ENERGY DIVISION

Powering Our Future Naturally








Renewable Energy

and Energy Efficiency Fiscal Incentives Booklet for Individuals and Companies

Renewable Energy and Energy Efficiency Fiscal Incentives Booklet for Individuals and Companies

The Division of Energy and Telecommunications (DET), of the Prime Minister's Office, which was established in 1978 as the Energy Division, is the government agency responsible for the regulation of oil and gas, energy conservation and efficiency, renewable energy and telecommunications in Barbados.

In this regard, the Division is responsible for administering the following legislation – the Offshore Petroleum Act Cap.282A, the Offshore Petroleum (Taxation) Act Cap.80, the Storage of Petroleum Act Cap.172, the Petroleum Winning Operations Act Cap.281, the Petroleum Winning Operations Taxation Act Cap.282, the Quarries Act Cap.353, the Electric Light and Power Act Cap.278 and the Telecommunications Act Cap.282B.

MISSION STATEMENT

To foster development within the energy and telecommunications sectors through innovation and workable partnerships which promote a strong and healthy environment.

VISION STATEMENT

An energy secure nation with a sustainable, vibrant and innovative energy sector, and concomitantly establish Barbados as a centre of excellence for information and communication technology in the Caribbean.

FOREWORD

The purpose of this booklet is to inform the general public of the renewable energy and energy efficiency fiscal incentives available under the Income Tax Act, the Value Added Tax Act, the Excise Tax Order, the Customs Act and the Customs Tariff.

This booklet, inter alia, provides general guidance regarding the provisions of the aforementioned legislation and therefore should not be used as a legal reference. However, the Division wishes to inform that the contents of this booklet will be subject to amendment in legislation by the relevant authorities.

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1. Introduction

In line with many countries, Barbados is promoting sustainable energy practices both on the supply side, mainly using renewable energy (RE) sources and on the demand side, by encouraging energy efficiency (EE) and energy conservation (EC) to reduce the country's dependence on fossils fuels, enhance security and stability in energy supply, improve the economy's competitiveness and achieve greater environmental sustainability.

Several quantitative goals have been established for the use of renewable energy and energy efficiency. Generally, it is the goal of the Government of Barbados to achieve 65% of electricity generation from renewable energy sources by 2030 and a 22% reduction in the use of electricity consumption by 2029 as well as the incremental use of ethanol and bio-diesel in the transport sector.

An integral component in achieving the policy objectives is the provision of concessions aimed at stimulating, in particular, private sector investment in the energy sector. Such concessions have been extended in a number of Financial and Budgetary statements made by the Minister of Finance, which were subsequently implemented under relevant legislation.

1.1 Overview of Energy Tax Incentives

These incentives have been introduced in order to allow participants in the renewable energy and energy efficiency sectors to reduce their tax payable and the costs related to their businesses. The incentives are not limited to the taxable income of the taxpayer and can create an assessable loss.

The following incentives relate to businesses and homeowners engaged in the renewable energy and energy efficiency sectors.

1. Reduction or exemption of import duties and VAT on inputs.
2. Reduction in income tax and corporation tax.

2. Incentives Granted By the Customs and Excise Department

2.1 Home Energy Efficiency

Materials which keep houses cooler, such as thermal barriers, roof insulation, window tints and ceramic roofing coatings by treating them as "energy efficient systems/components" are subject to an import duty of 5%.

2.2 Renewable Energy Systems

Reference: Customs Tariff (Amendment) (No.9) Order, 2009, Part II, Section B, Paragraph 87

The following renewable energy systems are **exempt** from import duty of 20%:

i. Wind turbine systems.
ii. Solar photovoltaic systems (solar electric systems including inverters, charge controllers and batteries), solar lights, solar radios.
iii. Bio-fuel systems (bio-diesel plants, fuel cane cogeneration systems, fuel ethanol production systems).
iv. Hydropower systems (water turbines).
v. Solar thermal systems (solar dryers, solar cookers, solar air-conditioners and solar stills). This does not include solar water heaters.
vi. Wave and tidal power systems.
vii. Fuel cell systems (not renewable energy but new efficient energy technology).
viii. Geothermal heat pump systems.

2.3 Energy Conservation

Reference: Customs Tariff (Amendment) (No.9) Order, 2009 Part II Section A, XI, 24 (Conditional duty exemptions at the discretion of the Minister of Finance)

i. Apparatus/machinery designed to produce motive power, heat, light or electricty through the utilisation of renewable sources of energy;
ii. Apparatus designed to conserve on the use of electricity and other sources of electricity energy, as approved by the Competent Authority.

2.4 Lighting

Reference: Customs Tariff (Amendment) (No.9) Order, 2009 Section 85

Light Emitting Diode (LED) light bulbs are subject to an import duty of 5%.
Fluorescent light bulbs are subject to an import duty of 20%.


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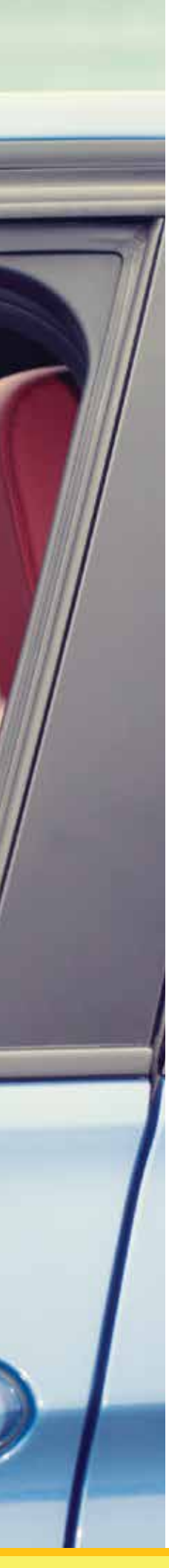


2.5 Value Added Tax (VAT) Free Incentives

Building materials and supplies for the construction of a facility dedicated to the generation and sale of electricity from a renewable source are duty free and VAT free.

There is a zero rating of Value Added Tax (VAT) on all renewable energy and energy efficient systems and products produced in Barbados.

2.6 Vehicles

Reference: Excise Tax (Rate of Tax) Order, 2006

2.61 Diesel Powered Vehicles

i. Where the engine capacity is not more than 2000cc and the chargeable value does not exceed $45,000, the rate of duty is 46.95%.

ii. Where the engine capacity is not more than 2000cc and the chargeable value exceeds $45,000, the rate of duty is 64.35%.

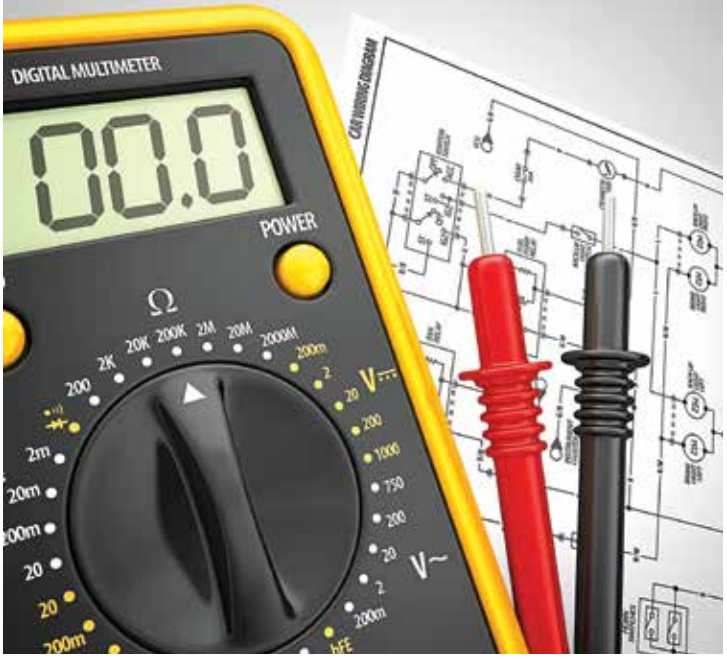
iii. Where the engine capacity is more than 2000cc and the chargeable value does not exceed $45,000, the rate of duty is 76.34%.

iv. Where the engine capacity is more than 2000cc but less than 2500cc and the chargeable value exceeds $45,000, the rate of duty is 93.73%.

v. Where the engine capacity is 2500cc or more and the chargeable value exceeds $45,000, the rate of duty is 120%.

2.62 Natural Gas Vehicles

Vehicles powered by liquefied petroleum gas or compressed natural gas have a rate of excise duty of 20%.


DIGITAL MULTIMETER
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POWER


HOME ENERGY
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2.63 Hybrid Vehicles

Hybrid vehicles which are powered by either electricity and gasoline **or** by electricity and diesel, where the engine capacity does not exceed 1600cc, the rate of duty is 20%. The other rates for vehicles with larger engine capacities are as follows:

i. Where the engine capacity is 1600cc or more but less than 1800cc, the rate is 35%.
ii. Where the engine capacity is 1800cc or more but less than 2000cc, the rate of duty is 46.95%.
iii. Where the engine capacity is more than 2000cc, the rate of duty is 120%.

2.64 Solar Powered Vehicles

Solar powered vehicles have a rate of excise duty of 20%.

2.65 Electric Powered Vehicles

The rate of duty on electric powered vehicles is as follows:

CATEGORY	RATE OF DUTY
Motor capacity less than 100hp -	20%
Motor capacity greater than 100hp but less than 125hp -	35%
Motor capacity greater than 125hp -	46.95%

3. Incentives Granted By the Barbados Revenue Authority

3.1 Environmentally Preferred Products

Where expenditure is incurred by an individual for the purchase or installation of "environmentally preferred products" in respect of residential property, an additional amount of $5,000 may be deducted against income. This is a separate deduction to the $10,000 home allowance.

Environmentally Preferred Product means:

a. Products that cause significantly less harm to human health or to the environment than alternative products that serve the same purpose or

b. Products whose consumption contributes significantly to the preservation of the environment as determined by Order, after consultation with the Minister responsible for the Environment.

c. Specifically: Solar electric systems including solar photovoltaic inverters, charge controller and batteries; solar lights; solar motion detector lights; solar attic fans; wind-turbines (wind systems that produce electricity); bio-diesel production kits; ceramic paints; appliance watt meters (meters that plug into normal sockets and provide display of power used by appliances).

In calculating the assessable income of a company, a deduction equal to 150% of the actual amount expended for the purpose of achieving an internationally recognised environmental certification is allowed.

The benefit may only be granted on the certificate of the Minister responsible for the Environment.


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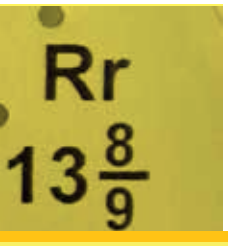


3.2 Energy Audits / Electrical Retrofitting

Reference: Income Tax (Amendment)(No.3) Act, 2015 (2015-23), Section 37H

In calculating the taxable income of a person, there shall be deducted from the assessable income of that person amounts expended equal to 150% of the actual expenditure and not exceeding $5,000 for each year for 5 years in respect of the conducting of:

a. Energy audits which are to be undertaken by an authorised energy auditor.
b. 50% of the cost of retrofitting premises or installing systems to produce electricity, from sources other than fossil fuels.

"Energy audit" means an evaluation by an authorised energy auditor of the energy consumption in a residential or non-residential property to determine the way in which energy can be conserved.

"Authorised energy auditor" means a person who is recognised by the Minister responsible for Energy as being suitably qualified in the field of energy with regard to residential and non-residential properties by reason of his or her having the appropriate certification or technical skills and experience to provide an audit for residential and non-residential properties.

3.3 Corporate Tax Holiday

Reference: Income Tax (Amendment) Act, 2013-17, Section 37I

A developer, manufacturer or installer of renewable energy systems and energy efficient products shall be granted an income tax holiday for a period of 10 years.

The tax holiday referred to shall only be granted on the certificate of the Minister responsible for Energy to the effect that the person claiming the tax holiday is a developer, manufacturer or installer of renewable energy products.

"Developer" means a person who has performed applied research to acquire new knowledge directed towards a specific practical aim or objective and has done experimental development by way of systematic work directed at producing new material, products, devices or improving those that have already been produced and are listed in the Seventh Schedule (see Appendix).

"Installer" means a sole trader or company that has a major activity concerned with installing, maintaining, or assembling renewable energy such as photovoltaic systems, wind turbines, wind farms, and hybrid renewable energy systems.

"Manufacturer" means a person who performs the physical or chemical transformation of materials, substances or components into new products using a clearly defined process.

3.4 Deduction for Interest Paid on Loans

Reference: Income Tax (Amendment) Act, 2013-17, Section 37J

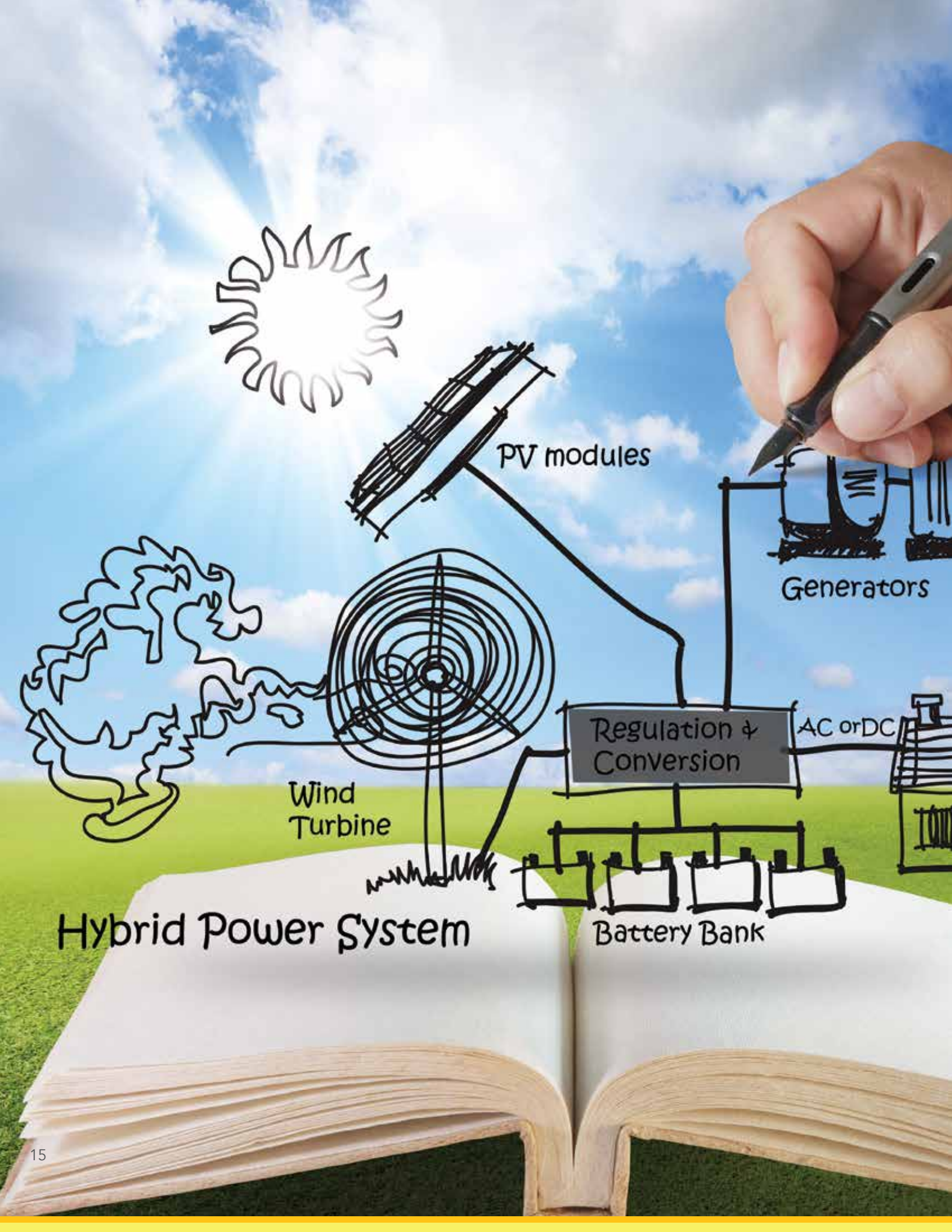
Eligible businesses can deduct up to 150% of the amount of interest paid on a loan in respect of:

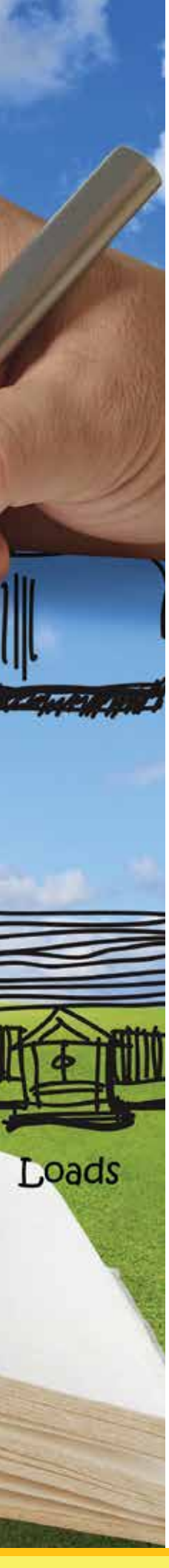
a. the construction of a new facility to enable the generation, supply and sale of electricity from a renewable source.
b. the construction of a new facility for the installation or supply of renewable energy systems and efficient products.
c. the upgrading of an existing property to enable the generation, supply and sale of electricity from a renewable source.

"Eligible business" means a business engaged in the installation, manufacturing or supply of renewable energy and energy efficient products and the generation and selling of electricity from a renewable source.

"Facility" means:

a) a building or structure in which a renewable energy system is established and is specified in Part I of the Seventh Schedule or
b) a business which supplies
(i) renewable energy equipment or energy efficient products; or
(ii) either renewable energy equipment or energy efficient products.


PV modules
Generators
Regulation &
Conversion
AC orDC
Wind
Turbine
Hybrid Power System
Battery Bank



3.5 Staff Training

Reference: Income Tax (Amendment) Act, 2013-17, Section 37K

A person carrying on an eligible business is allowed to deduct from assessable income for a period of 10 years, 150% of the amount actually expended on the training of staff:

a. in the generation and sale of electricity from a renewable energy source; or
b. in the installation and servicing of renewable energy systems or energy efficient products.

The training course must be related to renewable energy systems or energy efficient products, specified in the Seventh Schedule and approved by the Ministry responsible for Energy.

3.6 Individual Training

Reference: Income Tax (Amendment) Act, 2013-17, Section 10(2)(a) and (b)

In calculating the assessable income of an individual for an income year, the following amounts shall be deducted, namely:

(a) the amounts spent or incurred by that individual in that income year in respect of training in renewable energy and energy efficient systems listed in Part II of the Seventh Schedule where the training is provided by an educational institution or a vocational institution that is approved by the Barbados Accreditation Council.
(b) amounts spent or incurred by that individual in that income year in respect of :
(i) a minor; or
(ii) an adult student who is not yet 25 years of age and is not employed; and
who is pursuing a course of study in renewable energy or energy efficient systems at an educational institution or a vocational institution that is approved by the Barbados Accreditation Council.

3.7 Marketing of Products and Services

Reference: Income Tax (Amendment) Act, 2013-17, Section 37L

A person carrying on an eligible business is allowed to deduct against assessable income with effect from income year 2012, 150% of the amount actually expended in (a) the marketing of products that are for the generation and sale of electricity from a renewable energy source; or (b) the marketing of products that are related to the installation and servicing of renewable energy electricity systems or energy efficient products.

3.8 Product Development/ Research

Reference: Income Tax (Amendment) Act, 2013-17, Section 37M

A person carrying on an eligible business is allowed to deduct against assessable income with effect from income year 2012, 150% of the amount expended in respect of product development and the conduct of research related directly to (a) the generation and sale of electricity from a renewable source; or (b) the installation and servicing of renewable energy electricity systems or energy efficient products listed in the Seventh Schedule.

3.9 Dividends for Shareholders

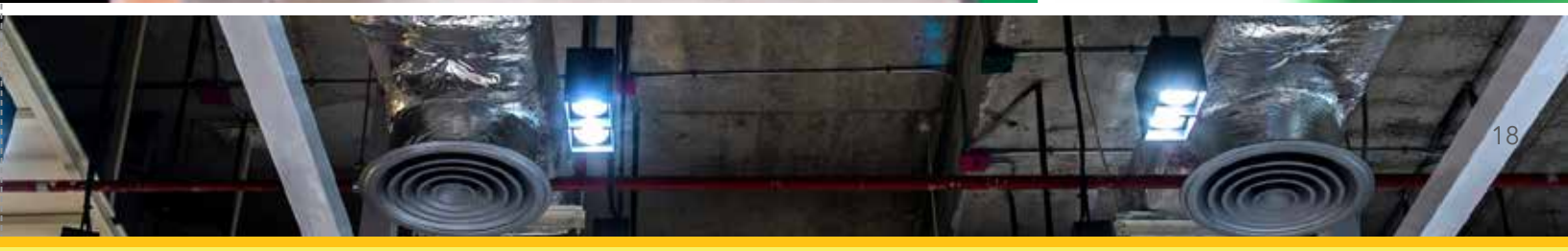
Reference: Income Tax (Amendment) Act, 2013-17, Section 37O

Dividends earned by shareholders of companies solely engaged in the installation or supply of renewable energy electricity systems or energy efficient products are exempt from withholding tax for a period of ten (10) years.

3.10 Interest Earned by Financial Intermediaries

Reference: Income Tax (Amendment) Act, 2013-17, Section 37P

Interest earned by financial intermediaries, which includes banks, credit unions and finance companies, for financing the development, manufacturing and installation of renewable energy and energy efficient products is exempt from tax for a period of ten (10) years.



"SEVENTH SCHEDULE"

Sections 371, 37J(3), 37K(2)(a), 37M(2)(a)

PART 1

A. *Renewable Energy Systems*

1. Solar electric systems.
2. Wind turbine systems.
3. Biogas digesters.
4. Hydro-electric systems.
5. Wave energy systems.
6. Tidal energy systems
7. Biomass (bio-solid-conversion systems (i.e sugar cane cogeneration).

B. *Components of Renewable Energy Systems*

1. Components of a solar electric system

a) Solar photovoltaic panel.
b) Inverter.
c) Deep cycle battery.
d) Charge controller.
e) Combiner box.
f) Solar panel racking (metal frame used to affix photovoltaic panels to roof).

2. Components of a wind turbine system

a) Wind turbine.
b) Inverter.
c) Deep cycle battery.
d) Charge controller.
e) Combiner box.

3. Components of a biogas to electricity system

a) Bio-digester reaction plant.
b) Biogas collection and storage component.
c) Electricity generation (uses biogas to generate electricity).

4. Components of a hydro-electric system

a) Water collection and channeling system.
b) Electric generator (converts water flow to mechanical and electrical energy).

5. Components of a wave energy system

a) Wave conversion device (converts wave flow to mechanical energy).
b) Electrical generation (converts mechanical energy to electricity).

6. Components of a tidal system

a) Wave conversion device (converts wave flow to mechanical energy).
b) Electrical generation (converts mechanical energy to electricity).

7. Components of a biogas (bio-solid) electricity system (i.e sugar cane co-generation)

a) Combuster (converts solid fuel to heat).
b) Generator (converts heat to electricity, i.e steam turbine and stirling engines).

(Sections 10(2), 37J(2)(b))

PART II

Energy Efficient Systems

1. Systems whose generic names represent energy efficient products such as fluorescent bulbs, window tint or even LED light bulbs. These systems include:
    a) Window tint.
    b) Compact fluorescent bulbs.
    c) LED lights.
    d) Insulation.
    e) Power and energy monitoring devices.
    f) Energy efficient cookers (induction cookers)
2. More efficient systems
    a) Air conditioners – 'inverter' or variable 'flow' systems.
    b) Motors – those that have efficiency ratings above those specified by the Ministry responsible for Energy.
    c) Ceramic coating (a paint like coating that contains ceramic dust in suspension).

Prepared by:
DIVISION OF ENERGY AND TELECOMMUNICATIONS
PRIME MINISTER'S OFFICE
GOVERNMENT OF BARBADOS
Trinity Business Centre, Country Road, St. Michael, Barbados
Phone: (246) 535-2500 | Fax: (246) 429-7489
eere@energy.gov.bb | info@energy.gov.bb
www.energy.gov.bb
www.smartenergybarbados.com

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