

2020

# ANNUAL REPORT

# **BARBADOS REVENUE AUTHORITY** 2019/2020 **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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## 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
- ◆ To pay the amount of tax due on time, in accordance with the law

## OUR MISSION

To administer tax and promote voluntary compliance in a cost effective manner by providing quality service to our taxpayers through an empowered and engaged staff

## OUR VISION

To be a model tax administration, committed to serving our taxpayers and contributing to the economic well-being of our nation

## 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

## OUR VALUES

In pursuit of these objectives we are committed to investing in the development of our human capital and will be guided by the core values of:

- Integrity,
- Fairness
- Professionalism
- Responsiveness
- Accountability.

These are supported by the characteristics of:

- Courtesy
- Consistency and
- Co-operation

# MESSAGE FROM THE CHAIRMAN



**William Layne**  
Chairman of the Board of Directors

In accordance with the Barbados Revenue Authority Act 2014-11, I have the honour to present the Annual Report for the year ended March 31 2020. It was a challenging year for the Authority as the roll out of the Tax Administration Management System (TAMIS) continued with attendant issues. Staff worked diligently to deal with the challenges experienced by taxpayers as they navigated the system.

Tax revenue during the period was \$1.8 billion compared to \$2.04 billion in the preceding year. There was a significant drop in taxes on income and profits which fell by 24%. Tax Receivables at the end of the year stood at \$1.9 billion net of provision for doubtful accounts.

The year also witnessed a number of retirements from the staff and on behalf of myself and my fellow Board Members, I wish to thank all retirees for their dedicated service to the organization and hope have a long and healthy retirement.

Regards,

**William Layne**

Chairman  
Barbados Revenue Authority

# MESSAGE FROM THE REVENUE COMMISSIONER



**Wayne Forde**  
Revenue Commissioner

It is my distinct pleasure to address you as the acting Revenue Commissioner of the Barbados Revenue Authority.

The period 2019-2020 has proven to be a challenging year in the life of the Barbados Revenue Authority. As we have completed our sixth year of operation and are entering our seventh year of existence, we have fully embraced and pursued our strategic objectives which constitute our business plans. These include the:

- improvement of the organizational structure to meet its strategic objectives.
- improvement of service delivery through the implementation of a customer-centric approach to tax administration.
- improvement of enforcement through the use of risk management as a tool for management of non-compliance risk.
- monitoring and review the performance management framework to ensure that it meets the needs for both organization as well as staff performance appraising, and
- development and implementation an electronic management information system in support of the Authority's strategy.

We have continued our focus and awareness of providing excellent public service and to facilitate the equipping a fully functional organization with staff committed to serve the interests of our stakeholders, the taxpayer and the general public.

## **Maintaining Our Focus**

The year has seen the third period for which taxpayers have filed in the Tax Administration Management Information System (TAMIS) for Personal Income Tax. There have been many positives which we can take away from the new implementation and the high volume of compliance ranks high on our list of achievements, a testimony to the total commitment to taxpayers to ensure that the system is fully functioning.

The Authority's contribution to the success of the Barbados Economic Recovery and Transformation (BERT) Plan (the Plan) has assumed greater significance. As the major revenue earner for the island, the Authority has been an integral constituent in the administration and execution of the Plan and will continue to assist in the delivery of this exercise.

# MESSAGE FROM THE REVENUE COMMISSIONER

In previous addresses, we have highlighted the importance of taxpayers and have emphasized our commitment to ensuring that their interactions and experiences with the Authority highlight the ease and accessibility to our services. During this year we have, with the collaborative efforts of our partners, both public and private sector operations, embarked on system changes which will allow taxpayers to pay electronically from the comfort of their homes or offices with credit and debit cards.

We have also joined with private sector agencies to collect taxes on behalf of the Authority. This signals the dawn of future public interaction with the Authority and we shall continue to seek out other avenues to guarantee the continued improvement in service to our stakeholders.

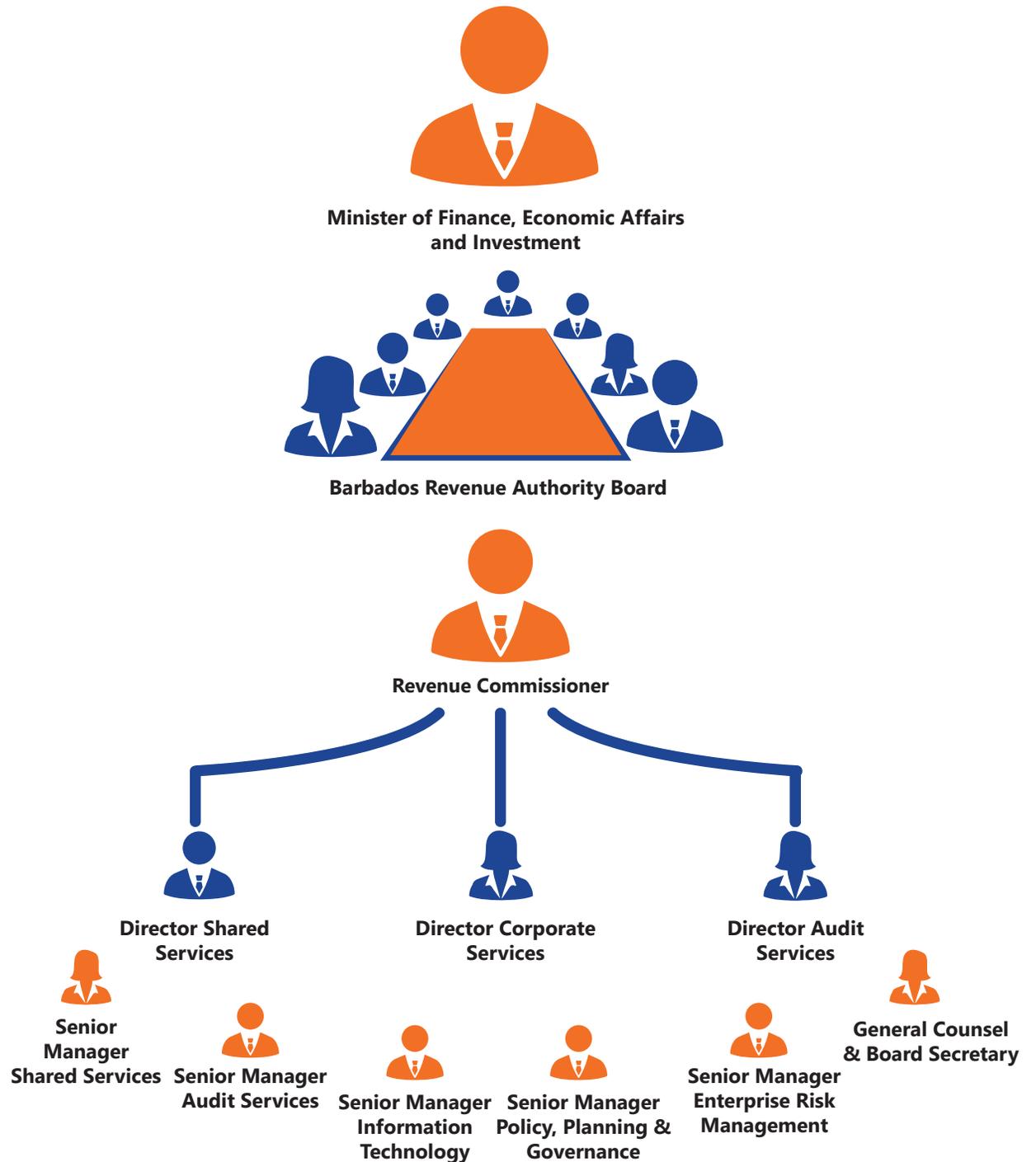
Regards,



**Wayne Forde**

Revenue Commissioner  
Barbados Revenue Authority

# GOVERNANCE STRUCTURE



# SENIOR MANAGEMENT TEAM

**Carolyn Barton**  
Director Corporate Services

**Anderson Padmore**  
Senior Manager Audit Services

**Roger Blackman**  
Senior Manager  
Information Technology

**Hazel Gittens**  
Director Audit Services

**Wayne Forde**  
Revenue Commissioner (Ag.)

**Sonia Jones**  
Director Shared Services (Ag.)

**Janelle Jones-Carter**  
General Counsel

**Anthony Gittens**  
Senior Manager  
Policy & Planning

**Trevor Forde**  
Senior Manager  
Enterprise Risk Management

**Angela Durham**  
Senior Manager (Ag.)  
Shared Services

# OUR BOARD



**William Layne**  
Chairman of the  
Board of Directors



**Sandra Osborne**  
Deputy Chairman  
of the Board of Directors



**Ian Carrington**  
**BOARD MEMBER**  
Director of Finance and  
Economic Affairs



**Richard Greene**  
**BOARD MEMBER**  
Education and Research  
Officer, NUPW



**Cheryl Bennett-Inniss**  
**BOARD MEMBER**  
Chief Technical Officer (Acting)



**Wayne Forde**  
**BOARD MEMBER**  
Revenue Commissioner (Acting)



**Kay-Ann Brathwaite**  
**BOARD MEMBER**



**Calvert (Cally) Boyea**  
**BOARD MEMBER**



**Vincent Yearwood**  
**BOARD MEMBER**

# BOARD OPERATIONS

During the 2019 - 2020 Financial Year, the Board held regular monthly meetings. 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 2019 - 2020.

Directors	Board Meetings Attended	%
William Layne	12 of 12	100
Sandra Osborne	8 of 12	66.67
Ian Carrington	4 of 12	33.33
Kaye-Anne Brathwaite	9 of 12	75.00
Calvert Boyea	11 of 12	91.67
Vincent Yearwood	9 of 12	75.00
Richard Green	9 of 12	75.00
Cheryl Bennett-Inniss	11 of 12	91.67
Wayne Forde	8 of 12	66.67

# COMMITTEE MEMBERS

**Audit Committee: Members:** Vincent Yearwood (Chair), William Layne and Calvert Boyea

**Human Resources Committee: Members:** Sandra Osborne (Chair), Richard Green and Vincent Yearwood

**Tenders Committee: Members:** Cheryl Bennett-Inniss (Chair), Ian Carrington and Kaye-Anne Brathwaite

**Information Technology Committee: Members:** Kaye-Anne Brathwaite (Chair), Calvert Boyea and Cheryl Bennett-Inniss

# BOARD COMMITTEES

## Audit Committees

- Reviewing the Authority's operations every quarter of the Financial Year.
- The implementation of a Quality Assurance Improvement Programme (QAIP) for the Authority's Internal Audit Unit.
- Reviewing and approving the Internal Audit Plan for Financial Year 2019 – 2020.
- Reviewing and implementing backup strategies, cloud storage solutions and cyber security measures.
- Reviewing and improving the Authority's Business Continuity procedures and Internal Controls.
- Ensuring the completion of the Financial Statements for Financial Year 2019/2020 to facilitate the Auditor General's annual external audit.
- Improving the Tax Administration Management Information System (TAMIS).
- Ensuring the timely payment of Tax Refunds.
- Reviewing the Authority's Departmental Procedural Manuals.
- The establishment of a Call Centre for the Authority.
- Reviewing, discussing and approving the Authority's Internal Audit and Risk Reports.

## Information Technology Committee

- Modification of the Authority's Business Continuity Plan.
- Options for data recovery and backup.
- Data migration from Asycuda ++ to Asycuda World.
- Information Technology resources and equipment needs within the Authority.
- Improvement of the Tax Administration Management Information System.
- Implementation of an Online Payment platform.
- Access to the Authority's intranet portal.
- Staffing requirements within the Information Technology Department of the Authority.

## Tenders Committees

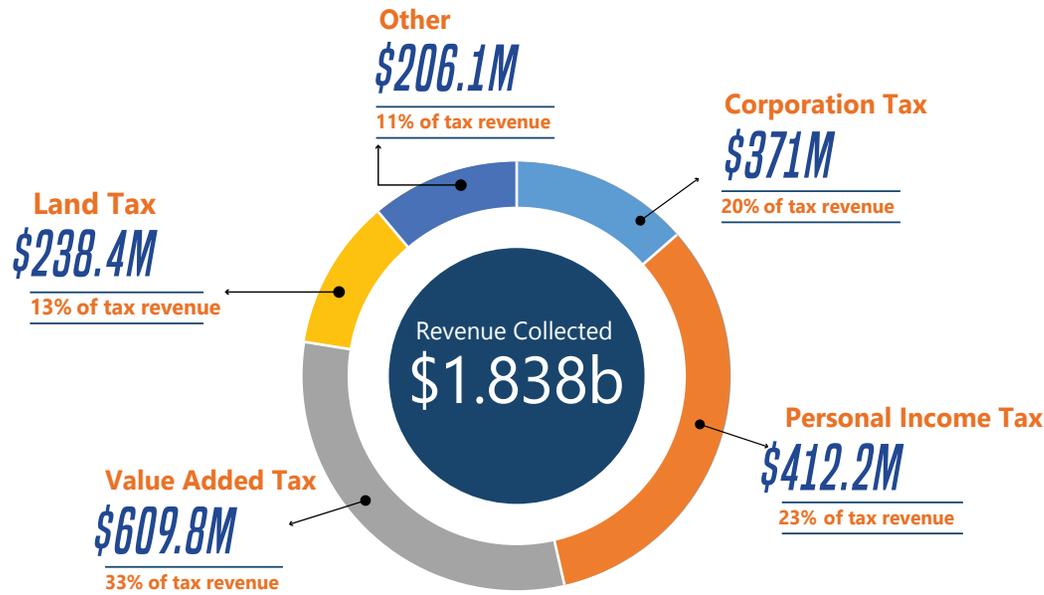
- During the Financial Year however, there were no meetings of the Tenders Committee as there were no tenders which exceed the threshold of \$200,000.00.

## Human Resources Committees

- Approved a number of Training Loan Applications and revised the Authority's Training Loan Policy.
- Addressed the Human Resources matters emanating from the Auditor General's Report for the Financial Year ended March 31st, 2018.
- Implemented measures to enable the Authority's Health and Safety Committee to play a more vital role in relation to environmental issues experienced at the offices of the Authority.
- Presided over one (1) disciplinary matter but unanimously decided that the Committee would be an appellate body going forward and not a disciplinary body.
- Approved recommendations to facilitate the registration of the Authority's Pension Plan. Commenced work on the establishment of the Authority's Non-Cash Incentive Scheme.
- Commenced work on the Authority's Sexual Harassment Policy.
- Commenced work on the Authority's Succession Plan.

# MEETING OUR OBJECTIVES

## 1. Improving Voluntary Compliance



**\$31 M**  
Arrears collected

**\$15M**  
Amnesty Arrears collected



**62%** We collect over of 58% of the Government's revenue



**50,809**  
New Registrations for 2019/20



**100%**  
of returns filed electronically



**178,611**  
Returns Filed



**\$28.5M**  
Refund Claims filed



**\$60.7M**  
Refunds Paid

Income Tax **\$35.9m**  
VAT **\$14.8m**  
Corporation Tax **\$10m**

# MEETING OUR OBJECTIVES

## Compliance and Controls

### NO. OF REGISTRANTS



48,713

Individuals



1,882

VAT filers



1,801

Employers

### FILING COMPLIANCE



- o Personal Income Tax (PIT) **47%**
- o Corporation Tax (CIT) **69%**
- o Value Added Tax (VAT) **55%**

### RECEIVABLES



- o **156** PIT Cases - **\$6.6M**
- o **63** CIT Cases - **\$4.6M**
- o **184** VAT Cases - **\$6.2M**
- o **58** Revenue Enhancement Programme (REP) Cases - **\$2.5M**



25,880

VAT returns filed



7,720

Corporation Tax returns filed for the financial year



72,447

Individuals filed income tax returns. Of that total,

15,014

Claimed the reverse tax credit allowance.



2,348

Change-of-ownership for land requests

133

First time homeowners valuations completed



178

Objections to property valuations

Revaluations for 2020 completed

158

Parcel Index Plans (PIP) produced

# MEETING OUR OBJECTIVES

## 1. Improving Voluntary Compliance

### Taxpayer Engagement

COTA: Caribbean Organisation of Tax Administrators (COTA) Essay competition on the topic "Digitilization – Moving Today's Tax Administration Beyond The Twenty- First Century. The first place winner in the local competition was Queen's College student, Ms Alyssa Blades who went on to place second at the regional level.

MIST: The Authority partners with the Ministry of Innovation Science and Smart Technology (MIST) to pilot the Digital Acceleration Ambassadors Programme to assist taxpayers with their online efforts in TAMIS.

PAYE Workshops: Workshops were conducted with Government Departments and Statutory Boards.

Sensitization sessions with Small Business Association (SBA) and Barbados Employers' Conferation (BEC)

Tax Advisory Visits: **6** Tax Advisory visits conducted with used car dealers.



### Communications

The Authority continued its quest to provide taxpayers with accurate and timely information.

OVER 228,000  
VISITS TO  
[WWW.BRA.GOV.BB](http://WWW.BRA.GOV.BB)

OVER 1,000 NEW  
FOLLOWERS  
JOINED FACEBOOK  
TAKING THE TOTAL  
TO 3,952

CORPORATE  
INCOME TAX  
TIMETABLES  
CREATED

PAYE GUIDELINES  
WERE CREATED  
FOCUSING ON  
THE FILING OF  
PAYE RETURNS

## 2. Enhancing Organisational Structure & Corporate Governance

- o Organisation structure review commenced
- o Compliance and institutional risks identified and framework developed in 2014 is being reviewed
- o **75%** of staff attended sensitization on Business Continuity framework
- o 17 Internal audits conducted; 76 recommendations for improvements to control environment were made; **43%** actioned and implemented

## 3. Improving Service Delivery



### Increased the number of digital payment channels for Land Tax

- o EZpay+
- o Cave Shepherd Card Mobile App
- o SurePay Online
- o Online Banking platforms

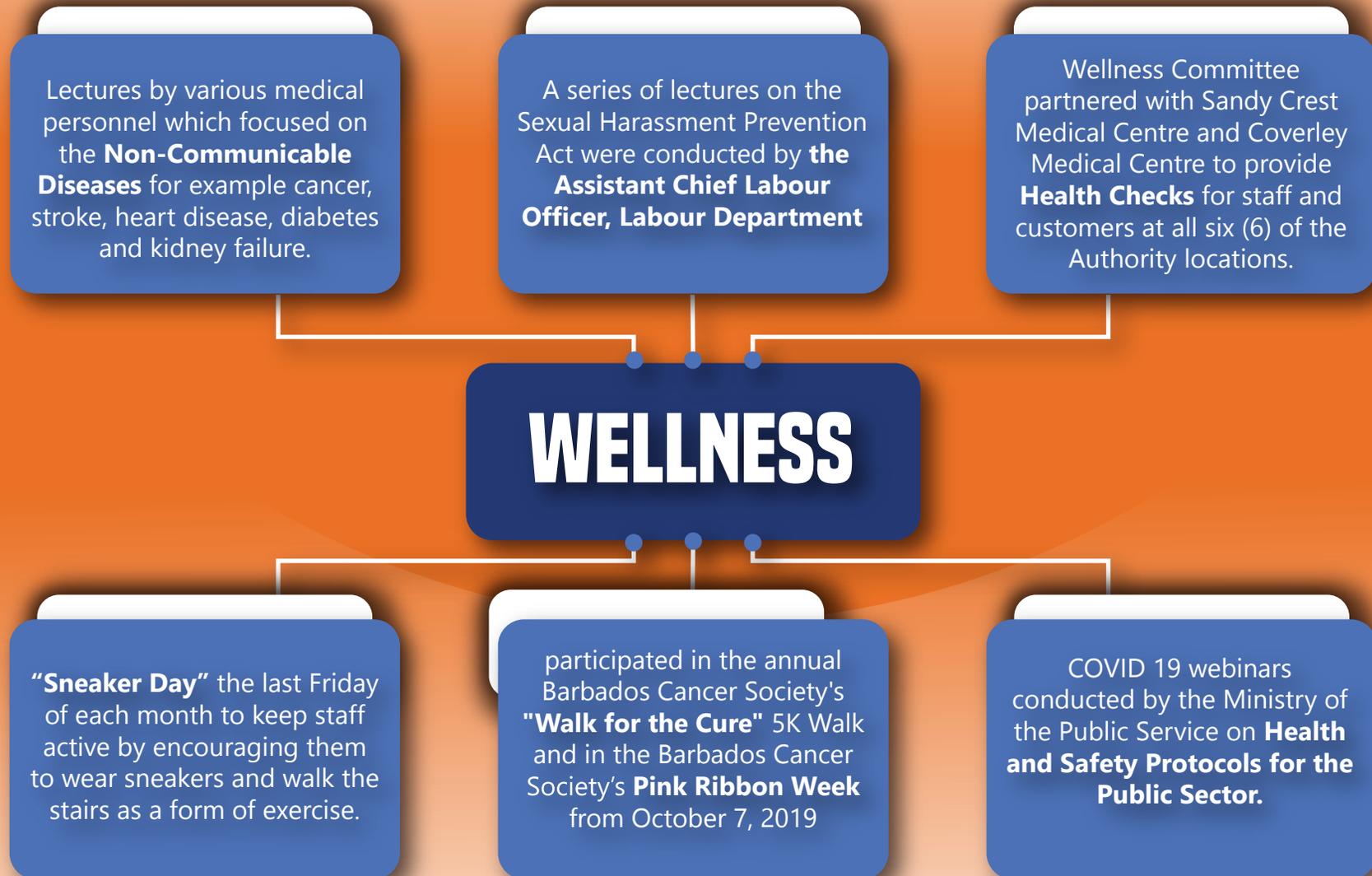
## 4. Developing our People Processes and Technological Infrastructure

### Capacity Building Initiatives

- Tax Administration Management Information System (TAMIS) Training
- Information Systems Training
- Team Mate (Auditing software program) Training
- Institute of Chartered Accountants of Barbados(ICAB) Anti-Money Laundering Seminar
- Auditing and Preventing Fraud in Procurement Webinar
- Auditing Ethics in the Workplace: Practical Tips, Tools, and Techniques
- Fortinet Training
- Merak peep software Economic modelling
- IADB Tax Analysis seminar
- Crisis Communication Webinar
- Webinar on Fraud Fundamentals
- Productivity Best Practices Workshop
- Preparation for the World of Work 2019 Workshop
- Supervisory Development Program
- Staying Ahead of Change with Effective Ethics
- Income Tax Training
- Sessional Cashier Training
- Barbados International Business Association (BIBA) Career Showcase
- World of Work Showcase ICABD Fraud Workshop
- Code of Conduct and Ethics Training
- Preparing and Analyzing Financial Statements Yellow Digital Conference
- The Barbados Stock Exchange Annual Caribbean Conference on Corporate Governance and Accountability.
- Barbados Association of Office Professionals (BOAP) Conference
- Non-Cash Incentive Scheme framework developed and approved



## Wellness Initiatives



## Technology & Capital Works



# DOMESTIC AND INTERNATIONAL COOPERATION

The Authority continues to work closely with the Ministry of Finance to ensure that targets under the BERT plan are achieved. The Government of Barbados with the assistance of the Inter-American Development Bank (IDB) launched a project to develop a General Equilibrium Model for Barbados.

## OECD Peer Reviews

The OECD concluded a Peer review for Barbados in August 2019 (period July 2015-2018) where 10 essential elements were reviewed. Three elements were rated Partially Compliant. An Action plan was developed and the Authority revised its internal procedures to ensure that our rating is improved at the next review.

## International Treaties & Agreements

Agreement	Jurisdictions
Exchange of Information	140
Double Taxation Conventions	40
Tax Information Exchange Agreements	4
Multilateral Convention	91
Model 1A FATCA	1
Common Reporting Standard	
Exchange of Information on Request	

## Exchange of Information

The Authority received seventeen (17) Exchange of Information Requests cases from requesting jurisdictions during the reporting period. Of those cases the Authority responded:

- within ninety (90) days of receipt to four (4) requests,
- within 91-180 days of receipt to nine (9) requests, and
- within 180-360 days of receipt to three (3) requests

by providing the information requested or providing an update on the status of the request. One case was withdrawn.

# POLICY CHANGES



Land tax discount was lowered from

**10% TO 5%**  
and was applicable for 60 days



Previous Personal Income Tax rates were replaced with

**12.5%** on the first **\$50,000** of taxable income and **28.5%** on taxable income over **\$50,000**.



Reverse Tax Credit was extended to include persons earning up to

**\$25,000**



Compensatory Income Credit was introduced for those earning between

**\$25,000 & \$35,000**



VAT on non - residential accommodation was increased to

**10%**

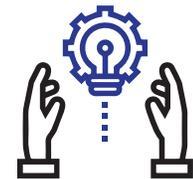


Villa accommodation was deemed an exempt supply

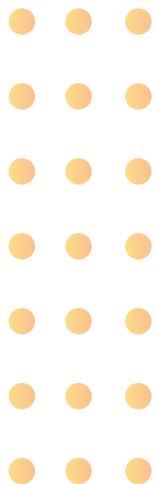


## Changes made to Room Rate Levies

- i. Apartments from **BDS \$5.00** to **\$8.75** per bedroom per night
- ii. Guest Houses from **BDS \$5.00** to **\$8.75** per bedroom per night
- iii. Hotel "B" Class from Barbados **\$5.00** to **\$8.75** per bedroom per night
- iv. Hotel "A" Class from BDS **\$11.00** to **\$19.25** per bedroom per night
- v. Hotel Luxury class from **BDS \$20.00** to **\$35.00** per bedroom per night



No changes to the Shared Economy and Product Development Levies



# *FINANCIAL STATEMENTS*



# STATEMENT OF MANAGEMENT RESPONSIBILITIES

The accompanying financial statements of the Barbados Revenue Authority (the Authority) have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). 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.

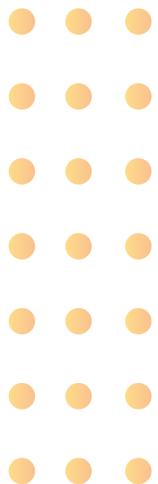
The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, assess the impacts and adopt strategies for risk management to assess the effectiveness of associated key controls, and to make any necessary adjustments. The effectiveness and adequacy 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.



***FINANCIAL STATEMENTS  
AGENCY ACTIVITIES***





**AUDITOR GENERAL'S OFFICE  
BARBADOS**



**Barbados Revenue Authority  
Statement of Financial Position  
as at March 31, 2020  
BDS\$000's**

	Notes	Actual Mar 2020 \$	Actual Mar 2019 \$
<b>TOTAL ASSETS</b>			
<b>Current Assets</b>			
Cash and Bank	4	11,648	7,154
Subvention Receivable	5	1,597	4,484
Subvention Receivable _TAIRP	5	-	-
Staff Loans/ Advance		568	492
Prepayments		910	587
Prepayments – TAIRP		5,301	4,797
Other Receivables		18	42
<b>Total Current Assets</b>		<b>20,042</b>	<b>17,556</b>
<b>Fixed Assets</b>			
Fixed Assets- TAIRP	6	1,992	1,288
	6	1,392	1,778
<b>Total Fixed Assets</b>		<b>3,384</b>	<b>3,066</b>
<b>Total Assets</b>		<b>23,426</b>	<b>20,622</b>
<b>Liabilities</b>			
Accounts Payable & Accrued Liabilities	7	9,765	9,057
Accounts Payable & Accrued Liabilities - TAIRP	7	-	-
Unearned Revenue -TAIRP	8	5,407	4,466
<b>Total Liabilities</b>		<b>15,172</b>	<b>13,523</b>
<b>GENERAL FUND</b>			
<b>Total General Fund</b>	10	<b>8,254</b>	<b>7,099</b>
<b>TOTAL LIABILITIES AND GENERAL FUND</b>		<b>23, 6 2</b>	<b>20,622</b>

TAIRP – Tax Administration Infrastructure Reform Project  
The accompanying notes form an integral part of these financial statements



Chairman

31/07/2020

Date



Revenue Commissioner

31/07/2020

Date

**Barbados Revenue Authority**  
**Statement of Change in General Fund**  
**For the Year Ending March 31, 2020**  
**BDS\$000's**

	<b>Opening Capital</b>	<b>Surplus (Deficit)</b>	<b>Total</b>
	\$	\$	\$
<b>Restated Balance as at March 31, 2018</b>	3,658	9,761	13,419
Adjustment to Prior Period	-	-	-
Net Surplus		<u>(6,320)</u>	<u>(6,320)</u>
<b>Balance as at March 31, 2019</b>	<u>3,658</u>	<u>3,441</u>	<u>7,099</u>
Adjustment to Prior Period	-	-	-
Net Surplus	-	<u>1,155</u>	<u>1,155</u>
<b>Balance as at March 31, 2020</b>	<u>3,658</u>	<u>4,596</u>	<u>8,254</u>

*The accompanying notes form an integral part of these financial statements*

**Barbados Revenue Authority  
Statement of Financial Performance  
For the Year Ending March 31, 2020  
BDS\$000's**

	<b>Notes</b>	<b>Actual Mar 2020 \$</b>	<b>Restated Actual Mar 2019 \$</b>
<b>Operating Income</b>	16	<b>30,081</b>	<b>29,569</b>
<b>Operating Income – TAIRP</b>	16	<b>3,097</b>	<b>10,977</b>
<b>Total Operating Income</b>		<u><b>33,178</b></u>	<u><b>40,546</b></u>
<b>EXPENDITURE</b>			
Personnel Expenses	17	21,680	24,015
Other Expenses	18	7,227	13,603
Other Expenses-TAIRP	18	2,308	8,631
Depreciation		808	617
<b>Total Operating Expenditure</b>		<u><b>32,023</b></u>	<u><b>46,866</b></u>
<b>Net Surplus (Deficit)</b>		<b>1,155</b>	<b>(6,320)</b>

TAIRP – Tax Administration Infrastructure Reform Project  
The accompanying notes form an integral part of these financial statements

**Barbados Revenue Authority**  
**Statement of Cash Flows**  
**For the Year Ending March 31, 2020**  
**BDS\$000's**

	<b>Actual</b>	<b>Restated</b>
	<b>Mar 2020</b>	<b>Mar 2019</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Surplus/(Deficit)</b>	<b>1,155</b>	<b>(6,320)</b>
Add: Depreciation	808	617
Operating Income before working capital changes	<b>1,963</b>	<b>(5,703)</b>
Net Changes in assets and liabilities	3,656	10,280
<b>Net cash flows from operating activities</b>	<b>5,619</b>	<b>4,577</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Assets	(1,125)	601
<b>Net cash flows from investing activities</b>	<b>4,494</b>	<b>601</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in Administered Agency Fund	-	-
<b>Net cash flows from financing activities</b>	-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,494</b>	<b>5,178</b>
<b>Cash at beginning of Year</b>	<b>7,154</b>	<b>1,976</b>
<b>Cash at end of the Year</b>	<b>11,648</b>	<b>7,154</b>

*The accompanying notes form an integral part of these financial statements*

*Financial Statements of the Barbados Revenue Authority*

# NOTES TO THE FINANCIAL STATEMENTS

## Significant Accounting Policies

### 1. Reporting Entity

The Barbados Revenue Authority (the 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 advises the Minister on all matters relating to the Act and the specified enactments and represents 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. 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.

These Financial Statements contain transaction details for the Tax Administration Infrastructure Reform Project (TAIRP). The Barbados Revenue Authority was assigned the responsibility for managing this Project which includes the implementation of the new Tax Administration Management Information System (TAMIS) and the Revenue Enhancement Programme (REP)

### 2. Accounting Policies

These financial statements comply with International Public Sector Accounting Standards (IPSAS). 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, 2019 to March 31, 2020.

#### 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 records its revenue through operations. Such revenue is recognized 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.

## 2.3 Expenses

Expenses are recognized 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 recognized 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. The half year rule is applied in the calculation of depreciation. Typically the estimated useful lives of different classes of property plant and equipment are as follows:

<b>Assets</b>	<b>Life</b>	<b>Rates Used</b>
Leasehold improvements	15 years	6.67%
Machinery and Equipment Office	3 to 10 years	10% to 33%
Computer Hardware	5 years	20%
Computer Software	5 years	20%
Furniture and Fittings	10 years	10%
Motor Vehicles	7 years	14%

2.3.4 Defined contribution plans obligations for contributions to the defined contribution segment of the pension plan are recognised as an expense in the statement of comprehensive income as incurred. Additionally, gratuities and pensions paid to retirees who transitioned from the legacy agencies are also recognised as an expense.

## 2.4 Assets

### 2.4.1 Receivables and Advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

## 2.4.2 Plant and Leasehold Improvements

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 individually are expensed at acquisition but if purchased as part of a group and the cost is \$3,000 or over, they are capitalised.

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.

## 2.5 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, 2019 – March 31, 2020.

## 4. Cash

	2020 \$000's	2019 \$000's
Cash in Bank	11,641	7,147
Change on Hand	7	7
Cash at end of the year March 31	<u>11,648</u>	<u>7,154</u>

## 5. Subvention Receivable

Subvention Receivable represents the outstanding subvention due from Government of Barbados.

	2020 \$000's	2019 \$000's
BRA Operations 2018-2019	-	4,484
BRA Operations 2019-2020	1,597	-
TAIRP	-	-
<b>Subvention Receivable March 31</b>	<u>1,597</u>	<u>4,484</u>

6.

**Barbados Revenue Authority  
Fixed Assets  
As at March 31, 2020**

	Plant and Leasehold Improvements 000's	Computers 000's	Office Equipment 000's	Furniture and Fixtures 000's	Vehicles 000's	Assets Under Construction	Total 000's
<b>COST</b>							
<b>a) Cost @April 1, 2019</b>	508	2,683	685	193	336	47	4,452
<b>Adjustments</b>							
Additions	-	375	134	172	-	445	1,126
Disposals							
<b>Cost @ March 31, 2020</b>	<b>508</b>	<b>3,059</b>	<b>818</b>	<b>365</b>	<b>336</b>	<b>492</b>	<b>5,578</b>
<b>b) Accumulated Depreciation</b>							
<b>Balance at April 1, 2019</b>	88	797	210	36	255		<b>1,386</b>
Depreciation for Year	44	560	137	19	48		<b>808</b>
<b>Disposal (Depreciation)</b>							
<b>Accum. Depreciation March 2020</b>	132	1,357	347	55	303		<b>2,194</b>
<b>Net Book Value 2020</b>	<b>376</b>	<b>1,702</b>	<b>471</b>	<b>310</b>	<b>33</b>	<b>492</b>	<b>3,384</b>
<hr/>							
<b>Cost @April 1, 2018</b>	491	1,557	474	166	336	2,029	5,053
Adjustments						(2,029)	(2,029)
Additions	17	1,126	211	27	0	47	1,428
<b>Disposals Cost @ March 31, 2019</b>	<b>508</b>	<b>2,683</b>	<b>685</b>	<b>193</b>	<b>336</b>	<b>47</b>	<b>4,452</b>
<b>Accumulated Depreciation</b>							
<b>Balance at April 1, 2018</b>	47	389	106	18	207		768
Depreciation for Year	41	408	104	18	47		617
<b>Disposal (Depreciation)</b>							
<b>Accumulated Depreciation March 2019</b>	88	797	210	36	255		<b>1,386</b>
<b>Net Book Value at March 31, 2019</b>	<b>420</b>	<b>1,886</b>	<b>475</b>	<b>157</b>	<b>81</b>	<b>47</b>	<b>3,066</b>

## 7. Accounts Payable

	2020 \$000's	2019 \$000's
Accounts Payable and Accrued Liabilities	9,765	9,057
Accounts Payable and Accrued Liabilities-TAIRP	-	-
	<u>9,765</u>	<u>9,057</u>

Account Payable and Accrued Liabilities include \$6.7M which relate to expenditure accrued for the Authority's pension obligations for its staff for financial years 2018-2019 and 2019-2020.

## 8. Unearned Revenue

Unearned revenue represents funds released by the Ministry of Finance for the acquisition of goods and services for the Tax Administration Infrastructure Reform Project for which expenditure has not been incurred.

## 9. Contingent Liabilities

Contingent liabilities are estimated at \$2.3M representing outstanding costs of contracts for services or supplies relative mainly to the Tax Administration Infrastructure Reform Project (TAIRP) and a Country by Country Reporting Solution to enhance compliance efficiency under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standards (CRS).

## 10. General Fund

General Fund represents the equity components i.e. the residual of assets less liabilities. The separation of the Agency activities from the Administered activities resulted in an adjustment of \$217K at March 31, 2020 (2019: \$217K) between the two agencies which has been netted in General Fund for the relevant year.

	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>GENERAL FUND</b>		
Donated Capital	3,658	3,658
Net Surplus (Deficit)	4,596	3,441
<b>Total General Fund</b>	<b>8,254</b>	<b>7,099</b>

## 11. Retiring Benefits

The Authority has implemented its pension plan and the retiring benefits represent the expenditure incurred under the plan and gratuities and pensions paid to retirees. The plan is a hybrid plan (Defined Benefits and Defined Contribution) where employees who transitioned to the Authority from one of the legacy agencies are entitled to receive benefit, computed using the same method as under Cap 25. whilst staff members recruited by the BRA are required to make contributions. These contributions are matched by the Authority. Employees who transitioned to the Authority from one of the legacy agencies fall under the Defined Benefits segment of the Plan while staff members recruited by the BRA fall under the Defined Contribution segment.

Pension benefits to be paid to retirees who fall under the Defined Benefits segment of the pension plan are funded via the Authority's annual subvention.

## 12. Pension Fund

The Authority invests the contributions from the Defined Contribution Plan through a reputable insurance provider. The pension plan is jointly funded by payments from the Authority and employees who opt to join, taking into account the recommendations of independent qualified actuaries.

The Actuaries are required to evaluate the financial position of the Plan every three (3) years and recommends the future contribution rate for the Authority.

The last full actuarial valuation of the pension plan for eligible employees was carried out at April 1, 2019.

	<b>Balance</b>	<b>Restated Balance</b>
	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
Retiring Benefits	571	-
Prior Period Adjustment	-	-
<b>Total</b>	<b>571</b>	<b>3,366</b>

### 13. Related Party Transaction

The Authority considers related parties' transactions to be those with Government owned entities. The Authority engages in related party transactions with the Treasury Department and the Ministry of Housing and Lands as stated below:-

Treasury Department

The Treasury Department manages and remits salary related expenditure on behalf of the Barbados Revenue Authority from the subvention as 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 to the Authority.

### 14. Key Management Personnel Compensation

	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
Board of Directors	97	89
Senior Management	1,523	1,444
	<b>1,620</b>	<b>1,533</b>

**15. Financial Risk Management**

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

- Credit risk
- Liquidity Risk
- Operational Risk

**15.1 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.

**15.2 Credit Risk**

Credit risk is the risk of financial loss to the Authority if a customer or counterparty 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 loans to staff members.

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

**15.2 Credit Risk (continued)  
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:-

	<b>2020</b>	<b>2019</b>
	<b>\$000’s</b>	<b>\$000’s</b>
Cash and cash equivalents	11,648	7,154
Staff receivables	568	492
Other Receivables	18	42
	<u><b>12,234</b></u>	<u><b>7,688</b></u>

### 15.3 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 economically dependent on the Government for its financing.

### 15.4 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 Audit Department and the Risk Management Unit. The results of these reviews are discussed with Management and the Board.

## 16. Operating Income

	2020 \$000's	2019 \$000's
<b>OPERATING INCOME</b>		
Subvention from Government - BRA	30,071	29,546
Subvention from Government – TAIRP	3,097	10,977
Other	10	23
<b>Total Operating Income</b>	<b>33,178</b>	<b>40,546</b>

## 17. Expenditure

<b>Personnel Expenses</b>	<b>Restated</b>	
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
Personal Emoluments	19,325	19,115
Employers Contributions	,784	1,534
Contract Gratuity	571	3,366
<b>Total</b>	<b>21,680</b>	<b>24,015</b>
<b>Other Expenses</b>	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
Travel	117	79
Utilities	1,154	802
Rental of Property	12	13
Library Books & Publications	15	23
Supplies & Materials	539	557
Maintenance of Property	3,397	1,489
Maintenance of Property - TAIRP	528	731
Operating Expenses	878	917
Operating Expenses (Extraordinary item Subvention Receivable written off)	-	9,199
Operating Expenses-TAIRP	-	141
Bad Debts	-	32
Structures	117	14
Structures – TAIRP	32	143
Professional Services	937	414
Professional Services-TAIRP	1,748	7,617
Subscriptions to Int'l Organisations	61	63
<b>Total Operating Expenditure</b>	<b>9,535</b>	<b>22,234</b>

## 18. Operating Expenses

	2020 \$000's	2019 \$000's
Hospitality	68	38
Conferences	145	290
Conferences-TAIRP	-	32
Board & Tribunal Expenses	167	121
Postage	208	170
Special Payments	121	104
Information services	61	70
Information services - TAIRP	-	108
Uniforms	1	65
Other Operating Expenses	95	54
Extraordinary Item	-	9,199
Bank Charges	11	5
	<u>877</u>	<u>10,256</u>

## 19. CASH FLOW

	<b>March 2020 \$000's</b>	<b>March 2019 \$000's</b>
<b>Change in assets and liabilities</b>		
Decrease in Subvention Receivables	2,886	9,180
Decrease in Staff Loans/Advances	(76)	31
Increase in Prepayments	(828)	(4,824)
Increase in Other Receivables	24	(3)
Increase in Administered Agency Receivable		
Increase in Accounts Payable & Accrued Liabilities	708	4,682
Increase in Deferred Revenue	941	1,213
<b>Net Change in assets and liabilities</b>	<b><u>3,655</u></b>	<b><u>10,280</u></b>

# FINANCIAL ANALYSIS AND DISCUSSION AGENCY ACTIVITIES

This section of the Annual Report provides a discussion and analysis of the financial position and performance of the Barbados Revenue Authority's Agency Activities for the financial year ended March 31, 2020 as compared to the prior year ended March 31, 2019.

## **Overview**

The Authority has completed its sixth year of operations. During this period, there was continued improvement to its financial position evidenced by continuous review, acquisition and reallocation of resources to create greater efficiencies within the organisation and assist in achieving its mandate of collecting revenue on behalf of the Government of Barbados.

## **General Fund**

At March 31, 2020, General Fund increased to \$8m from \$7m in the prior year as a result of a \$1m surplus.

## **Asset/Liability Management**

Fixed Assets increased by 10% as the Authority's continued its efforts to upgrade its plant to ensure that staff are provided with modern computer equipment, furniture that meets ergonomically accepted standards and equipment that improves the air quality within the office. The Authority also continues to implement the remaining modules of Tax Administration Management information System (TAMIS).

Assets under construction increased by 82% due to the Authority undertaking renovations on its 4th floor Weymouth office to provide for more suitable and functional office space.

Machinery and Equipment increased by \$0.51m as mainly computer hardware and network equipment was acquired. Prepayments relating to contractual payments increased by \$0.8m or 15% over last financial year. This increase related to the scanning equipment for the Customs & Excise Department increased by \$0.5m and investment in software by \$0.3m.

Liabilities increased by \$1.6m or 12% due mainly to accrued expenses.

## **Subvention Income**

The Authority receives its operational funds via subventions from Government. During the financial year, the Authority received subvention of \$30.1m, an increase of 2% compared to the prior financial year. These funds assisted the Authority in its efforts to continue streamlining its programmes to fulfil its mandate.

The Authority also received the amount of \$4.m for the Tax Administration Infrastructure Reform Project (TAIRP) from Government. This project includes the Tax Administration Management Information System (TAMIS) as well as the acquisition of new scanning equipment for the Customs and Excise Department and the development and implementation of a new risk-based compliance plan, namely; the Revenue Enhancement Project (REP) aimed at optimising collections and increasing tax revenue.

The subvention for the TAIRP is initially recorded as deferred revenue and recognised when the related expenditure is incurred. As such, \$3.1m was recorded as revenue during the financial year under review.

## **Expenditure**

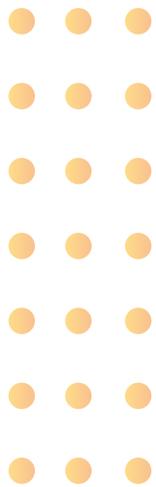
Major changes in expenditure were seen in Utilities, Maintenance of Property, Operating Expenses, and Professional Services.

Utilities increased by \$0.35m or 43% due mainly to Telecommunications as the Authority sought to have a smooth transition between service providers in order to streamline its services in line with the services provided via the Government of Barbados Wide Area Network (WAN).

Maintenance of Property increased by \$1.7m or 76% due mainly to expenditure incurred for the maintenance of the software for the Tax Administration Management Information System (TAMIS) and Oracle software licences.

Operating Expenses decreased by \$9.4m or 91% as no write off of Receivables occurred in this financial year as happened in the prior financial year when subvention due from The Treasury Department at August 31, 2018 was written off.

Professional Services decreased by \$5.3m as costs associated with the Tax Administration Infrastructure Reform Project (TAIRP) and the Revenue Enhancement Programme were significantly lower in the prior year.



***FINANCIAL STATEMENTS  
ADMINISTERED ACTIVITIES***





# AUDITOR GENERAL'S OFFICE BARBADOS



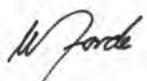
**Statement of Financial Position  
Administered Activities – Treasury  
For the Year Ending March 31, 2020  
BDS\$000's**

	Notes	Actual Mar 2020 \$	Actual Mar 2019 \$
<b>TOTAL ASSETS</b>			
<b>Current Assets</b>			
Cash and Bank	6	210,194	82,784
Tax Receivables (Net)	7	1,930,913	1,552,010
Other Receivables	8	539,555	460,043
<b>Total Current Assets</b>		<b><u>2,680,662</u></b>	<b><u>2,094,837</u></b>
<b>Total Assets</b>		<b><u>2,680,662</u></b>	<b><u>2,094,837</u></b>
<b>Liabilities</b>			
Due To Treasury	9	2,084,266	1,604,244
Tax Refunds Payable	10	569,824	464,084
Deferred Revenue	11	294	231
<b>Total Liabilities</b>		<b><u>2,654,384</u></b>	<b><u>2,068,559</u></b>
<b>GENERAL FUND</b>			
Prior Year Bank Clearing Account		26,278	26,278
<b>Net Surplus (Deficit)</b>		<b>-</b>	<b>-</b>
<b>Total General Fund</b>		<b><u>26,278</u></b>	<b><u>26,278</u></b>
<b>TOTAL LIABILITIES AND GENERAL FUND</b>		<b><u>2,680,662</u></b>	<b><u>2,094,837</u></b>

*The accompanying notes form an integral part of these financial statements*

  
 .....  
 Chairman

31/07/2020  
 .....  
 Date

  
 .....  
 Revenue Commissioner

31/07/2020  
 .....  
 Date

**Statement of Change in General Fund  
Administered Activities – Treasury  
For the Year Ending March 31, 2020  
BDS\$000's**

	<b>Prior Year Activities</b>	<b>Total</b>
<b>Balance as at March 31, 2018</b>		<b>26,183</b>
Increase/(Decrease) in Fund	95	95
<b>Balance as at March 31, 2019</b>		<b>26,278</b>
Increase/(Decrease) in Fund		-
<b>Balance as at March 31, 2020</b>		<b>26,278</b>

**Barbados Revenue Authority  
Statement of Administered Revenue  
For the Year Ended March 31, 2020**

**BDS\$000's**

	<b>Actual 2020 \$</b>	<b>RESTATED Actual 2019 \$</b>
<b>Goods &amp; Service</b>	<b>718,540</b>	<b>702,621</b>
Taxes on Insurance Premiums	26,799	27,190
Taxes on Bank Asset	40,291	32,223
Tax on Asset	7,765	12,650
Motor Vehicles	11,966	22,334
Public service vehicles	7,833	8,172
Taxes on Remittances	-	155
Excise Duties	14,008	13,939
Value Added Tax	609,878	585,958
<b>Taxes on Income and Profits</b>	<b>819,069</b>	<b>1,080,575</b>
Corporation Taxes	371,308	539,728
Income Taxes	412,155	493,699
Withholding Taxes	35,606	47,148
<b>Taxes on Property</b>	<b>238,407</b>	<b>170,905</b>
Land Tax	238,407	170,904
Rent Registration	-	1
<b>Special Receipts</b>	<b>48,365</b>	<b>18,012</b>
National Social Responsibility Levy	-	9,594
Betting and Gaming	10,557	679
Direct Product Development Levy	8,604	3,022
Room Rate Levy	29,204	4,717
<b>Total Tax Revenue</b>	<b><u>1,824,381</u></b>	<b><u>1,972,113</u></b>
<b>Non-Tax Revenue - Highway Revenue</b>	<b>13,494</b>	<b>11,990</b>
<b>TOTAL REVENUE</b>	<b><u>1,837,875</u></b>	<b><u>1,984,103</u></b>

*The accompanying notes form an integral part of these financial statements*

**Barbados Revenue Authority – Administered Activities**  
**Statement of Cash Flows**  
**For the Year Ending March 31, 2020**  
**BDS\$000's**

	<b>Actual Mar 2020</b>	<b>Actual Mar 2019</b>
	\$	\$
<b>Net Surplus (Deficit)</b>		
 <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
 <b>Change in Working Capital items</b>		
Increase in Tax Receivables (Net)	(378,904)	(214,126)
Increase in Other Receivables	(79,510)	(1,706)
Increase in Deferred Revenue	63	4
Increase in Due To Treasury	480,022	239,378
Increase in Tax Refunds Payable	105,739	38,884
 Net Change in operating activities	 <b>127,410</b>	 <b>62,434</b>
 <b>Financing Activities</b>		
Change in General Fund	-	95
 Change in cash	 <b>127,410</b>	 <b>62,529</b>
Beginning Cash	<b>82,784</b>	<b>20,255</b>
Ending Cash	<u><b>210,194</b></u>	<u><b>82,784</b></u>

*The accompanying notes form an integral part of these financial statements*

## **Significant Accounting Policies**

### **1. Administered Activities**

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 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.

The Financial Statements of the Administered Agency are prepared in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS).

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 the Financial Statements – Administered Activities 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 and collects revenue relating to the specified enactments outlined in Schedule 1 of the Barbados Revenue Authority Act (BRAA) which include individual income tax, corporation income tax, property tax and vehicle licensing.

### **2. Accounting Policies**

These financial statements comply with International Public Sector Accounting Standards. 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, 2019 to March 31, 2020.

### **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 recognized 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.

## **5. Revenue**

### **5.1 Non-exchange Revenue**

Payment of tax does not, of itself, entitle the tax payer 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 recognized when the debt to the Crown arises. Revenue is recorded net of refunds.

The Revenue as shown in the Statement of Administered Revenue reflects only collections by the Barbados Revenue Authority. Therefore collections by the Customs and Excise Department and the Treasury Department are not included.

Revenue Type	Revenue Recognition Point	Basis of Accounting
<b>Income and Profits:</b>		
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. This Tax was abolished on March 31, 2016	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
<b>Goods and Services:</b>		
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 at year-end	Cash basis
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
<b>Property Tax:</b>		
Land Tax	When the tax invoices are issued to the taxpayers	Accrual basis
Rent Registration	When tax is paid	Cash basis
<b>Special Receipts:</b>		
Municipal Solid Waste Tax	When invoices are issued to the taxpayer. This tax was introduced in 2013 and repealed in 2014.	Accrual basis
National Social Responsibility Levy (NSRL)	When the taxpayer files and an assessment is raised. This tax was repealed on July 1, 2018.	Accrual basis
Room Rate Levy	This tax was introduced in July 2018 and relates strictly to the tourism sector. Revenue is recognized when the taxpayer files and an assessment is raised.	Accrual basis
Product Development Levy	This tax was introduced in July 2018 and relates strictly to the tourism sector. Revenue is recognized when the taxpayer files and an assessment is raised.	Accrual basis
Non-Tax Highway Revenue	This revenue is derived from the sale of drivers licences, Highway Code booklets, visitors permits etc when payment is received.	Cash 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, 2020 but not yet deposited to the Treasury Department's bank accounts. The Authority deposits funds to the Treasury's accounts on a daily basis. Four bank accounts are held by the Authority with respect to administered activities; the Refunds account from which refunds to taxpayers are honoured and three revenue accounts into which revenue collected is deposited and transferred to the Treasury daily.

Cash and Bank consists of \$210M as reflected below:-

		<b>2020</b>	<b>2019</b>
		<b>\$000's</b>	<b>\$000's</b>
Refunds Account	Balance at bank	57,805	33,483
Deposit Account	Balance at Bank	152,389	49,301
		<u><b>210,194</b></u>	<u><b>82,784</b></u>

## 7. Receivables

### 7.1 Tax Receivables

Tax receivables represent all amounts due and payable for a tax year at the end of the fiscal year and include taxes, interest, penalties, and other amounts assessed or estimated by the Authority but not yet collected.

These financial statements do not reflect tax receivables prior to tax year 2013, for Individual Income tax (\$316M) and Corporation tax (\$419M). These receivables dated back as far as calendar year 1968 for which some of these amounts cannot be verified.

	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Net Receivables</b>		
<b>7.1.1 Value Added Tax</b>		
<b>Opening balance</b>	<b>967,772</b>	<b>879,846</b>
Prior Years change	68,689	(5,291)
Principal	48,409	74,116
Penalty	2,637	14,976
Interest	4,304	5,433
Amnesty	-	(1,308)
	<b>1,091,811</b>	<b>967,772</b>
Provision for Bad Debt	<b>(21,836)</b>	(19,355)
<b>31-Mar</b>	<b><u>1,069,975</u></b>	<b><u>948,417</u></b>

	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>7.1.2 Excise Tax</b>		
Opening Balance	<b>3,237</b>	<b>3,746</b>
Prior Years change	<b>257</b>	<b>(793)</b>
<b>Excise Tax</b>		
Principal	31	238
Penalty	4	21
Interest	1	25
	<b>3,530</b>	<b>3,237</b>
Provision for Bad Debt	(71)	(65)
	<b>31-Mar-20</b>	
	<b>3,459</b>	<b>3,172</b>

#### **Corporation Tax**

	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>7.1.3 Opening balance</b>	<b>260,428</b>	<b>54,745</b>
Prior year changes	(34,900)	21,961
Principal	80,993	180,501
Penalty	213	5,139
Interest	78	2,348
Amnesty	(125)	(4,266)
	<b>306,687</b>	<b>260,428</b>
Provision for Bad Debt	(6,134)	(115,720)
	<b>31-Mar-20</b>	
	<b>300,553</b>	<b>144,708</b>

	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>7.1.4 Income Tax</b>		
<b>Opening balance</b>	<b>102,727</b>	<b>20,203</b>
Prior period adjustment	23,099	14,240
Principal	22,618	66,021
Penalty	653	4,718
Interest	482	1,409
Amnesty	(383)	<b>(3,864)</b>
	<b>149,196</b>	<b>102,727</b>
Provision for Bad Debt	(2,984)	(2,054)
	<b>31-Mar-20</b>	
	<b>146,212</b>	<b>100,673</b>

<b>7.1.5 Consolidation Tax</b>		<b>2020</b>	<b>2019</b>
		<b>\$000's</b>	<b>\$000's</b>
<b>Opening balance</b>		7,670	6,947
Prior Years adjustments		530	723
Principal		-	-
		<b>8,200</b>	<b>7,670</b>
Provision for Bad Debt		(164)	(153)
	<b>31-Mar-20</b>	<b>8,036</b>	<b>7,517</b>
<b>7.1.6 National Social Responsibility</b>		<b>2020</b>	<b>2019</b>
		<b>\$000's</b>	<b>\$000's</b>
<b>Bal b/forward</b>		4,352	3,397
Prior period adjustment		268	(351)
Principal		-	1,103
Penalty		-	113
Interest		-	90
		<b>4,620</b>	<b>4,352</b>
Provision for Bad Debt		(92)	(87)
	<b>31-Mar-20</b>	<b>4,528</b>	<b>4,265</b>
<b>7.1.7 Land Tax</b>		<b>2020</b>	<b>2019</b>
		<b>\$000's</b>	<b>\$000's</b>
<b>Opening balance</b>		<b>306,934</b>	<b>361,046</b>
Prior Years adjustments		(26,648)	(107,954)
Principal		57,532	35,344
Penalty		(764)	1,369
Interest		14,142	17,129
	<b>31-Mar-20</b>	<b>351,196</b>	<b>306,934</b>
<b>7.1.8 Municipal Solid Waste Tax</b>		<b>2020</b>	<b>2019</b>
		<b>\$000's</b>	<b>\$000's</b>
<b>Opening balance</b>		<b>29,506</b>	<b>27,448</b>
Prior Years adjustments		(137)	(112)
Principal		(14)	5
Penalty		(1)	2
Interest		2,337	2,163
		<b>31,691</b>	<b>29,506</b>
Provision for Bad Debt		(634)	(590)
	<b>31-Mar-20</b>	<b>31,057</b>	<b>28,916</b>

	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>Withholding Taxes</b>		
<b>Opening balance</b>	3,598	-
Prior Years adjustments	(720)	-
Principal	1661	3,440
Penalty	122	130
Interest	42	28
<b>31-Mar-20</b>	<b><u>4,703</u></b>	<b><u>3,598</u></b>
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>Withholding Taxes - Other</b>		
Principal	5	-
Penalty	441	-
<b>31-Mar-20</b>	<b><u>446</u></b>	<b><u>-</u></b>
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>Premium Taxes</b>		
Opening balance	2,037	-
Prior Years Adjustments	(1,799)	-
Principal	-	2,037
<b>31-Mar-20</b>	<b><u>238</u></b>	<b><u>2,037</u></b>
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>Product Development Levy</b>		
<b>Opening Balance</b>	<b>772</b>	<b>-</b>
Prior Years adjustments	(416)	-
Principal	2,413	747
Penalty	27	21
Interest	11	4
<b>31-Mar-20</b>	<b><u>2,807</u></b>	<b><u>772</u></b>
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>Room Rate Levy</b>		
<b>Opening balance</b>	701	-
Prior Years adjustments	(419)	-
Principal	6,735	662
Penalty	317	32
Interest	165	7
<b>31-Mar-20</b>	<b><u>7,499</u></b>	<b><u>701</u></b>
	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
<b>7.1.9 Highway Revenue</b>	<b>205</b>	<b>300</b>
<b>Total Receivable (Net) @ March 31, 2020</b>	<b><u>1,930,914</u></b>	<b><u>1,552,010</u></b>

## 7.2 Provision for Doubtful Debts

The Authority utilizes a rate of 2% to provide for doubtful receivables. Allowance for doubtful accounts on total receivables is calculated at \$32M, (2019: \$138M)

<b>Provision for Doubtful Accounts</b>	<b>2020 \$000's</b>	<b>2019 \$000's</b>
Value Added Tax	21,836	19,356
Corporation tax	6,134	115,720
Income Tax	2,984	2,054
Consolidation Tax	164	153
MSWT	634	590
<b>NSRL</b>	92	87
<b>Excise</b>	71	65
<b>31-Mar-20</b>	<b><u>31,915</u></b>	<b><u>138,025</u></b>

## 8. Other Receivables

This represents amounts due from the Treasury to honour outstanding tax refunds and to cover the financial charge associated with the electronic banking transactions. No provision is reflected for Other Receivables since these funds are not deemed to be doubtful.

## 9. Due To Treasury

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

	<b>2020 \$000's</b>	<b>2019 \$000's</b>
Opening Balance	1,604,244	1,364,872
Accts Receivables	339,180	222,894
Collections	1,644,528	1,299,948
Deposits	(1,503,686)	(1,283,470)
<b>31-Mar-20</b>	<b><u>2,084,266</u></b>	<b><u>1,604,244</u></b>

## 10. Taxes Refunds Payable

Amounts payable to taxpayers include refunds and related interest estimated by the Authority that were not paid up to March 31, 2020.

	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
Opening Balance	464,085	425,200
Assessments	339,824	145,018
Refunds Paid	(234,084)	(85,542)
Refunds (Gov Agencies) written off	-	(20,591)
<b>31-Mar-20</b>	<b>569,824</b>	<b>464,085</b>

### 10.2 Refunds Payable by Tax Type

	<b>2020</b> <b>\$000's</b>	<b>2019</b> <b>\$000's</b>
Consolidation Tax	1,326	2,938
Corporation Tax	181,873	181,472
Interest re: Corporation Tax	89,735	67,910
Interest re: Tax Certificates	101	130
Income Tax	42,162	60,492
Interest re Income Tax	42,943	38,322
Reverse Tax Credits	1,999	8,108
VAT	208,497	103,314
Land Tax	124	124
Highway Revenue Refunds (Road tax)	1,064	1,265
<b>31-Mar-20</b>	<b>569,824</b>	<b>464,085</b>

## 11. Deferred Revenue

Deferred Revenue represents overpayments of taxes in the current year that relate to a future accounting period. At March 2020 Deferred Revenue for prepaid land tax activities stood at \$295K (2018: \$231K).

## 12. Land Tax- Rebates, Waivers & Discounts

The taxable event is the issuance of the Land Tax invoice for the taxable period, which is the fiscal year (April 1, 2019 to March 31, 2020). Discounts are given based on the Land Tax Act Cap \_78\_. Rebates and waivers are also given based on Ministerial Policy to certain sectors of the economy. Rebates, Waivers & Discounts 2020: \$75M (2019: \$63.8M)

### Rebates, Waivers & Discounts on Land Tax

	2020 \$000's	2019 \$000's
Rebates	59,809	43,895
Waivers	9,830	8,425
Discounts	7,374	11,512
<b>31-Mar-20</b>	<b>77,013</b>	<b>63,832</b>

## 13. Penalties and Interest waived relative to Amnesty

	2020 \$000's	2019 \$000's
Corporation Tax - Interest	101	3,910
Corporation Tax - Penalties	24	356
Income Tax - Interest	303	3,568
Income Tax - Penalties	79	296
VAT – Interest	-	1,080
VAT – Penalties	-	228
Land Tax – Interest	-	3,838
Land Tax – Penalties	-	586
<b>31-Mar-20</b>	<b>507</b>	<b>13,862</b>

#### 14. Accounts Written off

In accordance with the policy outlined by the Government of Barbados to write off tax receivables prior to tax year 2000 as well as all inter-governmental debts, the Authority has written off \$0 (2019:\$150M) as shown below:-

#### Balances prior to tax year 2000.

	2020 \$000's	2019 \$000's
Land Tax	-	25,030
<b>Inter-governmental Debts</b>		
Land Tax	-	58,261
Value Added Tax	-	66,565
<b>31-Mar-20</b>	<b>-</b>	<b>149,856</b>

# STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTINGS

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:

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

Selecting and applying appropriate accounting policies; and

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.

# 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, 2020 as compared to the prior financial year ended March 31, 2019.

The Administered Agency Statement reports the revenues, expenditures, assets and liabilities related to the funds collected and earned for the financial year 2020.

**Basis for preparation of the Administered Agency's Statements**

The Authority's accounts are prepared in accordance with the requirements of the Public Finance Management Act, 2019 which replaced the Financial Management and Audit Act 2007-11 and Financial Regulations 2011 and which requires 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 which 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 and commenced operations using the opening balances for Receivable as reported by the Accountant General's office at March 31, 2014.

**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 Activities, makes provision for the liability relating to the payment of refunds as assessed. This amount is 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 Activities will incur a liability, those are shown as contingent liabilities.

There were no contingent liabilities made during 2019-2020.

## **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 2020, the Authority recorded \$1.84 billion in revenue on behalf of the Administered Activities representing a decline from the \$1.98 billion recorded in the financial year ending March 2019. This represents a decrease of over \$136m or 7% over the previous year. A decrease of \$261m was recorded under the Incomes & Profits. However, an increase of \$16m was recorded under Goods and Services which comprise mainly increases in VAT(\$24M) with an offsetting decrease in Motor Vehicles (\$10M).

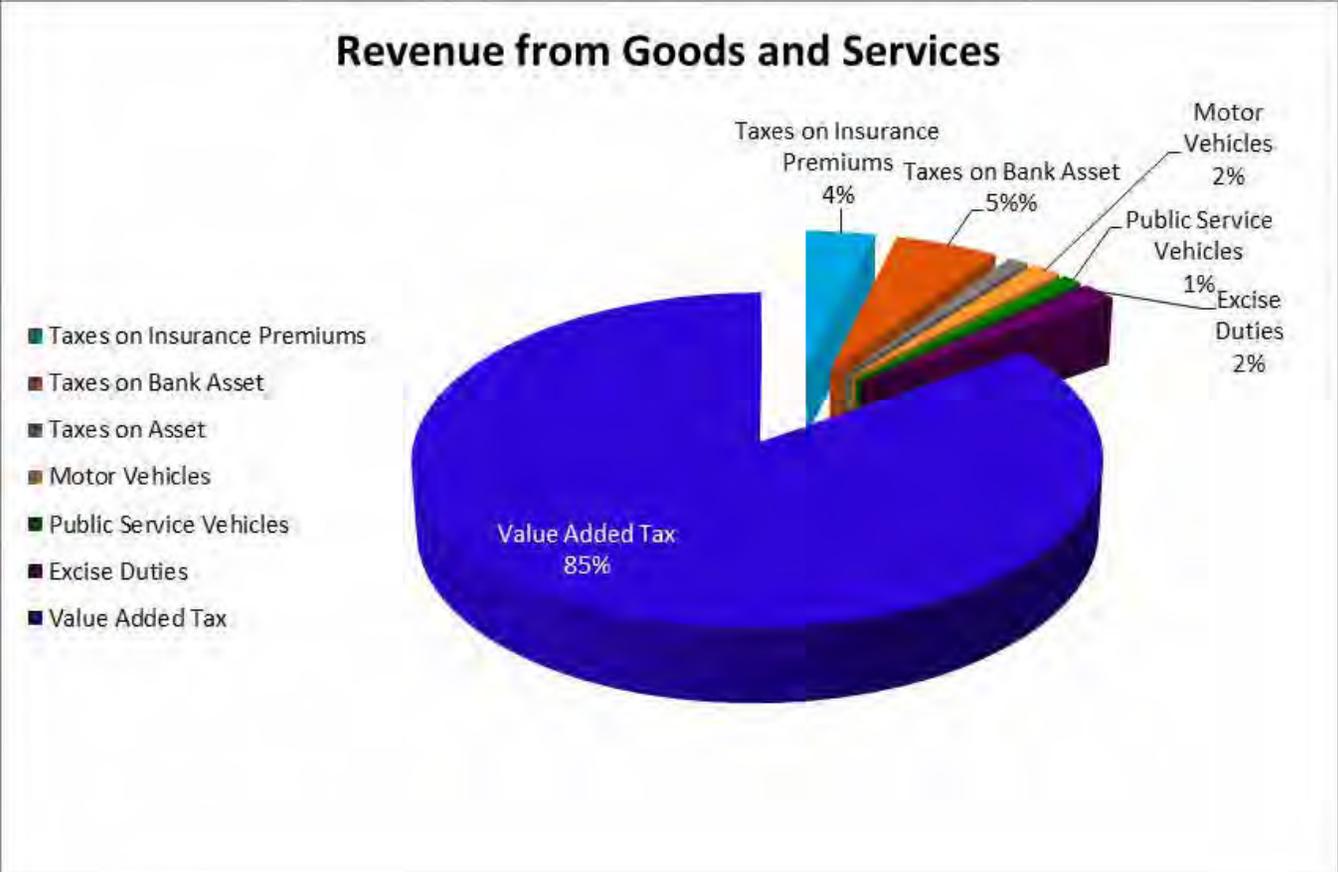
The decline in Incomes & Profits was mainly due to Corporation Tax (\$168M) attributed to the provision of a three (3) month extension to the filing deadline while the decrease in Motor Vehicle resulted from the removal of road tax on privately owned vehicle.



■ REVISED ACTUAL 2020	718,540,018	819,069,135	238,407,459	48,364,198	13,493,744	1,837,874,554
■ ACTUAL PREV YEAR 2019	702,622,202	1,080,574,864	170,905,107	18,011,985	11,989,524	1,984,103,682

**Taxes on Goods & Services**

Goods & Services revenue for financial year ending March 2020 exceeded the actual amount for financial year 2019 by \$16m. Goods & Services which performed favourably were VAT which showed a \$24m increase. This was however offset by decreases in in Motor Vehicles (\$10M).



## Taxes on Income & Profits

Taxes on Incomes and Profits comprising mainly Corporation Tax and Personal Income Tax, saw a decrease of \$261m when compared to the previous year. Corporation Tax showed a decrease of \$168m over last year, while Personal Income tax and Withholding taxes reflected decreases of \$81m and \$11m respectively compared to prior year.

Revenue Generated from Incomes and Profits Sector



## **Property Taxes**

Land Tax recorded a 39% increase in revenue from prior year.

## **Statement of Financial Position**

### **1.1. Tax Receivables**

At March 31, 2020, tax receivables net stood at \$1.9b, an increase of \$379m. Including interest and penalties, these increases were mainly due to Value Added Tax receivables at \$121m, Corporation tax receivables of \$156m and Income Tax of \$45M. Land Tax receivables declined by \$46m.

### **1.2. Other Receivables**

There was an increase of \$79m in Other Receivables which represents mainly funds due from the Treasury to honour tax refunds. In financial year ending March 31, 2020 refunds paid totalled \$234m. Refunds paid for VAT, Corporation Tax and individual Income Tax, inclusive of Reverse Tax Credit, were \$143m, \$10.7m and \$78.m 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, 2020, Due to Treasury stood at \$2.1b, an increase of \$480m. This growth reflects 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 \$105.7m in Refunds Payable at March 31, 2020.



**2020**

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# ANNUAL REPORT

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