

*The mission of BIBA is to work with the Government towards the development of the international business sector in the interest of its members and the Barbados economy*

## President's Message



Dear Members,

In early February, many of us were caught off-guard by the new policy measures adopted by the Canadian Federal Government, which seemed to threaten to shake the foundations of international business in Barbados. However, out of this near crisis situation arose an opportunity for us to draw on the strength of the structure of our association. We quickly mobilised our various committees representing the major business areas of our sector – banking, insurance, legal services, tax accounting, international business companies and

corporate services – and had them canvas their constituents as to what the likely impact of these new measures would be. Through this strategy, BIBA was able to craft a collective response that offered an analysis of the situation and recommendations, which you can read further on in this newsletter, and which we shared with Invest Barbados and the Ministry of International Business. While it can sometimes be a challenge to distil the various interests of our constituent members in to one collective voice for the sector, it is also beneficial to be able to call upon such a diverse wealth of views and expertise to help us analyse and make sense of developments as they arise.

**Mr. Ryle Weekes**  
**President 2013 – 2014**

# Executive Director's Report



**Henderson Holmes, Executive Director**

## Meeting Re. CARICOM-Canada Negotiations

On February 3, the Senior Executive and I met with Ms. Shardae Boyce of the Barbados Private Sector Trade Team (BPSTT), who sought to update us on the status of the negotiations on the **CARICOM-Canada Trade Agreement**.

Ms. Boyce reported that the Canadian political directorate had advised negotiators to redirect their energies to negotiations that will bring forth results, if the Agreement with CARICOM is not concluded by June 2014; while CARICOM has taken the stance that it will continue to press for the conclusion of an Agreement that meets its legitimate expectations. The

implications for the Barbados services sector are to be fully detailed by the BPSTT.

## Meet the Regulators

On February 10, BIBA supported a “Meet the Regulators” town hall meeting coordinated by the Ministry of International Business, at which representatives from the Central Bank of Barbados, Financial Services Commission, Corporate Affairs and Intellectual Property Office, Financial Intelligence Unit, and Invest Barbados addressed the sector on the roles and responsibilities of their respective offices, as well as new initiatives that were planned. This closed forum was a worthwhile exercise as it allowed for a candid exchange of views between business people and the regulatory agencies and we look forward to supporting the Ministry in similar exercises in the future.

## Meeting with ACCA

On February 20, the Senior Executive met with Head of the ACCA Caribbean Office, Ms. Brenda Lee Tang, and Manager for the Eastern Caribbean, Ms. Maria Batson, to discuss opportunities for collaboration between the two bodies. The ACCA

representatives suggested that they could be a resource for speakers, policy research, and sponsorship during International Business Week. A formal proposal is expected from the ACCA in due course.

### **Meeting at Ministry of Finance & Econ. Affairs**

I attended two meetings convened by the Ministry of Finance and Economic Affairs; one intended to look at short-term measures pertaining to growth, and the other to discuss accelerating implementation of the Business Facilitation Unit.

The first meeting was also attended by the president and we emphasised that rather than look for new initiatives, the Ministry should be looking at the many initiatives previously proposed but not implemented, and it should also seek to address the causes of non-implementation.

At the second meeting the representative of the Ministry of International Business advised that a paper was approved by Cabinet for the setting up of the Business Facilitation Unit. The proposal is to reconstitute the existing National Task Force

to be the **National Task Force on Trade and Business Facilitation**. After further discussion, the meeting agreed that a new approach needs to be taken, and that approach should include investigating the current factors impeding business facilitation; ensuring certainty of process and accountability; ensuring the unit has the level of authority that it can be effective; and the application of intelligence technology.

### **Meeting re: Exploiting the International Business and Tourism Sectors' Nexus**

On February 27, the President, 1<sup>st</sup> Vice President, Immediate Past President, and I met with the Permanent Secretary in the Ministry of Tourism, Ms. Shelley Carrington, and other officers of the ministry to discuss the rationale and the bases for cooperation in the development of international business and tourism, with an aim to realise the full potential of their synergies for the development of Barbados.

It was readily acknowledged that business people form an important component of the visitors to Barbados; their visits are not seasonal; and because of the nature of a person's business he/she may visit Barbados

several times in the year and often with family. In addition, the per-person spend of the business traveller is much higher than that of the leisure traveller. We also looked at the areas of mutual interest including, exploitation of new markets and the concomitant development of airlift to facilitate more direct travel to Barbados for both business and pleasure.

Ms. Carrington confirmed that these considerations were all included in the new Tourism Master Plan. She promised to arrange another meeting with the Barbados Tourism Authority (BTA), Barbados Hotel and Tourism Association, Invest Barbados, and BIBA, and added she would like us to make a presentation to the BTA Board.

We concluded that as a start we could look at the following as the **Actionable Outputs** for cooperative effort:

- Marketing
- Development of useful Statistics
- Public education
- Airlift

### **BIBA Membership Survey**

Between January 14 and February 5, 2014, BIBA conducted a Membership Satisfaction Survey among the BIBA member firms. The areas of business represented by the respondents were: Accounting Services, Banking & Finance, Corporate Services, IBCs, Insurance, Legal Services, Management Services, Pharmaceutical, Service Providers, Wealth Management, Web Development, Trust, Utilities, and Other. Most respondents had been members of BIBA for more than six years. The responses given will be analysed and used in part to inform the BIBA Board and Executive in its decision-making.

### **Compensation Survey Report**

Copies of the BIBA Compensation Survey Report are still available for sale. This report contains comparative compensation data for 2010 and 2013, and tracks trends between 2007 and 2013 related to salaries, benefits and pay practices in Banking/Financial Services, Service Providers, Insurance/Reinsurance, IBCs and SRLs. Contact the BIBA Secretariat at 434-2422 / 436-2422 or via email at [biba@biba.bb](mailto:biba@biba.bb) to purchase a copy.

# BIBA Committees

## Updates

### Canadian Federal Budget

On February 11, 2014, the Canadian Federal Government released a Budget that was aimed at closing perceived tax loopholes. The measures, while not targeted at Barbados specifically, contained a number of measures that could have far reaching implications for the island's international business sector. As a result, the BIBA Banking, Insurance, Legal Profession, and Tax Committees entered into consultation with representatives from their respective areas of business to assess the possible impacts. Following this, the BIBA Board and Executive Committee met on February 20 to hear the collective reports from the BIBA sub-committees and develop a series of recommendations for the sector and Barbados.

It was established that the Canadian Federal Budget measures scheduled to take effect from January 2015 were targeted at the following areas of business:

- Offshore regulated banks
- Offshore captive insurance swap arrangements

- Treaty Shopping
- Non-resident trusts
- Back-to-back loans -- Thin Capitalisation

### 1) Banks

The Budget clarified that foreign subsidiaries of Canadian financial institutions, which carried on investment and trading for their own account, and that were not foreign affiliates of a regulated Canadian financial institution, would not be entitled to tax exemptions.

Out of the 42 licensed international banks in Barbados, approximately 12 are private banks owned by high net worth Canadian individuals earning only passive income and therefore would not qualify for tax exemptions on remittances to Canada under the new Canadian regime. It was estimated that these 12 banks generate approximately USD \$200 million in profit and contribute an estimated USD \$15 million in taxes, pay roll contributions, fees and other operating expenses.

There was a view that given the nature of their business some of the private banks might be able to continue their business in Barbados by converting to International

Business Companies (IBCs), but this could have the alternative effect of restricting the investment instruments that they could offer as they would no longer be regulated banking entities.

## **2) Captive Insurance**

The Budget proposed to amend the rules applicable to Captive Insurance Companies to address insurance swap arrangements wherein Canadian risks are swapped for foreign risks in order to mitigate risk of loss, or create opportunities for profit. The new budget measure would deem income earned from this arrangement as Foreign Accrual Property Income (FAPI). This means that the income will be taxed at source whether or not it is repatriated to Canada.

The consensus view was that this would mainly affect captives set up by Canadian Banks to manage their creditor life portfolios. This rule is not seen as having any impact on many of the captives in Barbados which are insuring non-Canadian risks. However, those insurance entities that will be affected are believed to be the more profitable ones.

## **3) Treaty Shopping**

The Budget proposes to include a treaty shopping provision in Canada's domestic legislation following a consultation paper issued in 2013.

It was believed that this new provision should not affect Barbados as it is aimed at inbound structures and Barbados has not traditionally been used to facilitate investments into Canada.

## **4) Trusts**

The Budget proposes to eliminate the 5-year tax exemption on income derived from assets transferred to a trust, created by individuals moving to Canada. It is proposed that the benefits generated from these 5-year trusts will no longer be available from taxation years ending after 2014.

Barbados is home to many of these 5-year trusts. This provision will close the door on trust structures set up by immigrants to Canada and will constitute a loss of business in Barbados. Although this measure will not take effect until 2015, it was felt that establishment of new Five Year Trusts in Barbados from here on would cease,

ending a once successful business niche for Barbados.

### **5) Back-to-back Loans / Thin Capitalisation Rules**

The Budget proposed to introduce new measures to limit the interest deductions in Canada on debts due to specific non-resident taxpayers where the debt exceeds a 1.5 to 1 debt-to-equity ratio. The Budget proposes to extend the back-to-back loan anti-avoidance rule to broaden its application.

The view was that this new rule should not adversely impact on Barbados' business.

### **Recommendations**

It was recommended by BIBA that Barbados had to improve its comparative advantage features by making it easier and more efficient to do business here and being cost competitive *vis-a-vis* other similar jurisdictions.

Emphasis was placed on the following action areas:-

- Immediately explore with tax consultants alternative options for the continuance of private banking

operations as viable Canadian tax compliant entities in Barbados.

- Attract more high net worth individuals to reside in Barbados by simplifying and expanding the Special Entry Permit programme.
- Innovate through implementing new product offerings following targeted market research.
- Promote strongly to Canadian tax advisors the non-tax reasons for continuing to use Barbados to register investment banks and other types of business, including offshore investment options that are not available to companies resident in Canada.
- Greater business facilitation through more coordinated efforts between the private sector, the Immigration Department, the Inland Revenue, Ministry of International Business, Financial Services Commission, and Corporate Affairs and Intellectual Property Office.
- Aggressively diversify into new and emerging markets and negotiate new Double Taxation Agreements and Bilateral Investment Treaties.
- Expedite the enactment of the Foundations, Private Trust Companies,

Corporate Trust and Service Providers legislation and regulations, as well as the regulations for Segregated Cell Companies.

- Urgently finalise the drafting and enactment of other legislation that will enable new business opportunities, such as the amendments to the Companies Act, and Mutual Funds Act; and creation of the Limited Liability Partnership act.

## February Luncheon

The February 25 BIBA luncheon seminar was devoted to discussing “The Implications of the 2014 Canadian Federal Budget for Barbados as an International Business and Financial Services Centre”. The importance of this February 11 development to the international business community was evident from the strong response as close to 250 paying attendees turned up for the event at the Hilton Barbados.



**From left: Mr. Douglas Connell, Mrs. Dominique Pepin, Mr. Ben Arrindell, Mr. Wayne Lovell, and Ms. Gloria Eduardo.**

The luncheon took the form of a featured presentation by Mr. Douglas Connell, Senior Tax Advisor with Deloitte Barbados; which was then followed by a panel discussion by international tax experts: Mrs. Dominique Pepin, BIBA Tax Committee Chair and Tax Director with Ernst & Young (Barbados & Eastern Caribbean); Mr. Ben Arrindell, Deputy Chairman of Cidel Bank & Trust; Ms.

Gloria Eduardo, Tax Services Leader with PricewaterhouseCoopers (Eastern Caribbean); and Mr. Wayne Lovell, Tax Practice Leader for KPMG (Barbados).

Prior to the featured presentation and discussion, BIBA President Mr. Ryle Weekes noted during his President's Update that the latest budgetary measures by the Canadian Federal Government compelled Barbados to be more agile and responsive than at any other time in the history of its international business sector. He noted that with Canadian companies accounting for approximately 80 per cent of all the international business conducted in Barbados, and given Barbados's already perilous economic state, any new developments that had the potential to further undermine growth had to be swiftly assessed and responded to by both government and the private sector. The full President's Report can be found on the BIBA website at:

<http://biba.bb/news/presentations/>

During his featured presentation, Mr. Connell advised Canadian private banking entities resident in Barbados that there were still investment banking activities that could qualify for tax exemptions and that they

should investigate those areas of focus before making any quick decisions to wind-up. He also noted that if they wanted to stay in Barbados, the private banks in question could consider converting to International Business Companies (IBCs) or adopting the private equity model. Mr. Connell's full presentation can be found on BIBA's website at:

<http://biba.bb/news/presentations/>

Following Mr. Connell, the first discussant was Mr. Lovell, who acknowledged that this new measure was not targeted at Barbados, but would have implications for all of Canada's treaty partnerships. However, he expressed extreme concern about the Budget's measures for Barbados, suggesting that they were likely to impact negatively on the resources of Canadian entities' in Barbados, which could spin-off into reduced corporate and value added tax receipts, increased unemployment, and reductions in the other economic benefits the sector currently provides. He also suggested that the measures to curb treaty shopping could also impact on future international business growth for Barbados. Still, the leader of KPMG Barbados's tax practice did agree with the solution that the financial services performed by some

private banks could still be continued under an IBC structure.

Mrs. Pepin's followed with the message: "Don't panic, there is still hope". The experienced tax planner revealed that she and her colleagues were working on strategies to still mitigate Canadian clients' tax burdens under the coming regime. She also said that there remained several non-tax reasons for Canadian companies to set up in Barbados. According to Mrs. Pepin, these included financial instruments otherwise not available to Canadian companies not resident in Barbados. She also identified other marketing opportunities for Barbados in terms of promoting its Special Entry Permit regime for those facing rising individual taxes in Canada. She added that Captives which currently capitalised on foreign risk swapping could turn their focus toward reinsurance risk. Mrs. Pepin also noted that service providers had been focusing on the Canadian market for too long and she encouraged them to refocus on the opportunities available elsewhere through Barbados' wide network of tax treaties.

Fellow panellist, Ms. Eduardo, agreed that the economic impact on Barbados could

be mitigated if the island focused on aggressively diversifying into other source markets for international business. She noted that Barbados's success in attracting Canadian international business had led to comfort, complacency, and ultimately vulnerability. She further noted that this latest move by Canada to reduce the amount of tax exemptions available was likely to be emulated by other members of the Organization for Economic Cooperation and Development (OECD) and therefore Barbados had to be prepared to face that reality.

Mr. Arrindell then spoke of the OECD's pursuit of a coordinated approach to profit shifting and global tax planning meant to involve not just developed but developing countries, which would also put pressure on Barbados. Furthermore, he noted that the OECD's current focus on fighting Base Erosion and Profit Shifting (BEPS) was in fact being spearheaded by Canada. Mr. Arrindell said the BEPS initiative could have a detrimental effect on Barbados. He explained that it was not only the OECD member states but some developing countries which are associates of the OECD that would be compelled to sign on to the initiative, and Barbados could be caught in

the middle of the impact that this initiative would have on international trade flows. He also drew the audience's attention to another OECD initiative, which was targeted toward taxing High Net Worth Individuals on the basis of citizenship, not residency, and he suggested this could have a negative impact on Barbados's new Special Entry Permit regime. Mr. Arrindell concluded his presentation by stressing that Barbados had to both set its sights on the opportunities offered across Latin America, as well as taking a very targeted approach to becoming a premier international financial services centre.

Minister of Industry, Commerce, International Business, and Small Business Development, The Hon. Donville Inniss commented from the floor that Barbados had concentrated too singularly on the Canadian market for too long and he revealed that he had advised Invest Barbados and its line Minister, Darcy Boyce, of the need to divert some of the agency's resources into the growth area of Latin America, as well as emerging markets in Africa and Asia.

## BIBA Charity Art, Wine & Cheese

The Winston Scott Polyclinic Appeal launched by our BIBA Charity at the end of December 2013, continues to gain steam and we remain on target to raise the \$70,000 needed to provide the Polyclinic with a walk-in cooler to support the island-wide immunization and vaccination program. To this end, the Charity Trustees organised a well received Art, Wine & Cheese fundraiser on February 21 at a private residence in Turtleback Ridge. This event attracted more than 80 people and was able to contribute over \$11,000 to the cause through door receipts and a percentage of the art sales. Featured artists included Catherine Fortier Chee-a-tow, Heidi Berger, and the Barbados Community College Art Department collective.



**BIBA Charity Trustees Ms. Lisl Lewis (left) and Ms. Louisa Lewis-Ward flank new PricewaterhouseCoopers territory leader for Barbados & the Eastern Caribbean, Mr. Michael Bynoe.**



**Ms. Renatta Mohammed and Ms. Lisa Worme of Deloitte Barbados enjoying the artwork of Heidi Berger.**



**Mr. Michael Berry of Pencarrek and Ms. Mary Mahabir of Lex Caribbean enjoying a chat amidst the paintings of Catherin Fortier Chee-a-tow.**



**Guests mingling and enjoying themselves among the basket sculptures of master weaver Ireka Jelani on the floor and mounted on the walls of the courtyard.**