

Guyana national budget 2022

**PwC Guyana:
commentary on the 2022
national budget**

26 January 2022





We are pleased to present our annual budget memorandum capturing the key fiscal and other related measures announced in the Guyana national budget which was read in Parliament on 26 January 2022 by the Honourable Dr. Ashni Singh, Senior Minister, Office of the President, with Responsibility for Finance. We are also pleased to share some insights on the recently enacted Local Content Act.

We look forward to a productive and robust parliamentary debate for additional details on the proposed measures and their respective effective implementation dates.

In the interim, should you wish to discuss the impact of any of these measures on your organisation please feel free to contact any member of PwC Guyana's Tax and Legal Services team.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Angelique Bart', is positioned below the 'Yours faithfully,' text.

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Budget 2022 snapshot



Minister's budget theme

“Steadfast
against all
challenges,
resolute in
building our
one Guyana”



Key takeaways



- Total budgeted revenue GY\$432,016M, total budget expenditure GY\$529,966M and budget deficit of (GY\$97,951)
- Real GDP is projected to grow by 47.5%
- Oil and gas subsector is projected to grow by 96.7% in 2022
- Oil production for 2022 is expected to be on average approximately 257,000 bpd
- Non-oil economy is projected to grow by 7.7%
- Mining and quarrying sector is projected to grow by 86%
- Construction sector is projected to grow by 10.5% in 2022
- Sugar growing subsector is projected to grow by 11.8 percent
- Rice growing subsector is forecasted to expand by 25.1%



The introduction of proposed measures which seek to:

- Improve business competitiveness;
- Promote local content;
- Create jobs;
- Ease the cost of living;
- Increase disposable income; and
- Support the vulnerable in society



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Proposed fiscal measures



Proposed measures

Value Added Tax & Excise Tax

- Removal of 10% excise tax and 14% Value Added Tax on the importation of motor trucks less than four years old, of any tonnage utilised for transport of goods
- Removal of 14% Value Added Tax on the importation of new haulers for pulling containers or similar vehicles for pulling
- Removal of 10% excise tax on the importation of new double-cab pickups below 2000 cc
- Reduction of excise tax from 110% to 75% for new double-cab pickups between 2000 and 3000 cc
- Removal of 10% excise tax on the importation of new single cab pickups below 3000 cc
- Removal of 14% Value Added Tax on cranes, safety equipment, and oil spill response equipment
- Reduction of the excise tax rate on gasoline and diesel from 20% to 10%





Proposed measures

Withholding Tax

- Removal of 2% Withholding Tax on payments made to Guyana resident contractors
- Removal of 20% Withholding Tax on interest income on individuals' bank savings accounts, where the interest income does not exceed \$10,000 per annum

Personal Income Tax

- Increase in monthly income tax threshold from GY\$65,000 to GY\$75,000
- Insurance premiums paid for life and medical insurance to be deductible against chargeable income up to 10% of income or GY\$30,000 monthly, whichever is lower
- Ceiling on low-income loans obtained through commercial banks under the low-income housing loans programme supported by Government to be increased from GY\$12m to GY\$15m

Stamp Duty

- Removal of stamp duty/revenue stamps on retail transactions





Proposed measures

Other measures

- Increase in Public Assistance from GY\$12,000 to GY\$14,000 monthly
- Increase in Old Age Pension from GY\$25,000 to GY\$28,000 monthly
- Increase in School Uniform Grant from GY\$4,000 to GY\$5,000 per child annually
- Increase in 'Because We Care' cash grant from GY\$15,000 to GY\$25,000 per child annually for children attending public and private schools
- Tax on importation of vehicles by remigrants to return the pre-2015 regime
- Dialysis Assistance of GY\$600,000 worth in dialysis treatment per patient per annum
- Customs duties, excise tax and Value Added Tax to be calculated on pre-pandemic freight costs until 31 December 2022
- Phase 2 of the Revenue Management Software by the Guyana Revenue Authority to promote voluntary compliance and full implementation of the Single Window Automated Processing System to create a business friendly environment and to improve the ease of doing business





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Our wishlist

Proposed measure	Comments	Impact
Increase treaty network	<p>Guyana has three (3) Double Taxation Treaties:</p> <ul style="list-style-type: none"> CARICOM Canada United Kingdom 	<p>Barbados has 40 tax treaties in effect, Jamaica has 12, while Trinidad and Tobago currently has 17 tax treaties. An extensive treaty network is an incentive to direct foreign investment. In addition to providing relief from double taxation, treaties can provide uniformity and certainty on the treatment of issues.</p>
Removal of the dual rate of corporation tax on companies engaged in both commercial and non-commercial activities.	<p>The Guyana Corporate Tax Act currently provides for the imposition of a dual-rate of tax where a company is engaged in the provision of both commercial and non-commercial activities.</p> <p>The legislation defines a commercial company as one that derives at least 75% of its gross income from goods not manufactured by it or if it is engaged in telecommunication, banking, or insurance (other than long-term insurance).</p> <p>Furthermore, the legislation defines “commercial activity” as an activity carried out by a company trading in goods not manufactured by it, and includes an activity of a commission agency, a telecommunications company, a body corporate licensed to carry on banking business in Guyana, and an insurance company carrying on in Guyana insurance business, other than long-term insurance, as defined in section 2 of the Insurance Act.</p>	<p>The presence of a definition of a commercial company as well as a definition of commercial activity creates an anomaly.</p> <p>The legislation provides no guidance on the treatment of shared costs relating to both commercial and non-commercial activities, as well as losses incurred in relation to one of the activities.</p> <p>This creates administrative and financial challenges for affected companies in relation to compliance with the dual rate requirement.</p>

Proposed measure	Comments	Impact
Introduction of a flat personal income tax rate or reduction of the existing rates.	<p>The personal income tax rates applied to individuals are:</p> <ul style="list-style-type: none"> 28% for chargeable income up to GY\$1,560,000 40% for chargeable income in excess of GY\$1,560,000 <p>In comparison to most jurisdictions within CARICOM, the rates are relatively high.</p>	<p>Consideration could be given to introducing a flat rate of tax at a rate lower than the existing rates.</p> <p>The simplification of the tax computation may result in a significant increase in voluntary tax compliance and a widening of the tax base.</p>
Harmonisation of Withholding Tax provisions in the Income Tax and Corporation Tax Acts.	<p>Subject to the criteria set out under the respective Acts, both the Income Tax Act ("ITA") and Corporate Tax Act ("CTA") provide for the imposition of a Withholding Tax on payments made to non-residents.</p> <p>The Withholding Tax rate under the ITA is 20%, while under the CTA is 10%.</p> <p>The specific Withholding Tax provision in the ITA (section 39) is not incorporated in the CTA, however, in practice it is applied to companies.</p>	<p>The absence of clarity may result in an administrative burden to taxpayers and inconsistency in the application of these provisions.</p> <p>Consideration could be given to reviewing and harmonising the respective provisions, with a view of implementing one non-resident Withholding Tax regime that is applicable to companies and individuals.</p> <p>The simplification of the non-resident Withholding Tax regime may result in an increase in tax compliance and a widening of the tax base.</p>
Tax offset	<p>In practice, the tax authority occasionally offsets taxpayers' tax refunds against outstanding tax liabilities of the taxpayer.</p> <p>Conversely, this option is not available for taxpayers to select voluntarily.</p>	<p>Consideration could be given to providing taxpayers with the option to offset their tax refunds against outstanding tax liabilities.</p> <p>The procedure for this arrangement may be developed, and taxpayers advised of the guidelines for accessing this arrangement.</p>

Proposed measure	Comments	Impact
Withholding Tax on interest received on savings	A proposed measure under this national budget is the partial removal of Withholding Tax on interest income received by individuals on their personal bank accounts.	<p>Consideration could be given to the complete removal of tax on interest income for individuals.</p> <p>This will provide an incentive for individuals to save. Additionally, this may also result in increased utilisation of financial institutions for the safekeeping of funds.</p>

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Guyana Taxes





Individual taxes

	Current	Proposed changes
Rate of tax	28% for chargeable income up to 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	Greater of GY\$900,000 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	-



Corporate income tax regime

Type of company	Current Corporate tax rate (%)	Proposed 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	-

* A commercial company is one that derives at least 75% of its gross income from goods not manufactured by it or if it is engaged in telecommunication, banking, or insurance (other than long-term insurance).



Capital Allowance (wear and tear) rates

Class of assets	Current Rate (%)	Proposed Rate (%)
Aircraft	33 $\frac{1}{3}$	-
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	-
Equipment for industries harnessing alternate energy through wind, solar, and biomass technologies	capital expenses to be written off within two years for new equipment	
Beddings, books, bottles, boxes, carpets, clerical robes, cooking, utensils, crockery, cutlery, glass-wear, lasts, linen, linoleums, oars, rugs, sails stoppers, siphons, tarpaulins, loose tools and similar items.	to be written off in the year of purchase	



Property taxes rates

Net property of a company (GY\$)	Current Property tax rate (%)	Proposed 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	$\frac{3}{4}$	-



Value-added tax (VAT)

VAT	Current VAT tax rate (%)	Proposed VAT tax rate (%)
Standard VAT rate	14	-



4

Local Content Act

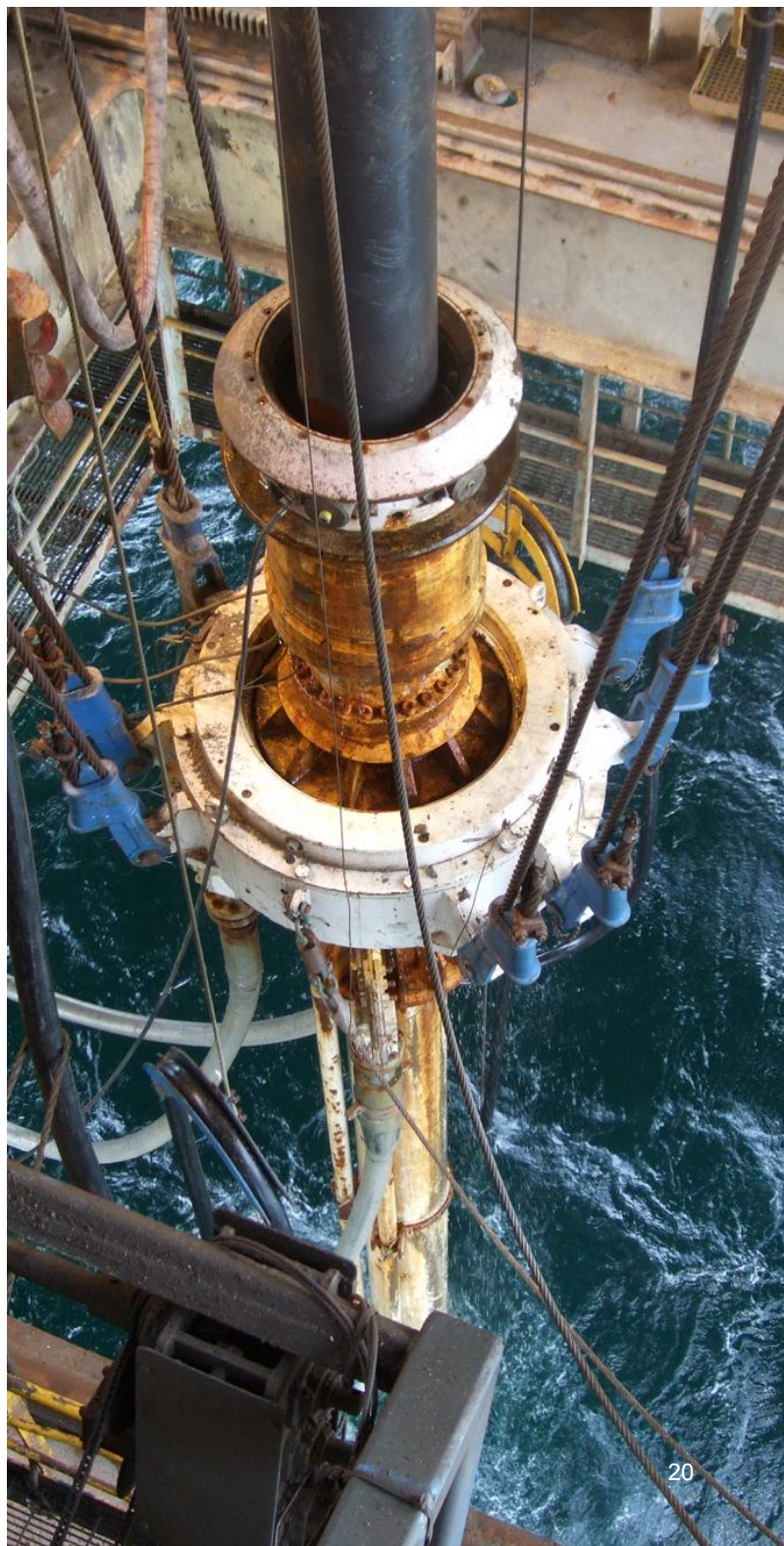
Introduction

Developing countries often implement local content policies and legislation to enhance the contributions of the extractive sectors to the local economy beyond the direct revenues received by the government. We present to you a summary of the main provisions of the local content legislation that was recently passed in Guyana. As the administration of the law is in the early stages, we look forward to receiving guidance from the authorities on the operation and implementation of the legislation which is intended to benefit Guyanese nationals and companies alike.

On 29 December 2021, the National Assembly passed the Local Content Act 2021 (LCA) which imposes local content obligations on persons engaged in petroleum operations or related activities in the petroleum sector. The President assented to the Act on 31 December 2021 and thus, the legislation is in effect.

According to the LCA, the legislation aims to:

- prioritise Guyanese nationals and Guyanese companies in the procurement of goods and services for the enhancement of the value chain of petroleum sector;
- enable local capacity development;
- provide for the investigation, supervision, coordination, monitoring and evaluation of, and participation in, local content in Guyana; and
- promote competitiveness and encourage the creation of related industries that will sustain the social and economic development of Guyana.



Applicability of the Law

Every Contractor, Sub-Contractor or Licensee is required to ensure that there is sufficient local content as an essential component of their petroleum operations. Petroleum operations refers to “operations carried out for, or in connection with, the prospecting for, or production of, petroleum.”

Penalty for noncompliance

It is worthy to note that there are severe fines and penalties for breaches of the LCA on summary conviction ranging from GY\$1 million (US\$4,761)) to GY\$50 million (US\$238,000) for individuals and body corporates. These breaches include submitting false and misleading

information, carrying out petroleum operations without the minimum local content levels and failure to submit by the prescribed time any required report, plan or other document pursuant to the provisions of the LCA (s.23). In this regard, we have briefly highlighted salient aspects of the recently passed law.

Key Definitions under the Act

“Contractor” includes any person who enters into a Petroleum Agreement with the Minister in accordance with section 10 of the Petroleum (Exploration and Production) Act.

“Guyanese Company” means:

- a) any company incorporated under the Companies Act –
 - (i) which is beneficially owned by Guyanese nationals who ultimately exercise, individually or jointly, voting rights representing at least 51% of the total issued shares of the company; and

(ii) that has Guyanese nationals holding at least 75% of executive and senior management positions and at least 90% non-managerial and other positions.

- b) any partnership between Guyanese nationals and a company constituted under subclause (a) in accordance with the Partnership Act.

“Guyanese national” means a citizen of Guyana.

“Licensee” means the holder of a license granted under the Petroleum (Exploration and Production) Act.

“Local Capacity Development” includes increasing the number, competencies, and capabilities of Guyanese nationals or Guyanese companies participating in the petroleum sector.

“Local Content” means the monetary value of inputs from the supply of goods, or the provision of services, by Guyanese nationals or Guyanese companies and includes local capacity development.

“Sub-Contractor” includes any person with whom a Contractor or Licensee has entered into an agreement for the provision of goods and services within the Contractor’s or Licensee’s supply chain management as outlined in the guidelines established by the Local Content Secretariat.

“Supply Chain Management” includes all stages involved in the procurement of goods and services for use in petroleum operations.



Key Requirements under the LCA

(1) Minimum Local Content Levels

In order to provide goods and services in the petroleum sector, it is not mandatory for a company to have 51% Guyanese shareholding. However, the First Schedule of the LCA sets out the minimum local content levels for 40 sectors that Contractors, Sub-Contractors and Licensees must meet by the end of 2022 (s.7(1)).

We estimate that those sectors with a minimum 75% target (more than half) in the First Schedule would be exclusively reserved for Guyanese within the short to medium term given the nature of the sectors covered by the LCA. These sectors include commercial and residential rental, security, janitorial and laundry services, food supply and local accounting and legal services. In particular, Contractors, Sub-Contractors and Licensees must procure by the end of 2022, 100% of the following services from Guyanese nationals and companies:

- Immigration
- Work permit, Visa applications, Visa on arrival and In-water Activity Permit
- Custom Brokerage
- Ground transportation - movement of personnel
- Local Insurance

(2) Submission of Local Content Plans and Reports and other obligations

Contractors, Sub-Contractors and Licensees (CSLs) must comply with the following obligations:

- 1) Submission of Local Content Master Plans to the Minister for approval within 4 months of: the LCA coming into operation; the grant or transfer of an interest in a license; entering into a Petroleum Agreement; or entering into an agreement with a CSL, as applicable. The Local Content Master Plan must be updated every 5 years. The information to be included in the Local Content Master Plans is contained in the Second Schedule (ss. 8-9).

- 2) Submission of Local Content Annual Plans to the Minister for approval: within 60 days of the LCA coming into operation; or between 60 days prior to, but no later than 30 days after, the beginning of the calendar year, as applicable. The Local Content Annual Plan must include an annual programme with respect to the matters contained in the Master Plans (s.10). An extract of the Local Content Annual Plan will be publicly available but it shall not include any confidential or proprietary information. (s.11(5)).
- 3) Submission of Local Content Reports within 30 days of each half-calendar date outlining compliance with minimum local content levels (s.12).
- 4) Notification in writing to the Secretariat of any contract to be sole sourced in relation to petroleum operations and any contract to be sourced through competitive bidding in excess of the value prescribed by the Minister (s.13).
- 5) Conduct half yearly workshops to educate Guyanese about procurement processes, qualification criteria, bid evaluation criteria, performance standards and lessons learnt from previous bidding processes (s.13(6)).
- 6) Submission of Master Services Agreements (MSA) to the Minister for review within 30 days of execution or within 30 days of the LCA coming into operation for pre-existing MSAs. Master Services Agreement means a contract that facilitates an ongoing relationship between a service provider and a Contractor, Sub-Contractor or Licensee by detailing each party's ongoing duties and obligations in relation to their petroleum operations (s.14).
- 7) Maintain in Guyana all data on local content in the manner and form as may be prescribed by the Secretariat since the Secretariat may review such data at any time in accordance with the LCA (s.16).
- 8) Submission to the Secretariat within 45 days of commencement of each calendar year a performance report of local content activities undertaken during the previous calendar year (s.17).

Powers of the Minister

The Minister may amend the levels set out in the First Schedule by an Order, which is subject to negative resolution of the National Assembly (s.7(2)). The Minister may also waive the requirement to comply with the minimum local content levels in the following circumstances (s.7(3)):

- In the national interest, after consultation with the Secretariat
- A Contractor, Sub-Contractor or Licensee is unable to comply due to lack of Guyanese capacity
- Due to compliance with a MSA executed by a Contractor, Sub-Contractor or Licensee that is still in force before the LCA comes into operation

Administration of the LCA

The LCA will be administered via the following structures:

(a) *Local Content Secretariat*

The Local Content Secretariat (Secretariat) is being established as a unit within the Ministry of Natural Resources to oversee the implementation and administration of the LCA. The Secretariat will comprise a Director and other members appointed by the Minister of Natural Resources.

The functions of the Secretariat include:

- Developing and maintaining measures for the effective implementation of local content by Contractors, Sub-Contractors and Licensees
- Developing and implementing strategies that will give preference to, or ensure equal treatment of, Guyanese nationals and Guyanese companies
- Developing and maintain Local Content Registers of qualified Guyanese nationals for employment; and Guyanese companies and Guyanese nationals from which goods and services may be procured
- Recommending for approval or refusal, Local Content Master Plans and Local Content Annual Plans as well as proposals for modifications to those Plans
- Developing auditing procedures and conducting regular audits for the purposes of monitoring and ensuring compliance with the LCA
- Measuring and reporting on the local content performance of Contractors, Sub-Contractors and Licensees

A Local Content Advisory Committee will be appointed by the President to act in an advisory capacity to the Secretariat and to make recommendations to the Minister (s.20). At least 7 members are to be appointed from various Ministries and agencies such as GO-Invest, the Guyana Revenue Authority, the Private Sector Commission, Labour Unions, the Guyana Bar Association, the Parliamentary Opposition and local Petroleum Organisations.

(b) Local Content Register

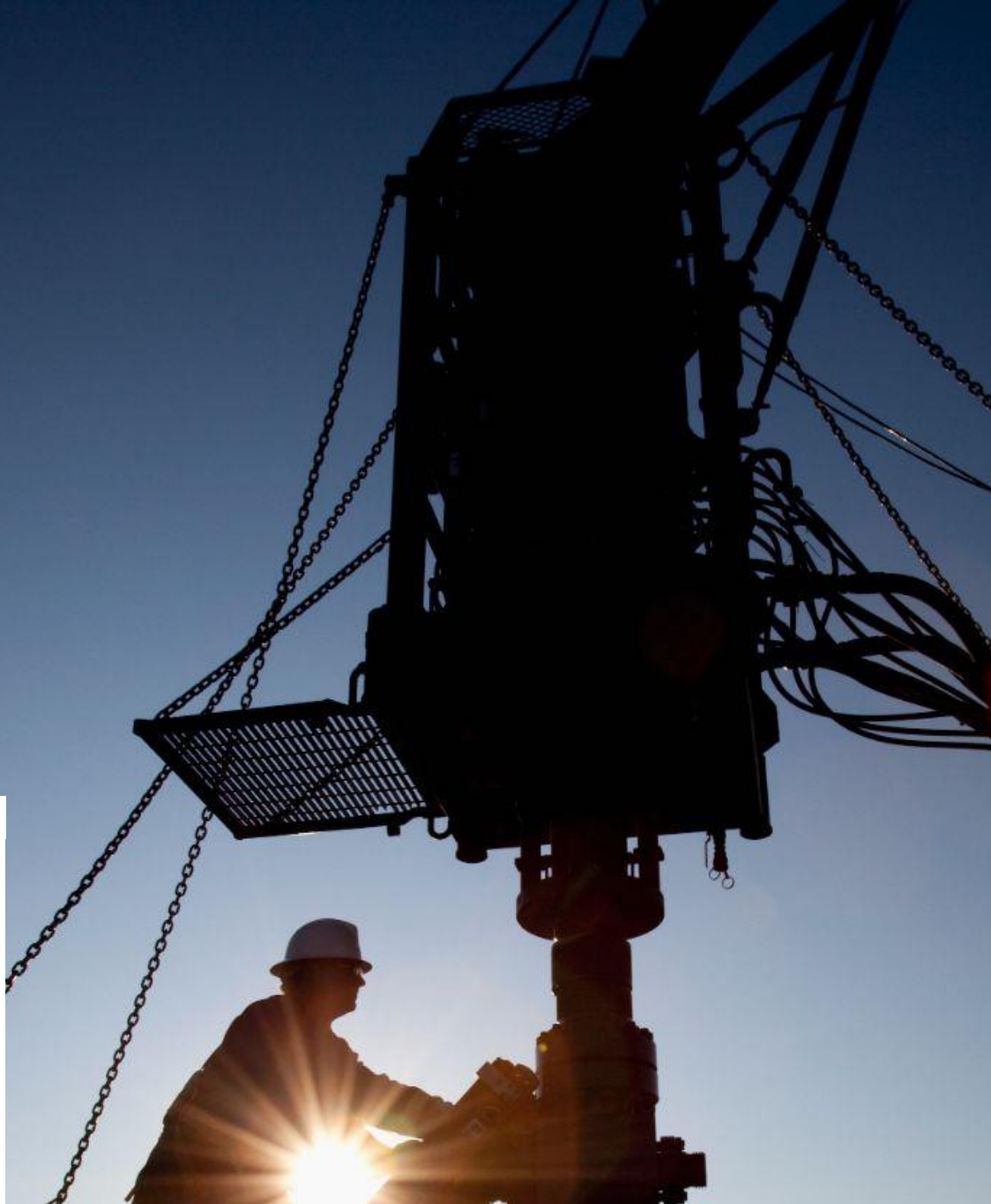
The Local Content Register (Register) will contain a list of Guyanese nationals and companies who are eligible for employment and procurement opportunity in the petroleum sector. Guyanese nationals and companies supplying goods or services to the petroleum sector immediately before the coming into operation of the LCA, shall apply for and be issued with a certificate of registration within 6 months the LCA coming into operation.

Guyanese nationals and companies must renew their registration annually in order to remain on the Register. If there has been a change in citizenship of a national or change in composition of the company, the national or company must immediately notify the Secretariat.

If a Company uses a Guyanese national or company that is not on the Register, it is not taken into account in assessing compliance with the minimum local content levels in the First Schedule. The Register will be published and be available publicly.



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ESG



Let's talk ESG

What is ESG?

ESG is a collective term used to express an organisation's purpose beyond financial growth. Companies have responsibilities towards a broad group of stakeholders, including employees, customers, suppliers, surrounding communities and investors. ESG encompasses tangible and intangible criteria that shape a company's commitment and impact on society.



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The **E** criteria of Environment considers how a company performs as a steward of nature;

The **S** criteria of Social examines how it manages relationships with stakeholders like employees, suppliers, customers and the communities where it operates;

The **G** criteria of Governance deals with a company's leadership, executive pay, internal controls and stakeholder engagement.



Why now?

In addition to the significant momentum for change created by the global pandemic, there is a heightened awareness of the diverse social and environmental risks businesses face that need to be identified and managed.

Financial lenders, rating agencies, and investors have been actively seeking nonfinancial metrics for greater transparency to better understand and measure these risks.

Worldwide, countries have committed to limiting and decreasing carbon emissions, e.g. the Paris Agreement, and to this end have introduced various tax and regulatory measures and incentives that impact businesses directly or indirectly.

Let's talk ESG

Increasingly, the purchases and investments of socially conscious consumers and investors are guided by the ability of companies to demonstrate that their purpose, operations, workforce and products and services are in alignment with social and sustainability criteria.

ESG encompasses reporting, strategy, and business transformation, which will likely result in changes in all dimensions of a business.

The three dimensions of the **ESG revolution***

1

Strategic reinvention - Translates ESG aspirations—*What must we do? What should we do? What could we do?*—into a blueprint for where and how to compete.

2

Business transformation - Drives ESG strategy and reporting into the heart of the business, often informing and extending ongoing digital transformation.

3

Reimagined reporting - Enables the measurement and management of ESG factors such as carbon emissions, workforce diversity, and supply chain sustainability.

*Source: PwC analysis

Examples of ESG metrics

Environmental

- Carbon emissions
- Percent of reduction in energy used in our facilities
- Percent of products sustainably sourced/manufactured
- Amount of management pay tied to climate response targets
- Sensitivity of earnings to price on carbon aligned to the Paris Accord
- Tons of toxic waste





6



Let's talk

Building trust for today and tomorrow

What is The New Equation?

Our vision for the PwC Network, fuelled by our Purpose, is to be the most trusted and relevant professional services business in the world - one that attracts the best talent and combines the most innovative technologies, to help organisations build trust and deliver sustained outcomes.

We're calling our refreshed global strategy **The New Equation**, and it speaks to the two most fundamental needs clients and organisations are grappling with today.

First is the urgency to successfully respond to, and change, in the face of the major shifts shaping the world: technological disruption, climate change, fractured geopolitics, social tension, and the continuing effects of the COVID-19 pandemic. Second is the need to build trust at a time when it is both more fragile and more complicated to earn.

Delivering sustained outcomes which make a difference

Our approach embodies who we are: a community of solvers coming together in unexpected ways to deliver outcomes for organisations, their customers, stakeholders and communities, which make a positive and enduring impact right across the value chain.

Our formula is simple: we deliver bold ideas, solutions which are human-led and tech-powered and meaningful experiences which deliver real-life results.



You can't buy trust-you have to earn it

Trust has never been more important. It's the link that connects your organisation, your people, your customers, your stakeholders and the world. We know that trust isn't something you can buy off the shelf. It's something you earn through every interaction, every experience, every relationship and every outcome delivered.

The world holds businesses to higher standards than ever before. Trust has never been harder to earn or easier to lose. Our community of solvers bring the capabilities, technology and ethical decision-making to deliver quality and sustained outcomes that companies, markets and society can count on.

**It all adds up to
The New Equation.**

Connect with us



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