goods and Services: Value Added Tax	When the taxpayer files and an assessment is raised	Accrual basis
Highway Revenue	When payment of the fee or charge is made	Cash basis with accrual at year-end
Excise Duties	When Goods are subject to duty on assessment; on filing by taxpayer when payment of the levy is made	Accrual basis
Bank Asset Tax	Based on information submitted by Central Bank and Financial Services Commission.	Accrual basis
Property Tax: Land Tax	When the tax invoices are issued to the taxpayers	Cash basis
Rent Registration	When tax is paid	
Special Receipts: Municipal Solid Waste Tax	When invoices are issued to the taxpayer	Accrual basis

6. Cash and Bank

Cash and Bank refers to amounts received in the Authority's offices or by its agents up to March 31 but not yet deposited to the credit of the Consolidated Fund at the Treasury Department. The Authority deposits funds intact to the Consolidated Fund on a daily basis. Cash and Bank consists of \$15.7m to honour refunds and \$14.1m collected to be paid into the Treasury as reflected below:-

	2016 \$000's	2015 \$000's
Refunds Account	15,729	24,752
Deposit Account	14,155	
	29,884	24,752

7. Receivables

	2016 \$000's	2015 \$000's
Value Added Tax		
Opening balance	509,250	464,032
Prior Years adjustments	97,618	1
Principal 2014-2015	54,256	55,578
Penalty	5,563	
Interest	3,447	
Payments		10,361
	670,134	
Provision for Bad Debt	(13,403)	
31-Mar-16	656,731	509,250

Corporate Tax

Opening balance	12,064	-
Prior Years adjustments	(5,895)	-
Principal	8,823	10,498
Penalty	382	518
Interest	354	1,048
	15,727	12,064
Provision for Bad Debt	(314)	
31-Mar-16	15,413	

	2016	2015
	\$000's	\$000's
Income Tax		
Opening balance	13,638	-
Principal	127	11,987
Penalty		779
Interest		872
	13,765	13,638
Provision for Bad Debt	(275)	
31-Mar-16	13,490	13,638

Consolidation Tax		
Opening balance	2,068	-
Prior Years adjustments	(605)	
Principal	2,093	1,917
Penalty		230
Payments		(79)
	3,556	2,068
Provision for Bad Debt	(71)	
31-Mar-16	3,485	2,068

Land Tax		
Opening balance	238,848	213,714
Prior Years adjustments	(4,791)	
Principal	52,182	24,081
Penalty	2,606	144
Payments		909
	288,845	238,848
Provision for Bad Debt	(5,777)	
31-Mar-16	283,068	

	2016	2015
	\$000's	\$000's
MSWT		
Opening balance	18,648	-
Prior Years adjustments	2,771	16,708
Penalty		848
Interest	1,968	1,092
	23,387	18,648
Provision for Bad Debt	(468)	
31-Mar-16	22,919	
Highway revenue	1	
Total receivable (Net) @ March 31, 2016	995,107	794,516

8 Allowance for Doubtful Accounts

The Authority utilises a rate of 2% to provide for doubtful receivables. Allowance for doubtful accounts on total receivables is calculated at \$20,308.

	2016
	\$000's
Allowance for Doubtful Accounts	
Value Added Tax	(13,403)
Corporation tax	(314)
Income Tax	(275)
Land Tax	(5,777)
Consolidation Tax	(71)
MSWT	(468)
	(20,308)

9. Other Receivables

This represents amounts due from the Treasury to honour outstanding tax refunds. No provision for doubtful accounts is reflected for Other Receivables since these funds are not deemed to be doubtful.

10. Due To Treasury

This represents taxes assessed or billed but not yet received to be paid over to the Treasury.

11. Taxes Refunds Payable

Amounts payable to taxpayers include refunds estimated by the Authority that were not paid up to March 31 along with related interest payable. They include refunds resulting from assessments completed after March 31, and estimates of refunds for individual and administered activities income tax and corporation income tax not yet assessed.

12. Deferred Revenue

Deferred revenue represents overpayments of Land Tax or Corporation Taxes paid in the current year that relate to a future accounting period.

13. Contingent liabilities

Contingent liabilities are potential liabilities resulting from one or more future events occurring or not occurring. If the future event is likely to occur or does not occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued. If the likelihood cannot be determined or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

These financial statements report income tax refunds outstanding for the tax years 2013 and 2014 and Corporation Tax refunds for the years 2013 and 2014 as contingent liabilities. Income tax refunds outstanding for tax years prior to 2013 total \$37m but have not been reflected in the financial statements because this amount is still to be verified as outstanding at this time. Corporation tax refunds outstanding prior to tax year 2013 total \$105.5m but have not been reflected in the financial statements because this amount is still to be verified as outstanding at this time.

Financial Analysis and Discussion - Administered Activities

This section of the Annual Report provides a discussion and analysis of the financial condition and performance of the Barbados Revenue Authority-Administered Activities for the financial year ended March 31, 2016 as compared to the prior financial year ended March 31, 2015.

The Administered Agency Statement reports the revenues, expenditures, assets and liabilities related to the funds collected and earned for the financial year 2015-2016.

Basis for preparation of the Administered Agency Statement

The Authority's accounts are prepared in accordance with the requirements of the Financial Management and Audit Act 2007-11 and Financial Regulations 2011 which require the use of International Public Sector Accounting Standards (IPSAS).

The Authority has worked closely with the Accountant General's office to ensure that the accounting policies that underpin these accounts are comprehensive and appropriate.

Accounting policies for the Administered Agency Statement

Estimation of Accrued Revenue – The Authority took responsibility for the reporting of the revenues of four legacy agencies on April 1, 2014. The information at that time, was uncertain and difficult to verify due mainly to the associated systems. As a result of the uncertainty involved, it was determined that the Receivable figures reported by the Accountant General's office at March 31, 2014 would become the opening balance for those accounts until the balances could be reviewed and verified.

Provision for Liability – The Authority pays all cash collected for revenue directly to the Treasury gross and no deductions are made for the payment of refunds due to taxpayers. The Authority therefore, on behalf of the Administered Agency, makes provision for the liability relating to the payment of refunds as assessed. This amount is also shown as "Due from the Treasury" in the Statement. With respect to matters of litigation, the Authority makes provision for proceedings which occur in the normal course of business, as "Provision for liabilities or contingent liabilities". Provision is made after litigation is completed and a reasonable

estimate can be made. In other cases where it is probable that the Authority will be required to settle and it is not possible to make a reliable estimate, or where it is possible that the Administered Agency will incur a liability, those are shown as contingents liabilities.

There were no contingent liabilities or provisions made during 2015-2016.

Auditors

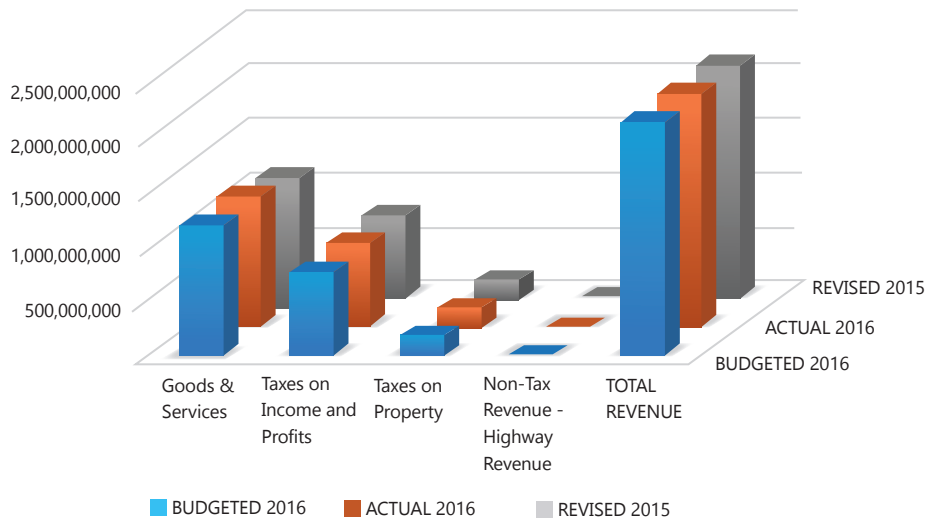
The Administered Agency Statement is audited by the Auditor General in accordance with the Barbados Revenue Authority Act 2014-1.

Financial Review

Statement of Revenue

In financial year ended March 2016, the Authority recorded \$2.19 billion on behalf of the Administered Agency surpassing \$2.09 billion in the year ending March 2015. This is an increase of approximately \$105m or 5% over the previous year. All areas of revenue showed an increase. The Municipal Solid Waste Tax was discontinued on March 31 2015. A tax on sweetened beverages designed primarily to reduce consumption of carbonated and other sweetened drinks was also implemented.

Major Revenue Earners Budgeted vs Actual vs Prior Year

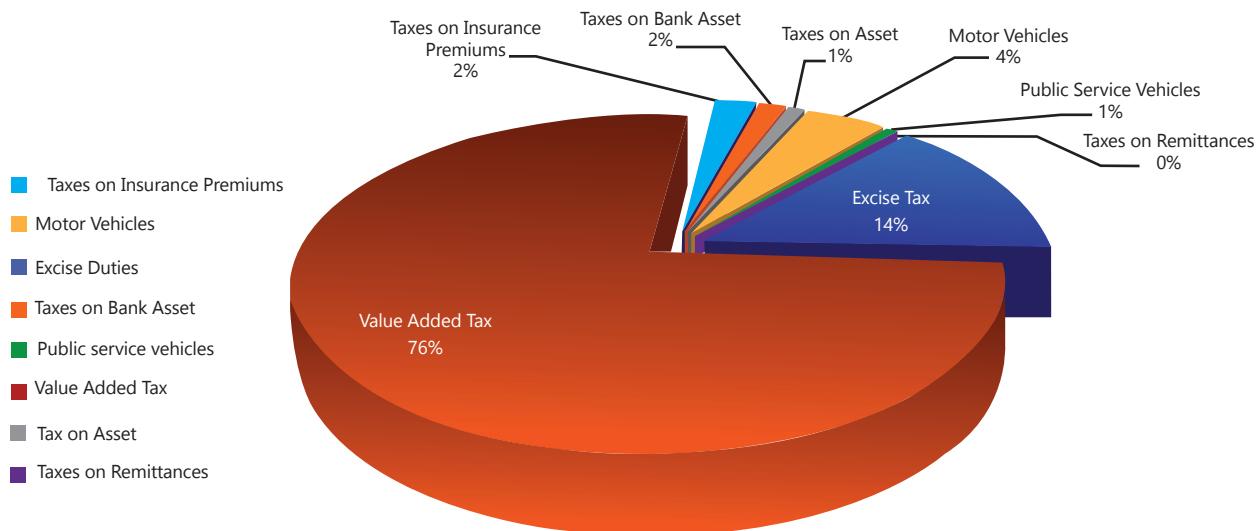


Taxes on Goods & Services

Goods & Services performed within the budgeted amounts, however there was a noticeable increase of receivables when compared to the budgeted amount and the previous year. Excise Tax on the other hand recorded a favourable variance increasing by approximately 7% over the budget and 34% over the previous year. The other areas of Goods & Services which performed favourably were taxes from motor and private service vehicles which increased by just over \$14m and Tax on Assets which showed an increase of \$4m compared to the previous year.

All other areas performed below budget and the previous year.

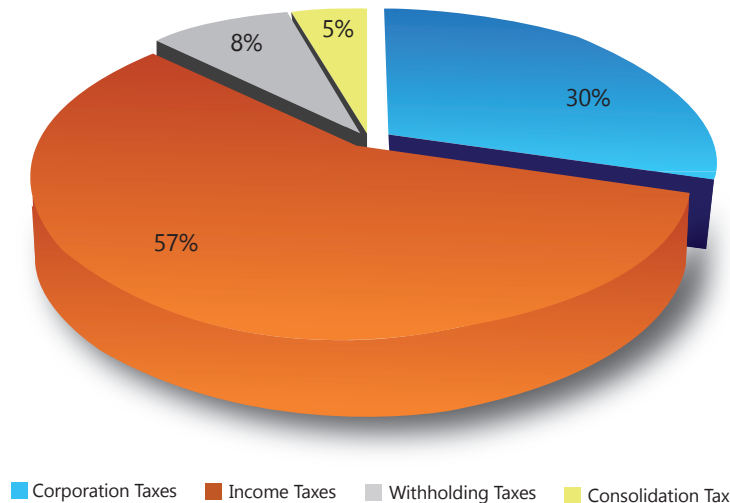
Revenue from Goods and Services



Taxes on Income & Profits

Taxes on Incomes and Profits saw an increase of \$10.1m when compared to the previous year and \$24m when compared to budget. These increases were as a result of the increased collections in the area of Corporation Tax of \$19m and Consolidation of Tax \$3.6m. Taxes on Personal Incomes and Withholding Taxes however reflected declines in amounts recorded.

Revenue Generated from Incomes and Profits Sector



Property Taxes

Land Tax contributed a 30% increase or \$39m under Property Taxes due to increase in the tax rates. This increase was expected to compensate for the taxes foregone from the Municipal Solid Waste Tax which was discontinued at the end of financial year 2015.

Statement of Financial Position

1.1. Tax Receivables

At March 31, 2016, tax receivables stood at \$999m—an increase of \$204m. Including interest and penalties, these increases were due mainly due to the recording of Value Added Tax receivables at \$160.8m and Land Tax receivables at \$49.9m. Consolidation Tax receivables increased by \$1.4m while Municipal Solid Waste Tax receivables inclusive of interest and principal and individual Income Tax receivables saw a decrease of \$6.7m and \$0.7m respectively.

1.2. Other Receivables

There was an increase of \$46m in Other Receivables which represents funds due from the Treasury to honour tax refunds. In financial year ending March 31, 2016 refunds paid totalled \$196.9m. Refunds paid for VAT, Corporation Tax and individual Income Tax, inclusive of Reverse Tax Credit, were \$80.1m, \$31.7m and \$84.9m respectively.

1.3. Due To Treasury

Due to Treasury represents assessments on Incomes & Profits, Land Tax billings and filing of VAT returns net of collections paid over to the Treasury.

At March 31, 2016, Due to Treasury stood at \$1,017,698, an increase of \$223m. These increases reflect the increases in the various areas of Tax Receivables.

1.4. Tax Refunds Payable

Tax Refunds Payable represents amounts due to taxpayers based on assessments on Incomes & Profits, and filing of VAT returns. There was an increase of \$31m in Refunds Payable at March 31, 2016.

| 2016 | ANNUAL REPORT |



BARBADOS
REVENUE AUTHORITY