

TOURISM DEVELOPMENT ACT

The Tourism Development Act 2002, which replaces the Hotel Aids Act of 1956, significantly expands incentives for investment in the Tourism and Hospitality sector in Barbados beyond the traditional accommodations sector. Incentives are offered in the new Act to restaurants, recreational facilities and services, development of attractions which emphasize the island's natural, historic and cultural heritage and for the construction of properties in non-coastal areas. Provision is made in the Act for investors in tourism projects to benefit from write off of capital expenditure and 150% of interest; there is also exemption from import duty, value added tax and environmental levy in respect of furniture, fixtures and equipment as well as building materials, supplies and equity financing.

TOURISM PRODUCTS/PRODUCTS THAT CAN BENEFIT UNDER THE TOURISM DEVELOPMENT ACT

To be eligible for incentives/concessions under the Tourism Development Act, a project must fit into one of the following categories:

- Construction of a new hotel, the alteration or renovation of an existing hotel or the conversion of a building into a hotel;
- Furnishing and equipping of a building to be utilised as a hotel;
- Provision of tourist recreational facilities and tourism related services;
- Construction and equipping of a new restaurant or the alteration or renovation of an existing restaurant;
- Construction of a new attraction or alteration or renovation of an existing attraction;
- Restoration, preservation and conservation of natural sites;
- Construction and furnishing of villas and timeshare properties;
- Addition to a tourism product of facilities or services intended to increase or improve the amenities that the tourism product provides.

A range of incentives has been provided for companies involved in:

- Construction of hotels
- Financing of hotel construction
- Operation of hotels
- Construction and operation of attractions
- Provision and operation of tourism-related services

Legislation is in place to provide incentives to companies engaged in:

- Tourism and related hospitality services

- Financial services
- Information technology services
- Manufacturing

APPLICATION & APPROVAL PROCESS

Three-Step Approval Process

The Minister of Tourism, on receipt of an application to develop or operate a tourism product, must, within 90 days of the receipt of the application, either notify the applicant, in writing, of its approval or refusal or request that additional information be submitted.

Where it is determined that a tourism project is practical and that it would assist with the development of tourism, approval of the tourism project may be granted in a three stage authorisation procedure which includes:

- An Interim Approval based on the information submitted with the application or in response to a request for additional information;
- A Final Approval based on the completed product that incorporates any changes that may have taken place during the construction of the project;
- A Licence issued to the Applicant when the Minister is satisfied that all relevant procedures, requisitions and statutes have been complied with, and that the tourism product is in a suitable form and is of a standard to commence operation.

THE SCOPE OF CONCESSIONS:

Customs Duty or Income Tax concessions may be granted under the Tourism Development Act in respect of:

- Duty-free importation (including waivers of Value Added Tax (VAT) and Environmental Levy) of building materials and equipment during construction and rehabilitation;
- Duty-free importation (including waivers of Value Added Tax (VAT) and Environmental Levy) of supplies for refurbishment of hotels, restaurants, villas and sports and recreation facilities for tourism purposes;
- Extended tax holidays/write-off of capital expenditure and accelerated write-off of interest;
- Training of employees;
- Marketing.

NOTE:

A project which is approved under the Tourism Development Act will not be allowed concessions at the same time under another piece of tourism legislation.

CUSTOMS DUTY CONCESSIONS

- The Minister may issue to the owner or operator of a tourism project or product which has been granted an Interim Approval, a permit for the importation of building materials and supplies without payment of customs duty. These items are to be used exclusively for the construction and development of the tourism project and they may be purchased from a bonded warehouse, imported or locally manufactured or produced.
- The owner or operator of a tourism project or product for which Interim Approval has been granted is exempt from the payment of customs duties on specified supplies to be used for equipping that project. Concessions for refurbishing a tourism product are also made available provided that the owner or operator of such a product has a valid license or is registered with the Barbados Tourism Authority.
- If the holder of a permit can satisfy the Comptroller of Customs that the building materials and supplies purchased for a tourism product have been purchased in Barbados, or in the case of importation that the customs duty was paid by the holder of the permit, provisions are made for the grant of a refund of customs duty (including VAT and Environmental Levy). Such items may not be sold, rented, exchanged or given away, exported or applied for any other purpose except under exceptional circumstances.

INCOME TAX CONCESSIONS

Income Tax concessions in respect of write-off of interest, accelerated deduction of expenditure, interest rate subsidy, equity financing, training and marketing are

extended to hotels, restaurants and other tourism products. These concessions are outlined in further detail below:

Write-off of Interest

- The owner or operator of a hotel or restaurant, which is valued at not less than BDS\$1.75 million, who borrows funds from a private sector lending institution to upgrade the hotel or restaurant, and incurs expenditure for this purpose in an income year, shall be entitled to deduct 150 per cent of the interest paid on the loan from his taxable income in respect of loan funds not exceeding BDS\$7.5 million.
- An investor who obtains a loan to construct a new hotel with not less than 250 rooms and with conference facilities for not less than 500 persons, may deduct in any income year, 150 per cent of the interest paid on loan funds not exceeding BDS\$40 million.
- An owner or operator of a new hotel being constructed in an inland location, will be allowed to deduct for income tax purposes, 150 per cent of interest paid on a loan up to BDS\$20 million obtained for the construction of the hotel. Inland is defined in the First Schedule.
- An investor who secures a loan to buy two or more hotels, each with 50 rooms or less, in order to own, manage and market them as a group, will be allowed to deduct for income tax purposes in any income year, 150 per cent of the interest paid on a loan not exceeding BDS\$15 million.
- An investor who obtains a loan to construct, upgrade or refurbish a tourist attraction based on the natural or cultural heritage of Barbados will be allowed to deduct, for tax purposes, 150 per cent of the interest paid on loan funds not exceeding BDS\$3 million. This investor will be allowed an income tax credit of 30 per cent on the purchase of plant and equipment costing over BDS\$100,000 used to refurbish, upgrade or construct the attraction. If the tax credit cannot all be written off in one year, the excess may be carried forward for a period not exceeding fifteen (15) years.

Training

- An owner or operator of a tourism project or product who, in an income year incurs expenditure on training staff of that project or product, may deduct 150 per cent of that expenditure from his income for tax purposes. The expenses that may be claimed include fees payable to a training institution or trainer approved or recognised by the Barbados Ministry of Tourism or the Barbados Ministry of Education, cost of accommodation and subsistence. If the tourism project or product has an employee share ownership scheme approved by the Ministry of Tourism, the deduction will be 200 per cent of the training expenditure.

Marketing

- The owner or operator of a tourism product who incurs expenditure for marketing in an income year will be allowed to deduct 150 per cent of this expenditure for income tax purposes. Marketing expenditure shall include the cost of travel to trade shows, conventions and meetings, the printing of brochures and other literature for distribution overseas, the cost of electronic marketing and the hiring of short-term marketing consultancy services.

Tourism Product Development/Research etc.

- The owner or operator of a tourism product who incurs expenditure for an approved tourism product development, tourism research, provision of an apprenticeship scheme, the organisation and hosting of tourism exhibitions and trade fairs or development of nature trails and community tourism will be allowed to deduct an amount equal to 150 percent of the expenditure in calculating assessable income for an income year.

Wastewater Disposal Systems

- An operator of a tourism product who incurs expenditure in improving the wastewater disposal system of a tourism product will be allowed a tax credit of 20 per cent of the capital cost of fittings, pipes and pumps used in the improvement of the wastewater system. If the credit cannot be written off in one (1) year, it may be carried forward to a period not exceeding fifteen (15) years.

Set-off of Approved Capital Expenditure

- The owner of a qualifying tourism project, which has a value of up to \$200 million, will be entitled to duty free concessions and (except for restaurants)

will be allowed to set off approved capital expenditure against revenues for a period of fifteen (15) years. Hotels with capital expenditure over \$200 million are allowed one additional year to write off expenditure, for each additional \$20 million up to a maximum of twenty (20) years.

Refinancing of Loans

- In the case of any loan for which an investor, owner or operator is allowed, a 150 per cent write-off of interest, no more than half of that loan may be used to refinance existing debt.
- Properties in respect of which loans for refinancing of debt are made must be of an approved standard to benefit from the accelerated write-off of interest.

Documents Required on Application for Concessions

The following details the various documents to be submitted along with the relevant completed application form when making application and the procedures carried out in processing applications.

a. Interim Approval of a Tourism Project

Documents to be submitted

Valid clearance certificates in respect of:

- Value Added Tax;
- National Insurance;
- Land Tax/Lease Agreement;
- Income Tax.
- Business Plan along with financial projections for at least 2 years;
- Approved plans from the Chief Town Planner;
- Relevant approval documents to develop the property from the Chief Town Planner;
- Incorporation documents of company; and
- Certificate of Registration of a Business Name (CAIPO).

If the company is an external company, the following the Certificate of registration of External company and any accompanying documents;

b. Final Approval of a Tourism Project

Once the project is completed, the applicant submits an application and supporting documentation for Final Approval of a Tourism Project prior to commencement of the operation of the business.

Documents to be submitted

- Certificate of approval from Government Electrical Engineering Department (GEED);
- Certificate of compliance from Chief Town Planner (CTP).
- Valid clearance certificates in respect of
 - ✓ Value Added Tax;
 - ✓ National Insurance;
 - ✓ Land Tax/Lease Agreement; and
 - ✓ Income Tax.

- Certificate of inspection from Barbados Fire Service;
- Licence under Health Services Regulations;
- Public Liability Insurance document;

c. Licence to Operate a Tourism Product

This licence allows the applicant to import items required for the operation of the tourism entity free of customs duty. These items are listed in the Tourism Development Order, 2014 (Second Schedule).

Documents to be submitted

- Valid clearance certificates in respect of:
 - ✓ National Insurance;
 - ✓ Income Tax;
 - ✓ Value Added Tax/Lease Agreement; and
- Land Tax.
- Certificate of inspection from Barbados Fire Service;
- Relevant licence under Health Services Regulations;
- Public Liability Insurance document; and
- Barbados Tourism Product Authority Registration Certificate.

N.B: The Ministry may request for additional documents deemed.