



Shape the future
with confidence

16 March 2026

The background of the slide is a photograph of a large, historic stone building with a prominent clock tower. The building has multiple levels of arched windows and a classical architectural style. The sky is blue with some white clouds. A yellow rectangular frame is overlaid on the left side of the image, containing the main title text.

Focus on the Barbados Budget 2026

Key Measures

In his presentation of Budgetary Proposals and Financial Statements before the House of Assembly on 16 March 2026, the Honorable Ryan Straughn, M.P., Minister of Finance, addressed how Barbados would continue to navigate the challenges of the external environment to create a sustainable, resilient and inclusive society.

The following document outlines the key measures announced as well as the themes guiding the Government's fiscal and social policy direction for the year ahead. It is intended to provide readers with a clear, summary overview of the Budget as presented to Parliament.



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The better the answer.
The better the world works.



Macroeconomic Indicators

2.7%

Real GDP growth
(2025)

BDS\$3 billion

International reserves
(Dec 2025)

0.7%

Inflation - 12-m avg
(Nov 2025)

727,310

Tourist arrivals
(record levels)



6.6%

Unemployment
(Sep 2025)



Barbados recorded steady economic growth of 2.7% in 2025, supported by strong tourism, construction, and agriculture. Inflation eased to 0.7%, unemployment fell to 6.6%, and international reserves held at BDS \$3 billion. In 2026, GDP growth is projected at 2.5-3.0%, supported by continued tourism expansion, private-sector investment, and major public-sector infrastructure projects.

Real GDP growth

↑ **2.5-3.0%**

2026 projection

Inflation

↑ **1.0-2.5%**

2026 projection

**Primary surplus
(% of GDP)**

3.3% → 4.1%

2025

2026 target

Debt-to-GDP

↓ **94.6%**
(Dec 2025)

Trending lower

Executive Summary



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The 2026 Budgetary Proposals and Financial Statement mark an inflection point for Barbados as the country transitions from a period defined by fiscal consolidation and external program oversight into one characterized by renewed national policy discretion, growth-oriented investment, and targeted social support. With the economy recording 19 consecutive quarters of expansion, and unemployment reaching lows of 6.1%, Government has sought to leverage strengthened macroeconomic fundamentals to cushion households from global shocks while simultaneously laying the groundwork for a more diversified and resilient economic model.

In the near term, the Honorable Ryan Straughn, M.P, Minister of Finance, outlined that Government's priority is the management of cost-of-living pressures, particularly in light of geo-political disruptions that have sharply elevated global oil and freight prices. Against that background, the Budget deployed a multi-pronged suite of measures including electricity subsidies, extended VAT caps on fuel, temporary reductions in excise taxes, and revisions to customs valuation rules, all aimed at preventing imported price shocks from eroding household purchasing power and business margins. Notably, these interventions are designed as temporary buffers, with Government explicitly calling for behavioral adaptation by households and businesses.

Beyond immediate relief, the 2026 proposals also introduced a series of structural tax reforms intended to support lower and middle-income workers, pensioners, and the small business sector. The measures shift resources toward domestic consumption while preserving the integrity of the tax system.

Finally, the Budget underscores a renewed focus on infrastructure modernization, including major upgrades to healthcare facilities, expansion of the Bridgetown Port and Fishing Harbour, nationwide traffic management planning, and the revitalization of Bridgetown through dedicated public-private governance structures. These investments will be critical in addressing capacity constraints that could otherwise hinder the country's growth trajectory.

In summary, the 2026 Budget reflects a Government seeking to balance macroeconomic caution with strategic ambition. It aims to insulate Barbadians from global uncertainty while accelerating the structural reforms required to achieve long-term, export driven, digitally enabled, climate resilient growth. For businesses and investors, the proposals present both opportunities and adjustments, particularly in relation to evolving tax incentives, compliance expectations, and sector specific policy signals. For households, the measures offer meaningful, albeit temporary relief, as well as long-term commitments to equity and asset building.

The 2026 Budget is therefore best characterized not simply as a fiscal package, but as a strategic roadmap that aims to blend prudence with forward momentum, and stabilization with the pursuit of national transformation.



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Proposed Fiscal Measures

ENERGY AND ELECTRICITY MEASURES

Effective 1 April 2026, the following energy and electricity measures will be implemented:

- **the Government will absorb 50% of any increase in the Fuel Clause Adjustment (FCA)**
- **A three-month hedge has locked in the price of heavy fuel oil imported into the country at US\$92 per barrel**
- **A new off-peak electricity tariff will be introduced**

The FCA subsidy and fuel hedge together promote fuel price stability for electricity generation, protecting consumers from global market fluctuations in the immediate short-term. The off-peak tariff promotes efficient energy use and stabilization of energy prices by encouraging consumers to shift usage from peak times. Its success relies on the timely implementation of the necessary data systems and programming.

Excise taxes on gasoline and diesel will be reduced by 10¢/L for 3 months

Excise tax on fuel will be reduced by 10¢ per litre with gasoline reducing from 99.39¢ to 89.39¢ per litre, and diesel from 44.03¢ to 34.03¢ per litre. This will cause an immediate, small decrease in pump prices for consumers and businesses. After three months, the Government will review the measure based on global oil prices.

VAT caps remain in place for gasoline (47¢/L) and diesel (37¢/L) until 31 March 2027

This cap ensures that VAT on fuel does not increase when global oil prices rise, as Government's VAT revenue is limited to the capped amounts. This prevents automatic tax driven price jumps at the pump, and helps to stabilise fuel costs during periods of volatility and inflationary pressure.

CUSTOMS DUTIES AND VAT MEASURES

Free-On-Board (FOB) valuation will be the base for calculation of VAT and Import Duties on Selected Goods

Effective Period: 1 April 2026 to 31 March 2027

VAT and import duties on food, personal care items, and construction materials will be calculated using FOB value rather than Cost, Insurance and Freight (CIF). This removes freight and insurance charges from the tax base and directly targets cost pressures linked to freight surcharges, which have escalated over the past three years. By excluding these charges from VAT and duty calculations, the measure creates immediate relief in supply chains most exposed to volatility.

'Cost, Insurance and Freight' Ceilings for Calculation of Import Duties and VAT on selected containers

Effective Period: 1 April 2026 to 31 March 2027

The cost ceiling for the calculation of VAT and customs duties on containers will be US\$3,000 for 20ft containers and US\$6,000 for 40ft containers. Any freight and insurance charges above these capped CIF amounts will not be included in the tax base.

Reduction of VAT Rate on Car Rentals to 10%

Effective Date: 1 July 2026

The VAT rate applied to eligible car rentals will be reduced from 17.5% to 10%, lowering the current VAT burden on car rentals and bringing the applicable rate in line with other tourism supplies.

Duty & Excise Tax Exemptions for Hybrid and Electric Rental Vehicles

Effective Date: 1 July 2026

Approved rental car companies will be eligible for duty, excise and VAT exemptions on hybrid and electric vehicles, and associated charging infrastructure imported every four years, to encourage environmentally sustainable fleet upgrades.

Rental fleets play a significant role in supporting visitor transport across the island. Lowering import costs encourages operators to transition toward more energy efficient vehicles, improving sustainability outcomes within a key tourism supporting industry.

Extension of VAT & Excise Tax Holiday on Electric Vehicles

Effective Date: 1 April 2026

The Excise and VAT holiday on Electric Vehicles (EV) will be extended until 31 March 2029 with 10% on import duties. This extension is expected to benefit both new adopters and current EV owners already participating in the existing incentive program.

Duty and VAT-Free Thresholds for Personal Imports

Effective Date: 1 April 2026

The Government will increase the duty-free and VAT-free thresholds for personal imports via courier and postal shipments to better support the growing use of e-commerce by Barbadians. The new tiered structure applies only to personal use imports as follows:

- **Up to BBD \$150** - Duty-free and VAT-free
- **BBD \$150.01 to \$199.99** - Duty-free; VAT applies
- **BBD \$200 and over** - Both duty and VAT apply

VAT registration threshold for small businesses increases from \$200,000 to \$350,000

Effective Date: 1 October 2026

The VAT registration threshold applicable to small businesses increases from \$200,000 to \$350,000 to reduce administrative burden for small business owners.

While raising the threshold may align administrative effort with revenue significance, the trade-off may be that businesses falling below the new threshold will suffer irrecoverable VAT costs on their purchases.

Personal Tax Deduction for EV Battery Replacement

Effective Date: 1 April 2026

Recognizing the high cost of EV battery replacement, Government will implement a personal tax deduction allowing individuals to claim a deduction for the cost of replacing an EV battery, over a five-year period.

Battery replacement is one of the most significant lifecycle costs for EV owners. A multi-year deduction provides a smoother expense profile and encourages sustained EV ownership.

Green Transport Incentives

Government has introduced a suite of green transport incentives to accelerate adoption of hybrid and EVs. The initiatives reduce upfront and ongoing ownership costs through targeted duty, excise tax, VAT, and personal income tax measures on the importation of vehicles and battery replacements.

TOURISM

3-year automatic extension of concessions under the Tourism Development Act (TDA)

Effective Date: 1 April 2026

Tourism properties which were granted concessions on or after 1 January 2005 for a 15-year period are eligible to receive an automatic 3-year extension to their concession agreement. Concessions issued on or after 1 April 2020 are not eligible.

The extension supports the sector's recovery and strengthens competitiveness by providing stability for properties approaching concession expiry. Properties must continue to remain compliant with TDA conditions.

Stand-alone restaurants can access duty and VAT-free import of spirits

Effective Date: 1 July 2026

Standalone restaurants approved under the TDA will be eligible for duty-free and VAT-free importation of spirits.

Air Travel and Tourism Development Fee reduced from USD\$35 to USD\$20

Effective Date: 1 July 2026

Caricom regional travellers to Barbados will see a decrease in the Air Travel and Tourism Development fee from US\$35 to US\$20. This reduction will extend to 30 June 2027.

PERSONAL INCOME TAX AND TAX CREDITS

Personal Income tax rate reductions Effective income year 2026

The personal income tax rates will decrease from 12.5% to 11.5% on taxable income up to \$50,000, and from 28.5% to 27.5% on income above \$50,000. An individual earning \$75,000 annually will save \$41.67 per month (\$500 per year), while someone earning \$102,000 will save \$64.17 per month (\$770 per year).

The reduction in both rates of taxation delivers broad-based relief with a proportionately larger benefit to middle-income earners. The measure supports household resilience and may stimulate domestic activity. While the fiscal cost is modest relative to total revenue, it contributes meaningfully to “take-home” pay at a time of global price volatility.

The calculation below illustrates the impact of this measure for an individual earning \$75,000 per year:

Income tax rate reductions for income year 2026						
		2025		2026		
		Before		After		Increased
	Rate	\$	Rate	\$	Increased	Disposable Income
	Gross Salary					
Less:	Personal Allowance	75,000.00		75,000.00		
	Taxable income	(25,000.00)		(25,000.00)		
		50,000.00		50,000.00		
Less:	PAYE:					
	Taxable income up to 50,000	12.50%	6,250.00	11.50%	5,750.00	
	Taxable income > 50,000	28.50%	0.00	27.50%	0.00	-
			6,250.00		5,750.00	
	Net salary per annum		68,750.00		69,250.00	500.00
	Net salary per month		5,729.17		5,770.83	41.67

*Taxable income represents gross salary less personal allowance of Bds\$25,000.

The calculation below illustrates the impact of this measure for an individual earning \$102,000 per year:

Income tax rate reductions for income year 2026						
		2025		2026		Increased Disposable Income
		Before		After		
		Rate	\$	Rate	\$	
	Gross Salary		102,000.00		102,000.00	
Less:	Personal Allowance		(25,000.00)		(25,000.00)	
	Taxable income		77,000.00		77,000.00	
Less:	PAYE:					
	Taxable income up to 50,000	12.50%	6,250.00	11.50%	5,750.00	
	Taxable income > 50,000	28.50%	7,695.00	27.50%	7,425.00	-
			13,945.00		13,175.00	
	Net salary per annum		88,055.00		88,825.00	770.00
	Net salary per month		7,337.92		7,402.08	64.17

*Taxable income represents gross salary less personal allowance of Bds\$25,000.

Increase in Taxable Allowance for Pensioners

Effective Date: Income Year 2025

The personal allowance for pensioners will increase from \$50,000 to \$75,000, providing pensioners with an additional tax-free amount of \$25,000 per year. The higher allowance results in tax savings of approximately \$3,125 per year, or \$260.42 per month providing relief for pensioners who have been disproportionately affected by rising living costs.

This represents a meaningful uplift in disposable income for retired persons. The \$25,000 increase in tax-free allowance enhances financial security for seniors and aligns with broader cost-of-living measures announced in the Budget. It also simplifies pension taxation for many lower income retirees who may now fall entirely outside the tax net.

The calculation below illustrates the effect of the increased pension allowance for a pensioner in receipt of 75,000 per year.

Taxable allowance for pensioners increased from \$50,000 → \$75,000						
		2025		2026		Increased Disposable Income
		Before		After		
		Rate	\$	Rate	\$	
	Gross Salary		75,000.00		75,000.00	
Less:	Personal Allowance		(50,000.00)		(75,000.00)	
	Taxable income		25,000.00		0.00	
Less:	PAYE:					
	Taxable income up to 50,000	12.50%	3,125.00	11.50%		
	Net salary per annum		71,875.00		75,000.00	3,125.00
	Net salary per month		5,989.58		6,250.00	260.42

*Taxable income represents gross pension income less pension allowance for respective income year.

Increase in Reverse Tax Credit (RTC)
Effective Date: Income year 2025

The existing Reverse Tax Credit (RTC) will increase from \$1,300 to \$1,700 for individuals earning up to \$25,000 annually. Additionally, individuals in receipt of income between \$25,001 and \$35,000 per annum will be eligible to receive a RTC of \$750.

This measure aligns with the Government’s intention to ensure that money is returned to lower-income earners to address the challenges of cost-of-living increases and rising prices.

Expansion of the Compensatory Income Credit (CIC)
Effective Date: income year 2025

The maximum income limit for the Compensatory Income Credit (CIC) is proposed to increase from \$35,000 to \$50,000. The CIC helps lower and middle-income earners to retain more of their income through a credit mechanism.

Cost-of-Living Cash Credit for pensioners and other vulnerable groups
Effective Date: 1 April 2026

The introduction of a \$100 monthly Cost-of-Living Cash Credit for pensioners with maximum earnings of \$50,000 as well as other vulnerable groups represents a targeted intervention designed to cushion those most affected by persistent price increase pressures. The cash credit will be paid via the National Insurance and Social Security Service.

DIGITAL SKILLS AND FUTURE WORKFORCE

Extension of the 100% Tax Credit for Digitization and Business Process Reengineering
Effective Date: Income Year 2026

The Government has extended the 100% tax credit for business digitization, process re-engineering, and system upgrades into income year 2026. This follows an earlier proposal effective 1 April 2024, which applied to eligible expenditure incurred up to 30 June 2025. The renewed measure provides additional planning certainty for organisations pursuing multi-year digital transformation. It also aligns with national priorities, including Mission Transformation 2030, the Green Industrialisation Gateway Advantage (GIGA), and the broader drive to strengthen digital capabilities across the workforce.

Tax Services

Business Tax Services

- Business tax compliance and advisory
- Tax planning
- Tax controversy/disputes
- Tax accounting

Accounting compliance reporting

- Bookkeeping
- Financial Statement Close Process support
- Statutory reporting (including compilation)
- Payroll
- Financial advisory support

Indirect Tax Services

- VAT compliance and advisory
- Property tax
- Insurance premium tax
- Hotel accommodation tax
- Stamp duty
- Financial services tax
- Credits and incentives

People Advisory Services

- Expatriate tax compliance and advisory
- Global employment tax services
- Global business immigration services
- Work permits
- Personal tax services

International Tax Services

- Cross-border corporate income tax advisory
- Double tax treaty analysis
- Tax-effective supply chain management
- Withholding tax

Transaction Tax Services

- Evaluation of significant tax exposures
- International tax
- Tax structuring
- Identification of post-transactional tax reduction options

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Barbados Budget 2026 is based on the Budgetary Proposals and Financial Statement delivered by the Honorable Ryan Straughn, M.P., Minister of Finance, on 16 March 2026.

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