



Sixth Floor, Treasury Building, Bridge Street, Bridgetown, Barbados, BB 11129

Tel: (246) 535-8200 | Fax: (246) 535-8376 | [bramail@barbados.gov.bb](mailto:bramail@barbados.gov.bb)

## **POLICY NOTE**

**PPG No. 005/2018**

**Individual Income Tax Rates 2018**

**Budgetary Proposal 2018**

### **Background**

Pursuant to the Financial Statement and Budgetary Proposal of June 11, 2018, the Minister of Finance, Economic Affairs and Investment stated:

*“... Effective from July 1<sup>st</sup> we will introduce a new upper income tax band of 40%. Accordingly, the first \$25,000 will remain tax free. Income from \$25,001 to \$60,000 will continue to attract a rate of 16%. Assessable incomes between \$60,001 to \$75,000 will attract a rate of 33.5%. To improve the progressive nature of our tax system, such that we may share the burden fairly, we will introduce a new higher rate band of 40% on those whose assessable incomes are greater than \$75,001....”*

*However, in a subsequent announcement the Minister of Finance, Economic Affairs and Investments stated that the new upper income tax band of 40% will commence from August 1<sup>st</sup>.*

To give effect to the Minister’s proposal, the Barbados Revenue Authority (“the Authority”) advises:

## Purpose

- To raise additional revenue of \$41 million in a full tax year.
- To reduce the debt to Gross Domestic Product (GDP).

## Conditions

- Employers are required to adjust their payrolls to ensure that the correct taxes are deducted from wages and salaries beginning from the 1<sup>st</sup> of August 2018.
- The tax deducted or withheld each month shall be paid to the Revenue Commissioner on or before the 15<sup>th</sup> day of the following month.

## Rates of Tax

Due to the change in Individual Income Tax Rates which took effect from August 1, 2018, tax on income for the Income year 2018 and subsequent income years shall be calculated as follows:

<b>Taxable Income</b>	<b>Rate of Tax</b>
Up to and including \$35 000	16%
Over \$35 000 and up to and including \$50 000	33.5%
Over 50 000	40%

## Example:

An individual who earns \$100,000 annually with no other income and who only claims the personal allowance of \$25,000, **his monthly and annual tax** will be calculated as follows:

### Month of August 2018 Calculation

	\$	Tax Rate	Tax \$
Total Income	8,333.33		
Less: Personal Allowance	<u>(2,083.33)</u>	0%	0
Taxable Income	6,250.00		
	<u>2,916.67</u>	16%	466.67
	3,333.33		
	<u>1,250.00</u>	33.5%	418.75
	2,083.33	40%	<u>833.33</u>
			<b><u>1,718.75</u></b>

### 2018 Annual Calculation

	\$	Tax Rate	Tax \$
Total Income	100,000.00		
Less: Personal Allowance	<u>(25,000).00</u>	0%	0
Taxable Income	75,000.00		
	<u>35,000.00</u>	16%	5,600.00
	40,000.00	7/12*33.5%	7,816.66
	<u>15,000.00</u>	5/12 *33.5%	2,093.75
	10,416.67	40%	<u>4,166.67</u>
			<b><u>19,677.08</u></b>

#### **Explanation of 2018 Annual Calculation**

- Total Income of \$100,000 less the annual personal allowance of \$25,000 results in taxable income of \$75,000.
  
- The first \$35,000 of taxable income for an income year is taxed at the rate of 16%. Therefore, the total tax calculated on this amount for the year is \$5,600.

- \$75,000 less \$35,000 results in the remaining taxable income of \$40,000. However, owing to the change in the tax rates which took effect from August 1, 2018 the calculations would be as follows:

(a) The first seven months of the year (January to July) would be taxed at the upper tax rate of 33.5%. Hence, \$40,000 divided by twelve and multiplied by seven gives a taxable income of \$23,333.33. The tax calculated on this amount is \$7,816.66.

(b) For the next five months (August to December) the new taxable income band of \$15,000 at the tax rate of 33.5% was introduced. Therefore, \$40,000 less \$23,333.33 leaves a taxable income of \$16,666.67. Thus, \$15,000 divided by twelve and multiplied by five results in taxable income of \$6,250. The tax calculated on this amount is \$2,093.75.

(c) \$16,666.67 less \$6,250 gives \$10,416.67. With the introduction of a new tax rate of 40%, the total tax calculated on the remaining taxable income of \$10,416.67 is \$4,166.67.

**Note:** The 2018 annual computation represents the seven (7) months January to July and the **NEW INCOME BAND AND TAX RATE OF 40%** for the five (5) months August to December.

### 2019 Annual Calculation

	\$	Tax Rate	Tax \$
Total Income	100,000		
Less: Personal Allowance	<u>(25,000)</u>	0%	0
Taxable Income	75,000		
	<u>35,000</u>	16%	5,600
	40,000		
	<u>15,000</u>	33.5%	5,025
	<u>25,000</u>	40%	<u>10,000</u>
			<b><u>20,625</u></b>

Please see the P.A.Y.E Tax calculator on the Barbados's Revenue Authority's website: - <https://www.bra.gov.bb>.

**Policy & Planning Division**  
**Barbados Revenue Authority**  
**July 2018**