COST OF LIVING MEASURES

Measure 1 – Removal of VAT on Electricity

Government will temporarily remove the Value Added Tax on electricity consumption for all categories of consumers from August through December 2026.

This means that every electricity customer will benefit, including:

- residential households;
- small commercial businesses;
- large commercial customers;
- industrial consumers;
- public institutions; and
- all other electricity users.

Electricity is a key input throughout our economy. Reducing VAT on electricity lowers costs across households, businesses and productive sectors, helping to ease inflationary pressures more broadly.

Measure 2 – Removal of Customs Service Charge on Fuel for Electricity Generation

Government will temporarily remove the Customs Service Charge applicable to imported diesel used for electricity generation. This measure is designed to help moderate electricity generation costs and reduce the upward pressure on electricity tariffs arising from higher international fuel prices. Although applied to imported fuel used for generation, the benefits extend to all electricity consumers, because reducing fuel-related costs helps lessen the overall impact of rising fuel prices on electricity tariffs across the economy. The full impact of this measure will be felt gradually by consumers, given the current calculation methodology and billing cycle arrangements.

Measure 3 – Enhanced Electricity Subsidy

Government will significantly expand the existing electricity subsidy programme by increasing the monthly subsidy from **EC$10 to EC$50** and expanding eligibility from households consuming up to **99 kilowatt-hours (kWh)** per month to those consuming up to **200 kilowatt-hours (kWh)** per month. The previous subsidy programme provided support to approximately **22,089 households** and formed an important part of Government's response to rising living costs.

The enhanced programme will now extend meaningful assistance to approximately **38,640 households**, representing a substantial increase in both the value of the benefit and the number of families receiving support.

This measure reflects Government's recognition that the current cost-of-living challenges require a stronger response. By directly reducing monthly electricity bills, the enhanced subsidy will help cushion households from higher energy costs, protect disposable incomes and provide tangible relief to families affected by rising prices.

Like the other measures being announced today, this intervention is temporary, targeted and fiscally responsible, providing immediate support to households while Government continues to advance longer-term solutions in renewable energy, energy efficiency and economic resilience.

Measuer 4

Two VAT-Free Shopping Days

As part of the Government's Cost of Living Assistance Programme, Cabinet has approved the introduction of **two VAT-Free Shopping Days per month during August, September and October 2026**. This initiative is intended to provide direct and immediate savings to consumers while supporting business activity and stimulating economic growth.

Under the programme, approved VAT-registered and tax-compliant businesses will be permitted to sell eligible goods free of VAT during designated shopping periods. Consumers will be able to purchase a wide range of everyday items, including groceries, clothing, household goods, appliances, electronics, school supplies and hardware items, without paying VAT, resulting in meaningful savings for families.

The policy has four main objectives:

- To provide temporary cost-of-living relief to households.
- To increase consumer spending and retail sales.
- To support compliant businesses and economic activity.
- To strengthen collaboration between Government and the private sector while encouraging tax compliance.

The programme has been designed to ensure that consumers receive the full benefit of the VAT relief through clear pricing requirements and compliance measures. It is expected to generate direct household savings, boost commercial activity, and provide additional support to families during a period of elevated prices and economic uncertainty.

In essence, the VAT-Free Shopping Days initiative allows households to stretch their dollars further while providing a timely stimulus to the economy, making it a key component of Government's broader strategy to cushion the impact of rising living costs.

The Ministry of Finance will roll out a comprehensive PR campaign on this initiative in the coming days.

Fuel Stabilization Measures

Government will continue the existing fuel price stabilization measures, including maintaining caps on gasoline, diesel and kerosene (for domestic consumption) at EC$17 per gallon, maintaining the EC$40 price for the 20-pound LPG cylinder and a cap of EC$350 for the 100-pound cylinder through December 2026.

Closing

Government remains firmly committed to sound public financial management. The estimated fiscal impact of this entire package—including the enhanced electricity subsidy, VAT relief, Customs Service Charge reduction, VAT-free shopping days and continuation of the fuel caps—is expected not to exceed **EC$ 18 million**.

This represents a carefully targeted investment in protecting households and supporting economic stability during a period of exceptional external uncertainty.

Government has created the fiscal space to respond because of prudent financial management over recent years. We can therefore provide meaningful relief today while preserving the country's long-term fiscal sustainability. That is responsible governance.

Thank you.