

Working Guide To Starting A Small Business In Barbados

The Small Business Development Unit of the Ministry of Small Business, Entrepreneurship and Commerce has formulated the following step by step guide regarding the development of the small business sector in the start-up phase.

Small business endeavours generally start with an idea. For those who are new to business ventures, the fear of starting may include the following:

- Lack of liquidity (cash);
- Business failure risks;
- Lack of knowledge; and
- Personal reputation concerns.

In order to gain business confidence, you may need to contact a business development organization for advice.

Starting a Business in Barbados involve the following:

- Register Business/Company/Co-operative
- Obtain National Insurance Scheme (NIS) Registration
- Obtain Barbados Revenue Authority (BRA) Registration
- Obtain Specific Venture Licences and Other Requirements.

Basics for Starting a Business

- Write a Business Plan;
- Choose a Legal Structure;
- Register for Statutory Requirements;
- Conduct Market Research;
- Choose Financing Options;
- Choose an Area of Operations;
- Obtain Business Insurance; and
- Seek Legal Counsel.

Types of Small Businesses

- i. Informal – The business is not registered under the Laws of Barbados and is generally regarded as a sole proprietorship that has unlimited liability.
- ii. Formal – The business is registered under the Laws of Barbados. The Corporate Affairs and Intellectual Property Office is responsible for registering business ventures.
 - a) Business Names – Established under the Business Names Act Cap. 317. The filing fee as at May 2020 is BDD104.00. This form of business has unlimited liability.
 - b) Partnerships – Generally established under the Business Names Act Cap. 317. Three (3) main forms of partnerships generally include ordinary (general), limited and limited liability.
 - c) Company Names – Established under the Companies Act Cap. 308. The company has limited liability. In order to register a company, it is advisable to consult an Attorney-at-Law. The filing fee is BDD780.00 exclusive of legal fees.
- iii. Business Co-operatives – Established under the Co-operatives Societies Act Cap. 378A. The Co-operatives Department registers Business Co-operatives/Societies.

Intellectual Property

The Corporate Affairs and Intellectual Property Office is responsible for the Intellectual Property Rights System in Barbados as follows:

- i. Patents (inventions);
- ii. Trade/Service Marks;
- iii. Geographical Indications;
- iv. Plant Breeders Rights;
- v. Industrial Designs.

It should be noted that no application is required for Copyright Protection which includes literary, musical, artistic, photographic and audio visual works and related rights.

Statutory Obligations for Businesses

a) **Barbados Revenue Authority (BRA)** – You must register the business with the BRA and receive a TAMIS Taxpayer Identification Number (TIN). The following are obligations of businesses regarding BRA:

i. Corporation Tax - Generally, small businesses are taxed on a sliding scale from the year January 2020 as follows:

Taxable Income (BDD)	Rate %
One (1) million and less	5.5
Over one (1) million to twenty (20) million	3.0
Over twenty (20) million to thirty (30) million	2.5
Over thirty (30) million	1.0

ii. Value Added Tax (VAT) – VAT is applied except on approved exemptions on various goods and services at a general rate of 17.5%.

iii. Land Tax – Land tax is required if the land is owned by the business.

b) **National Insurance Department** – You must register the business with the National Insurance Scheme (NIS) and receive a National Insurance Number.

Small Business Licences and Other Requirements

In order to conduct business legally some small businesses may need to be granted licences or other documentation under the Laws of Barbados. The following list is provided in order to operate some small businesses.

Type of Business Activity	Contact Agency
Food Handling	Nearest Polyclinic (need medical certificate) Barbados Fire and Rescue Service (BFRS)
Market Vendor	Market Division – Ministry of Agriculture, Food Security
Street/Itinerant Vendor/Stationary Restaurant	Ministry of Health and Wellness Barbados Water Authority
Retail of Liquor	Royal Barbados Police Force (RBPF) Magistrate Court BFRS Ministry of Health and Wellness
Product Testing (Chemistry and microbiology)	Government Analytical Services
Operating within a Building	BFRS
Certificate of Character	BRPF
Standardization	Barbados National Standards Institute (BNSI)
Fire Inspection (letter required)	BFRS
New Building Construction	Town and Country Development Planning Office
Import/Export any Item	Customs and Excise Department
Import of Goods	Department of Commerce
Product Export (Bilateral Trade agreements with Barbados)	Barbados Investment and Development Corporation

Type of Business Activity	Contact Agency
Cosmetology	Nearest Polyclinic Ministry of Health and Wellness
Commercial Fishing	Ministry of Maritime Affairs and Blue Economy
Safety and Labour Laws	Ministry of Labour and Social Relations
Day Care Centre	Child Care Board
Fetes/Shows	The Copyright Society of Composers, Authors and Publishers Inc (COSCAP) Nearest Police Station Barbados Revenue Authority (Entertainment Licence) RFRS Town and Country Planning
Taxi Service/Vehicle for Hire/Mobile Vendor	Ministry of Transport and Works and Maintenance
Travel Agency	Ministry of Tourism and International Transport
Firearm	RBPF
Non-Nationals Bringing Foreign Exchange into Barbados (easy repatriation)	Central Bank of Barbados
Geriatric Care	Nearest Polyclinic Ministry of Health and Wellness

Business Plans

A business plan outlines your vision and goals for your business; it is essentially a roadmap for future development, whether your business is starting up or established. It is crucial when you are exploring financing options. It helps investors and credit institutions to understand what you intend to spend the invested or borrowed money on, and how this will benefit your business.

HOW TO FINANCE YOUR BUSINESS

A. Debt Financing

Debt financing involves borrowing money that will have to be repaid over a period of time, usually with interest. The lender does not gain an ownership interest in your business and your obligations are limited to repaying the loan as per agreement.

Government agencies, Banks and Credit Unions offer debt financing services for small businesses along with many other financial institutions. Shopping around could save you a lot of money in the long run. The five (5) C's of Lending are as follows:

- i. Capacity
- ii. Character
- iii. Capital
- iv. Collateral
- v. Conditions

B. EQUITY FINANCING

Equity finance is capital invested in a business in return for a share of the ownership and, sometimes, limited control of the business. The most common source of professional equity funding is from venture capitalists. Venture capitalists are institutional risk takers and may be government-assisted sources or major financial institutions. Investors will expect a higher return than would be the case with more secured investments.

Alternative Sources of Financing

- i. Overdrafts - overdrafts can be expensive but flexible form of borrowing;
- ii. Family and Friend's Loans - these can be a good source of finance;
- iii. Additional Funds - from you or partners and directors in your business.
- iv. Government Support – there are many incentives and loans available to small businesses by government agencies;
- v. Joint Ventures - these can take the form of co-operation between you and another individual or business for a specific enterprise;
- vi. Credit Cards - these are a relatively expensive due to high interest rates but a quick way of raising finance. They may not be suitable for long-term

- borrowing;
- vii. Angel Financing – private investor who has a high net worth that is willing to provide financial assistance for start-ups in exchange for ownership in the business;
 - viii. Crowd Funding – the receipt of financing through the internet from a large number of people to fund a business venture. (Professional assistance/training may be required);
 - ix. Grant Financing – non-repayable form of assistance for business generally in the form of cash by a public or private sector entity.
 - x. Financial Institutions – banks, credit unions and like agencies provide loans to small business under contract.

Small Business Development Centre Network

The Ministry of Small Business Entrepreneurship and Commerce has embraced additional Business Support Organizations in order to provide a core network of services to small businesses. These agencies include the following:

- Barbados Investment and Development Organization (BIDC);
- Youth Entrepreneurship Scheme (YES);
- Student Entrepreneurial Empowerment Development (SEED) – University of the West Indies (Cave Hill Campus);
- The Barbados Agency for Micro-Enterprise Development Ltd. (Fund Access);
- Small Business Association (SBA);
- Barbados Youth Business Trust (BYBT)
- Samuel Jackman Prescod Institute of Technology (SJPI)
- Barbados Trust Fund Limited (BTFL)

Richard Harris

Senior Business Development Officer (ag)

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