



Guyana 2021 budget

Guyana

12 February 2021

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The New Frontier: Charting its course to prosperity – Guyana's 2021 national budget commentary



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On 12 February 2021, Senior Minister in the Office of the President with responsibility for Finance, the Honourable Dr. Ashni Singh delivered Guyana's GY\$383.1bn (US\$1.84bn) national budget in Parliament. The 2021 budget was delivered under the theme "A path to recovery: Economic dynamism and resilience".

Similar to the 2020 Emergency Budget presented in September 2020, this budget is being presented in the context of Guyana's continued positive economic trajectory which is owed in large part to the exponential increase in activities in the oil and gas and related sector. This should however be viewed against the backdrop of the ongoing uncertainties associated with the implications of the global pandemic. The severity of the impact from the pandemic was acknowledged by the Honourable Minister since he predicated the attainment of the 2021 projected Real GDP growth of 20.9% on the easing of pandemic restrictions and the re-opening of the economy. If this Real GDP growth target is attained, it will help to further solidify Guyana's position as one of the fastest growing economies, if not the fastest growing economy, in the world given its 43.5% Real GDP growth in 2020. This is an extraordinary achievement given the overall contraction in global economies.

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The budget presentation was also done in the context of the following other key macroeconomic indicators:

- Total central Government revenue (excluding Guyana REDD-Plus Investment Fund -GRIF) - GY\$257.9bn/US\$1.24bn (2020 - GY\$227.4bn/US\$1.09bn)
 - Tax revenue - GY\$242.1bn/US\$1.16bn (2020 - GY\$218.3bn/US\$1.05bn)
 - Non-tax revenue - GY\$15.8bn/US\$76m (2020 - GY\$9.1bn/US\$44m)
- Total expenditure - GY\$366.9bn (US\$1.76bn)
- Budget deficit - GY\$109 bn or 8.7% of GDP (2020 - 9.4%)
- Budget deficit for non financial sector - GY\$100.9 bn or 9.8 % of GDP
- Projected Inflation - 0.9%.

As a commodity-dependent economy, Guyana experienced weakening export demands during 2020 for example, in the fisheries and agricultural sectors as regional and global economies remain in a contracted state. This was exacerbated by the necessary domestic limitations and restrictions on social and economic activities in the country e.g. closure of restaurants and general health and safety social distancing requirements. Despite the rolling out of several COVID-19 vaccines, global logistics and supply chains are still a long way from returning to normal and this is likely to impact regional and global trade and investment, although, the level of severity may not be as devastating as they were in 2020 since many countries are striving to achieve some level of normalcy. In spite of the pandemic and its impact on mobility and trade, Guyana has clearly signalled to the world that it is open for business as it continues to aggressively consider and pursue infrastructural, tourism and other projects.

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As such, the Minister articulated the Government's extensive plans for continued infrastructure development which are aimed at economic stimulus and diversification of the economy. Among the major infrastructural projects to be undertaken by the Government are the:

- Gas-to-shore project
- Construction of Demerara and Corentyne Bridges
- Construction of a series of interconnected highways to open road connectivity throughout the country and the rest of South American Continent
- Continuation of Amaila Falls Hydropower Project
- Development of both large and small solar farms.

The Minister also highlighted plans for the upgrade and development of the agricultural, mining and extractive industries, health and education sectors. Additionally, it was announced that the Government intends to pass legislation to create an industrial zone at the area where the proposed gas-to-shore pipeline would land. This will be called the Wales Development Authority. The Government proposes to grant special incentives to companies who set up operations in the industrial park. All of these planned infrastructural development projects are expected to improve the actual way in which business is being conducted in Guyana since there will be wider and better connectivity via roadways and bridges and increased energy supply at hopefully more competitive energy prices. They are also likely to create numerous employment opportunities. We do look forward to plans around incentivizing the growth and development of the capital markets which will be critical to supporting Guyana's ambitious development plans.

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In summary, the Minister outlined the Government's plan for managing the new inflow of petroleum revenue through investing in various aspects of the economy to ensure sustainable growth and development in the non-oil economy, particularly in the short to medium term. The Government's intention was clearly stated in this regard - Guyana will be unrecognisable in five years' time!

Discussions around oil and gas revenues must be taken in the context of the fact that approximately one year ago, Guyana had its first lift of oil. Today Guyana's sovereign wealth fund, the Natural Resource Fund (NRF), already stands at US\$206.6m (GY\$43.1bn). In addition, therefore, to maximising the benefits from the oil and gas sector in the non oil economy, the government plans to embrace other energy sources and projects and to also manage the development of the petroleum sector to ensure maximum benefits for all the people of Guyana through the development of its local content framework (local content policy and local content legislation). A draft local content policy report for the development of Guyana's petroleum economy was recently published and brings the process one step closer to being finalised.

Further and consistent with the Country's investment strategy and theme, it must be acknowledged that Government agencies maintained an enabling investment environment for investors. For example, the Guyana Office for Investment invited and worked with potential partners and international investors to consider and expedite approvals for many planned infrastructural and investment projects including the recent 30 plus approved hotel projects. The Tax Authorities have also adjusted their operations during the pandemic to enable taxpayers to meet their compliance obligations. This includes online filings, applications and other expedited applications.

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Thus, in an effort to support the Government's investment agenda via planned capital projects and other social measures, the Minister also announced several tax measures aimed at bringing relief to citizens including the zero rating of certain basic food and household items, increase in the low income mortgage ceiling and removal of Value Added Tax (VAT) on data for residential and individual use.

We are therefore pleased to provide our 2021 Budget memorandum in which we summarise the key tax measures announced by Honourable Dr. Singh. PwC Guyana's Tax team stands ready to discuss how the proposed measures could impact your organisation, so please do not hesitate to contact us.

Capital gains tax measures



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Overview of measure

The Minister announced the Government's intention to revert to the pre-2019 Capital Gains Tax policy whereby the tax would not be applicable in instances where there is a change of ownership of property, which was owned for 25 years or more. The policy applies regardless of whether that property is disposed of by sale, transfer or other methods of disposal.

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PwC commentary

Capital Gains Tax is charged at the rate of 20% on net chargeable capital gains of an entity arising from, among other things, the change of ownership of property whether by sale, transfer or disposal. Property is defined to include movable and immovable property. Capital Gains Tax is payable irrespective of whether or not the proceeds from disposal is received in Guyana. The Capital Gains Tax return and the tax are due by 30 April of the year following the year of assessment. Where the capital gain arises within 12 months (for example, the sale of the asset occurs within 12 months after acquisition of that specific asset), the capital gain must be included in the chargeable income of the entity and would be subject to Corporation Tax.

The beneficiaries of this measure are likely to be those who are seeking to dispose of immovable property owned for a period longer than 25 years since these assets would've appreciated in value over time.

Value added tax measures



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Overview of measure

The specific VAT measures announced by the Minister are as follows:

- Removal of VAT on basic food items and household necessities that were previously zero-rated in 2015 (these items include basic wheaten flour, basic breads, oats, unflavoured cracker biscuits, cooking oil, locally produced bed sheets, pillowcases and toothbrushes)
- Removal of VAT on data for residential and individual use
- Removal of VAT on the importation of goods and the supply of works and services to budget agencies which are listed in the Schedule to the Fiscal Management and Accountability Act.
- Removal of VAT on the following construction materials:
 - a. Stone imported for construction and housing from CARICOM – the Government had previously zero-rated this to June 2021, and is now extending the zero-rated status until further notice
 - b. Locally produced pre-stressed concrete piles
 - c. Locally fabricated mild steel beams for building construction
 - d. Locally manufactured roofing and PVC products for building construction

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PwC commentary

The Minister in his presentation announced that the Government would reinstate the zero-rating of VAT on several food and household items. These measures should result in direct cost savings for individuals. In particular low middle income households as well as small businesses who do not meet the VAT registration threshold of GY\$15m (approximately US\$75,000) should have more disposable income available.

Corporate income tax measures



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Overview of measure

As previously announced by the Government, there was no increase or change to the corporate income tax rate or regime.

The Corporate Income Tax (CIT) rate for commercial companies for income year 2021 is 40% and for non-commercial companies is 25%. Companies are required to make estimated quarterly advance payments on or before 15 March, 15 June, 15 September and 15 December as well as remit a final tax payment and tax return by 30 April the following year. Companies are required to submit audited financial statements with their CIT return.

Failure to file a tax return and pay any balance of tax/ final tax by the due date incurs a penalty charge of 10% on the outstanding/assessed tax. There is also a penalty for late payment of 2% per month and interest accrues at 18% per annum.

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PwC commentary

The Minister made no pronouncement with respect to the Government's intention to amend the corporation tax rates or regime during his speech. However, a few measures were announced that should benefit designated financial institutions.

- The Government intends to increase the ceiling from GY\$10m (US\$48,076) to GY\$12m (US\$57,692) for low income housing loans on which corporation tax relief is available for designated financial institutions. In 2020, the Government had increased the limit from GY\$8m (US\$38,462) to GY\$10m (US\$ 48,076). The Government also intends to examine the appropriateness of extending the programme to include other financial institutions such as insurance companies.
- The Government intends to increase the ceiling on loans granted by the New Building Society from GY\$12m (US\$ 57,692) to GY\$15m (US\$72,115).

These measures are consistent with the Government's commitment to distribute 10,000 house lots annually and to promote homeownership while improving access to residential mortgage financing.

Tax administration - Guyana Revenue Authority



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Tax administration - Guyana Revenue Authority (GRA)

During his budget presentation, the Minister announced that the Guyana Revenue Authority (GRA) will be pursuing several initiatives in 2021 to improve its delivery of services, including:

- comprehensive reviews of legislation
- the implementation of additional non-intrusive methods of customs examinations
- the implementation of the single-windows software
- expanding e-payment facilities
- completion of the roll-out of the remaining Automated Systems for Customs Data (ASYCUDA) modules
- the first phase roll-out of the Optimal software.

The Minister indicated that the Optimal software system will:

- provide a comprehensive automation of operational functions, reducing the time committed to certain manual tasks
- drive up productivity by freeing up resources to focus on high-value compliance activities

Tax administration - Guyana Revenue Authority (continued)



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Tax administration - Guyana Revenue Authority (GRA)

- deliver stronger data collection and analytic tools that will provide a more complete picture of taxpayer transactions
- reduce taxpayer cost of compliance through the provision of comprehensive and user-friendly online eServices.

He also indicated that the GRA has plans to build their capacity to address the emerging and unique needs of the oil and gas sector, which has resulted in the establishment of a Customs Petroleum Unit (CPU) within the Customs, Excise and Trade Department and a Petroleum Revenue Department (PRD).

Additionally, the GRA will be increasing its capacity to monitor and audit the oil and gas sector, including engaging in specialised training in the areas of:

- interpreting and analysing financial statements
- oil and gas international financial reporting standards (IFRS)
- cost recovery procedures
- computer assisted audit tools
- international taxation.

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Overview of some of the other fiscal measures

Other fiscal measures include:

- Reduction in water tariffs – 5% reduction in water tariffs for both residential and commercial users.
- Reduction in the customs duty on industrial grade cement from 15% to 5%.
- Reduction in the cost of transportation in the Hinterland - removal of custom duties on all-terrain vehicles (ATVs) for use in the Hinterland.
- School children cash grant – a cash grant of GY\$15,000 (US\$ 73) per child to be given to the parents of children in nursery, primary and secondary schools in the public school system.
- Old age pension increase – an increase in old age pension from GY\$20,500 (US\$98.5) to GY\$25,000 (US\$120.19) with effect 1 January 2021.
- Public assistance increase – an increase in public assistance payments from GY\$9,000 (US\$ 43.50) to GY\$12,000 (US\$57.69)per month.

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Individual taxes - current regime

There were no amendments to the individual income tax rates under the 2021 budget.

Rate of tax	28% for chargeable income less than GY\$1.56m 40% for chargeable income in excess of GY\$1.56m
Personal allowance	Greater of GY\$780,000 or one third of income
Withholding method	PAYE system
Tax due date	14th day of month following payment
Allowances available	Telephone, medical, airfare
Social security contributions	Employee: 5.6% of insurable earnings Employer: 8.4% of insurable earnings

Corporation income tax rates



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Corporate income tax regime - current regime

There were no amendments to the corporate income tax rates under the 2021 budget.

Type of company	Corporate tax rate (%)
Telephone companies	45
Commercial companies	40
Other companies (non-commercial)	25
Both non-commercial and commercial	25/40
Small business engaged in manufacturing and construction services and registered with the Small Business Bureau	25

Capital Allowance



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Capital Allowance (wear and tear) rates

There were no amendments to the capital allowance rates under the 2021 budget.

Class of assets	Rate (%)
Aircraft	33 1/3
Boats	10
Buildings (housing and industrial)	5
Furniture and fittings	10
Motor vehicles	20
Office equipment, including computers and computer software	50
Other Office Equipment	15
Buildings used for providing services and warehousing	2
Plant and machinery	20

Property taxes



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Property taxes rates - current regime

There were no amendments to the property tax rates under the 2021 budget.

Net property of a company (GY\$)	Property tax rate (%)
On the first 40 million	0
On every dollar of the next 20 million	$\frac{1}{2}$
On every dollar of the remainder	$\frac{3}{4}$

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About PwC



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Caribbean territories

8



Caribbean locations

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1,200+



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Countries

155



Global offices

1008



Our people

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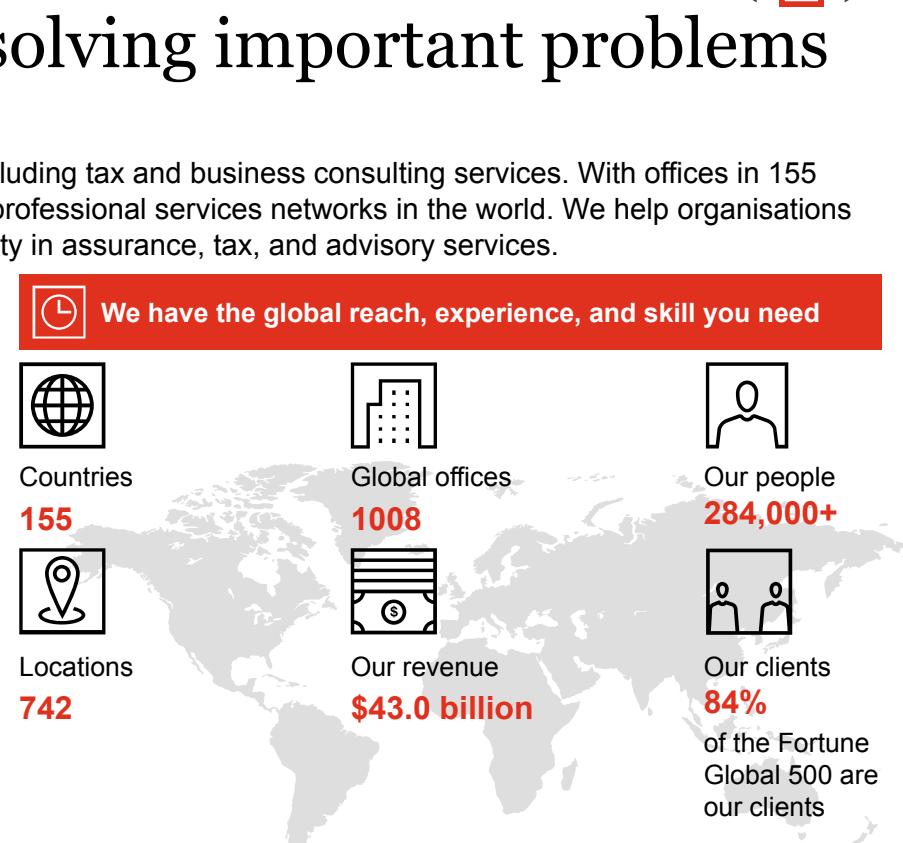
Locations

742



Our revenue

\$43.0 billion



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Thank you

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