

TAX BULLETIN*

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We are pleased to provide you with our Tax Services Bulletin that outlines the tax amnesty and other measures of the 2007 Finance Acts.



Tax Amnesty

You are reminded to take advantage of the tax amnesty. An amnesty has been granted for the income year 2006 and prior years on taxes which are paid on or before April 30, 2008. The taxes covered under the amnesty are corporation tax, business levy, green fund levy, withholding tax, PAYE, health surcharge, VAT and lands and building taxes.

Under the amnesty any outstanding interest and penalty due on taxes paid for income year 2006 and previous years are to be waived.

Additionally the penalty for the late filing of corporation tax and income tax returns for income year 2006 and prior years are to be waived if the returns are filed on or before April 30, 2008.

PricewaterhouseCoopers

Head Office

PricewaterhouseCoopers
Building
P O Box 550
11-13 Victoria Avenue,
Port of Spain
Trinidad, West Indies

Telephone: (868) 623-1361-3,
(868) 623-2428

Facsimile: (868) 623-6025,
(868) 623-1512 or
(868) 624-1159

South Branch

NEM Building
19-21 Independence Avenue
San Fernando

Telephone: (868) 652-4185

Facsimile: (868) 657-4993

Corporation tax

Initial allowance

Accelerated capital allowance for a manufacturing entity (excluding petro-chemical companies) in the form of initial allowance on expenditure incurred on plant and machinery used in the business has been increased from 60% to 75% with effect from January 1, 2008.

Penalty for late payment of taxes

The penalty for the late payment of withholding tax, PAYE and health surcharge has been reduced from 100% to 25%. This relates to payments due on or after 1/1/08. The 100% penalty will continue to apply to all pre-existing liabilities unless these are covered by the amnesty.

Buildings and the Seventh Schedule

From January 1, 2007 industrial buildings acquired prior to January 1, 2006 and buildings, structures and improvements completed on or after January 1, 1995 are included in Class A of the Seventh Schedule. All buildings are therefore pooled assets.

Sponsorship of audio, visual or video production

A company is entitled to a deduction of 150% of expenditure incurred for sponsorship of audio, visual and video

Sponsorship of audio, visual or video Production (Cont'd)

production. The entitlement of the company to the uplift of 50% of actual expenditure had previously been removed with effect from January 1, 2006 but has been reinstated retroactively. The maximum deduction available to a company for sponsorship of audio, visual, or video production, sporting activities and art and culture expenses is \$1,000,000.

Production Company Allowance

A production company is entitled to a deduction of 150% of expenditure incurred on its own audio, visual or video production for educational purposes or promoting local entertainment or local culture for radio or television. The maximum claim is \$1,000,000. This allowance was temporarily removed with effect from January 1, 2006 but has been reinstated retroactively.

A production company is entitled to the production allowance of up to \$1,000,000 and in addition may claim relief of up to \$1,000,000 for expenditure incurred on sporting activities and artistic works.

Approved Property Development Company (APDC)

The APDC incentive which was removed effective January 1, 2006 has been reintroduced retroactively for the limited purpose of extending the relief in respect of buildings on which construction commenced before

Approved Property Development Company (APDC) (Cont'd)

December 31, 2005 and was completed on or before December 31, 2007. An APDC is entitled to a deduction of 15% of capital expenditure incurred on construction of qualifying buildings.

Day Care Allowance

A tax incentive is available to employers to provide child care or homework facilities for children of employees. Effective 1/1/08, the company may claim a deduction of \$500,000 for expenditure incurred on the construction or establishment of each facility up to a maximum of \$3,000,000.

Wear and tear allowance may be claimed by the company on expenditure in excess of the amounts quoted above.

Income Tax

BIR discretion on interest

From January 1, 2008 the Board of Inland Revenue (BIR) has the power to compute interest on late payments on the basis of a date that is later than the statutory due date for the payment. This in effect authorises the Board to defer payment deadlines where it sees fit.

Assessments for tax of \$100

No tax is payable on an assessment for tax that does not exceed \$100.

Assessments for tax of \$100 (Cont'd)

This includes assessments that follow an objection or an appeal.

Deferred Annuity/Pension/NIS

The deduction which an individual may claim for NIS, approved pension and approved deferred annuity plan payments has been increased from \$12,000 to \$25,000 with effect from January 1, 2008.

Transfer of approved pension/annuity plans

From January 1, 2007 an individual (employee or annuitant) is not liable to tax on the transfer of the value of benefits under an approved pension or an approved deferred annuity plan to another approved plan.

The value of benefits transferred must not be less than the contributions or premiums paid by the individual and interest on these contributions or premiums.

Lump sum death benefits and approved pension fund plans

The Act has been amended to exempt lump sum death benefits paid under approved pension fund plans.

Removal of tax on surrender of insurance policy

An individual under the age of 60 was liable to a 5% tax on the surrender of a life insurance policy issued prior to December 31, 1988. Effective January 1, 2008 the 5% tax on surrender of these life insurance policies has been removed.

Tertiary Education

Prior to 2007 where tertiary expenditure is incurred in a household comprised of husband and wife both were entitled to claim a deduction of the expenditure up to a maximum of \$18,000. This therefore allowed a couple to claim relief up to a combined maximum of \$36,000.

From January 1, 2007 the relief that may be claimed by an individual or couple for tertiary expenses has been increased to \$60,000.

Benefit in kind on motor vehicles used by employees

An employee is subject to tax on the benefit arising on the private use of a vehicle provided by his employer.

The taxable value of that benefit is as follows:-

- For cars purchased by the employer before 1/1/06 – 1% per month of the cost

Benefit in kind on motor vehicles used by employees (Cont'd)

- For cars purchased on or after 1/1/06 – 50% of Wear & Tear
- For cars rented before 1/1/06 – 1/3 of rental
- For cars rented on or after 1/1/06 – 50% of rental

Offset of losses

Effective 1/1/07 losses from other income sources may not be offset against income from employment or a profession and losses from a profession may not be offset against income from employment. The result is that income from profession and employment is ring fenced. Thus, for example, losses generated from property rental may not be applied to reduce the taxable income earned from one's employment or profession.

Stamp Duty

Stamp duty exemptions effective July 10, 2007.

The transfer of Residential property is exempt from stamp duty where the consideration for or value of the property does not exceed \$450,000.

A mortgage deed on a residential property is exempt from stamp duty where the sum secured by the mortgage does not exceed \$450,000.

Fiscal Incentives

The Fiscal Incentives Act previously repealed under Finance Act 2006 was reinstated in Finance Act 2007.

However companies that submitted applications for Fiscal Incentives after December 31, 2006 will not be entitled to enjoy corporation tax exemptions. Further agricultural entities that were previously not entitled to make applications for incentives under this Act may now do so with effect from July 10, 2007.

VAT

Effective July 10, 2007 the VAT Act is amended to include the following items in Schedule 2 (zero-rated) of the VAT Act.

1. Automatic data processing machines and units thereof, magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data.
2. Computer peripherals and mouse pads, not including audio compact discs and digital versatile discs (DVDs)

VAT (Cont'd)

3. Terminal equipment or other equipment to be installed or used for a public telecommunications network or telecommunications service or radiocommunications service and certified as such by the Telecommunications Authority of Trinidad and Tobago

With respect to further advice on these highlights you may wish to contact Peter R Inglefield, Allyson West, Susan Morgan, or Deborah Ragoonath-Rajkumar (623-1361).

Caveat

This Tax News Update has been formulated as part of our general awareness programme and is not intended to form the basis for any investment or other similar business transactions.

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