



# Tax news flash

## **Companies (Economic Substance) Act Repeal- December 2025**

### **Why this matters?**

It is important for companies to remain informed of the changes in tax legislation which may affect their operations.

### **Background**

As a result of the upward adjustment of the Barbados corporate income tax rate to 9%, with effect from income year 2024, the Companies (Economic Substance) Act 2019-43 (ESA) was repealed.

### **Who does it affect?**

Companies engaging in any of the following relevant activities from Barbados

- banking business;
- insurance business;
- fund management business;
- finance and leasing business;
- headquarters business;
- shipping business;
- holding company business
- intellectual property business;
- distribution and service centre business;

### **What remains the same?**

- Obligations under the repealed ESA remain applicable for fiscal periods ending on or before December 31, 2024. Such obligations include compliance with requests for information and co-operation during audits.
- All entities carrying on relevant activity are still required to file Economic Substance declarations for fiscal periods ending on or before December 31, 2024.



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- Obligations regarding audits for 2024 and prior years and any enforcement action or proceedings already started under the former Act continue as if the Act had not been repealed.

All companies subject to the ESA were required to complete their filings for fiscal periods up to and including 2024 by December 31, 2025. Filings should have been submitted to the International Business Unit (IBU) of the Ministry of Energy and Business, using the Economic Substance portal by December 31, 2025.

## **What changes?**

—For 2025 fiscal periods and beyond, Economic Substance requirements will apply only to companies that are liable to income tax at a rate of less than 9 per cent and that carry on a relevant activity in Barbados.

—The relevant activities carried on in Barbados for Economic Substance purposes are now defined under the amended Income Tax Act to mean insurance business or international shipping business.

—Economic Substance filings for entities carrying on insurance business, international shipping and those entities in the patent box regime will be incorporated into the Barbados Revenue Authority Annual Corporate Income Tax (CIT) Return Form.

—A company that is liable to tax on income from qualifying intellectual property created, developed, or improved by a person with respect to corresponding research and development, shall be regarded as having economic substance.

—For 2025 fiscal periods and beyond, the Commissioner of Inland Revenue (Commissioner), rather than the IBU, may conduct an audit of a company to determine whether the company complies with the Economic Substance requirements.

## **Penalties**

Pursuant to Section 11 of the ESA, a company that failed to file the ES documentation by the stipulated deadline of December 31, 2025, is liable to a penalty of BDS\$10,000.

Where, after an audit or an assessment, the Commissioner determines that a company taxed at a rate of less than 9 per cent has not complied with the Economic Substance requirements in respect of an income year, the Commissioner shall re-assess the amount of tax payable for the income year, such that the company is no longer taxed at a rate of less than 9 per cent.

## **Contact us**

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Barbados and the Eastern Caribbean\*:

- \*Barbados, Anguilla, Antigua & Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines



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