

***Refining the
economic landscape***

Budget Memorandum 2019

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October 2018





A message from our territory leader

Brian Hackett

Territory Senior Partner

“Stabilisation having been achieved we must now move to implement the truly transformative changes required to effect the Turnaround”

We are pleased to present our 25th annual Budget Memorandum entitled ***“Refining the Economic Landscape”*** in response to the presentation of the 2018/2019 National Budget by the Minister of Finance, the Honourable Colm Imbert on 1 October 2018.

In furtherance of its originally stated goal of achieving a balanced budget by 2018 the PNM administration has over its time in office implemented a series of measures aimed at curbing expenditure and generating revenue, albeit in the case of the latter, principally via the “one off” sale of assets and the imposition of new taxes on individuals and corporates who were already shouldering arguably more than their fair share.

We have again witnessed a similar trend with a further removal of some of the subsidy on fuel and a general drive to control expenditure within the state sector but, to the great relief of many, the Honourable Minister has not sought to impose new material taxes. On behalf of beleaguered taxpayers, **thank you!**

We are not yet at the point however where a balanced budget can credibly be proposed, our overall economy is still forecasted to grow at anemic rates and our over reliance on the oil and gas sector remains a stark reality.

This reality notwithstanding, we are heartened with the continuation of trend to base the projection of our energy sector revenues on market prices for gas and oil at levels which, on the face of it, appear credible given the current global energy landscape.

In my covering note to our 24th Budget Memorandum, I lamented the lack of bold transformative measures and the fact that at that time, the Honourable Minister instead had largely signaled what the future may have held for the remaining unacceptably high level of Government transfers and subsidies and in particular, for the right-sizing of manning levels at key government institutions.

To the PNM administration's considerable credit tangible steps have been taken to deal with the gross over Manning levels within government ministries and state owned companies with the restructuring at Petrotrin being the most high profile example. There is also tangible evidence that the human cost that would undoubtedly flow from these actions are being addressed, at least in financial terms. In this regard we would urge that appropriate financial advice, counselling, re-training and entrepreneurial support is provided to those impacted so that they are not forever lost to our workforce and indeed to our society as a whole.

Regrettably in the face of persistent US dollar shortages, **at any price**, and with a true rate of exchange which probably remains north of TTS8, we have not witnessed any truly transformative measures to deal with this imbalance.

Further Honourable Minister's comments notwithstanding, we at PwC frequently witness economic activity at our clients being curtailed by their inability to source US dollars.

As we have noted on previous occasions we remain of the view that permitting the TT dollar to reset to a level more closely aligned to our current economic realities, would likely have material benefits to the overall economic well being of all citizens. It certainly has in the past.

For the budget year ahead it appears that the Honourable Minister's quest to someday achieve his stated goal of a balanced budget, will be heavily dependant on the implementation of the property tax, continued divestment of state assets, the stimulation of the construction sector via public projects and the control of expenses (which hopefully includes more right-sizing of payroll levels where required). There isn't much in this wish list with which we would disagree with.

We commend the Honourable Minister for achieving the stabilisation which many thought was impossible and urge him to continue his quest to achieve a balanced budget and a sustainable **Turnaround**.

Our tax leader's thoughts

Angelique Bart

Territory Tax Leader



The Honourable Mr. Colm Imbert, Minister of Finance, delivered his fourth budget presentation to the House of Representatives under the theme “Turnaround.” This presentation was delivered amidst some angst about the state of the economy and the need to refine the economic landscape given depressed energy revenues. Moreover, there was angst and speculation about measures that will be aimed at stimulating growth in the non-energy sector, addressing the issues surrounding easy access to foreign currency, the restructuring of Petrotrin, and the value of the Trinidad and Tobago (T&T) dollar given criticisms levelled against the Government for protecting the currency in the face of what some economists considered to be clear evidence that a devaluation was necessary.

In this context, there were high expectations that this would be a budget filled with revenue generation incentives in the non-energy sector and containing mechanisms aimed at addressing the specific areas of concerns.

From a short and medium term perspective, the question of the Government’s revenue generation plan was set out. It appears that the

Government’s plan is to continue to place heavy reliance on the energy sector, raise financing through one-off issuances of debt, capture revenue from non-compliant persons, use construction and infrastructure projects to drive growth in the short and medium term, but overall, reduce Government expenditure including continued phased removal of the fuel subsidy. It was also interesting to see that there were broad strategies re-announced as being areas to drive long-term growth and diversification of the economy but very little specific measures or details that would help us to understand how growth would be achieved in these areas this time around.

Further, in spite of the recognition of the exponential growth of the manufacturing sector over the last year or so, no bold, innovative measures were introduced to drive growth in those areas. This is surprising considering that T&T’s history demonstrates that in periods of low energy revenues, the manufacturing and other sectors carried the burden of economy.

While it is prudent to contain and reduce expenditure levels given the economic climate that exists, the Government tried to balance its austerity measures with its social responsibility by increasing benefits to certain categories of persons including, pensioners, the disabled and those in lower income brackets. Although the Honourable Minister justified this position by carefully highlighting that savings gained from the partial removal of the fuel subsidy will fund these increased grants, they are recurrent expenditures which come in the face of challenges with balancing the budget. Thus, the ubiquitous diversification conversation becomes that much more important.

We note and welcome the Government's maintenance of the existing tax rates across the board while attempting to deal with non-compliant persons as a first priority. Secondly, the clarity surrounding the imposition of property tax from 2019 onwards squarely and firmly puts to rest the fear of retroactive imposition of the tax.

The Government also appears to be placing a lot of hope on the Sandals Resort and other tourism projects to bring much-needed growth and relief to challenges faced by Tobagonians. It remains to be seen whether the gains envisioned will materialise especially considering that the Sandals model involves utilising tax relief and benefits for extended periods. Additionally, long term resolution to the Trinidad and Tobago airbridge issue is key.

What was notably absent from the Hon. Minister's address were specifics around the Trinidad and Tobago Revenue Authority other than to say legislation is expected during 2019 and the authority will become operational in 2020. Secondly, the status of the transfer pricing legislation was not addressed in spite of previous announcements that legislation was imminent. More critically, there was no recognition of the persistent foreign exchange shortage and the emergence of an "alternative" market to access the same.

Finally, the high level of optimism shared by the Hon. Minister is not shared by all at this time. T&T is facing some of its toughest challenges but, this country's history has shown that it is tenacious and resilient, and even where there are challenges with executing long term plans, it can act swiftly and courageously to navigate difficult tides. This could not be more evident from the Government's announcement to restructure Petrotrin and enter into an agreement with Venezuela given that country's current international issues and standing. Even if there is no consensus of the correctness of these steps, it demonstrates the Government's willingness to make hard, unpopular decisions given the challenges faced.

We are pleased to share our insights and views on the budgetary measures with you and our team welcomes the opportunity to address any issues or concerns that you may have.

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Budget overview & analysis of fiscal measures

“Turnaround,” the theme chosen for the 2019 National Budget Presentation signals the Government’s optimism and high hopes that T&T’s hard times are largely behind us. The Honourable Finance Minister, Colm Imbert in his presentation boldly declared the transformation of the economy and the fact that the country’s growth trajectory is positive, at least in the medium term. With the economy projected to grow in real terms by 1.9% in 2018 versus decline of 2.3% in 2017 and 6% in 2016, the country eagerly awaits to see how the Government fears in sustaining this path.

The slow recovery of the economy is mainly attributable to the increase in the gas production which, while it is a welcomed development, continues however to demonstrate the country’s heavy reliance on the energy sector. It is noteworthy that the manufacturing sector also contributed to the recovery with a growth of 7.3%.

The Government continued making strides in addressing the nation’s fiscal imbalance by further reducing its expenditure from TT\$63bn to TT\$50bn. However, a fiscal deficit of \$4.052bn or 2.5% of Gross Domestic Product (GDP) is still expected. This is in the context of the fact that the budget is conservatively predicated on oil price of US\$65 per barrel and a gas price of US\$2.75 per mmbtu.

Total revenue is projected to be TT\$47.724bn and this is comprised as follows:

- Oil Revenue - TT\$9.518bn
- Non-oil Revenue - TT\$35.197bn
- Capital Revenue - TT\$3.009bn

Even in the face of this, the Honourable Minister indicated that the deficit will need to be financed and he indicated that he will be adopting “non-debt creating financing.” It is unclear why a bond issuance would be classified as non-debt financing but further clarification is needed on that.

Total expenditure is projected to be TT\$51.776bn with the highest level of expenditure being placed in education at TT\$7.392bn followed closely by national security of TT\$6.120bn. Further, the Government maintained a cautious approach in managing expenses and this should be lauded. It further identified savings to be derived from the continued reduction of the fuel subsidy.

While we acknowledge the progress made over the last year in terms of economic recovery, it would be remiss of us not to mention some areas of concern, namely:

1. Weak non-energy sector
2. Continued shortage of foreign exchange and
3. Adequate revenue generating incentives

The absence of a holistic plan that embodies the aforementioned areas has the potential to dampen the effect of economic transformation and distort any economic growth.

Nevertheless, the Minister highlighted some of the policy reform areas embedded in vision 2030. They include:

- Expanding export and increasing foreign exchange earnings and employment
- Undertaking institutional reform
- Addressing the impact of shale gas, alternative energy sources, lower gas reserves and production
- Discouraging the culture of dependency and sense of entitlement among the population
- Ensuring effective and efficient public service delivery and implementation of development interventions and measurement of results

One of the measures implemented to address the culture of dependency is the further reduction of the fuel subsidy. This measure came as no surprise since the Government started the process of reduction of the subsidy in prior years, in the context of a declining economy and where it was untenable for the State to maintain the then level of subsidies. While subsidies have since been significantly reduced, the further removal on super gasoline is expected to impact the transportation cost of lower income level individuals (both in respect of private and hire cars).

Unlike previous years where there were series of increases in taxes, the current year rates are mainly being maintained and no new taxes were introduced. Rather, the Government chose to focus on closing the tax gap but unfortunately has missed the opportunity to comprehensively address pending revenue reform measures including enforcement and compliance.

One such measure is the coming on stream of the Trinidad and Tobago Revenue Authority (TTRA) which the Minister announced will be introduced by 2019 but operational in 2020. The lag in the implementation is cause for concern given that the Government's inaugural mandate was to bring this to fruition in the shortest possible time.

The transformation of the economy is predicated on six pillars which the Minister identified as "major game changers". These are:

1. Strengthening our gas based economy
2. Buoyancy of the capital market
3. Petrotrin
4. Sandals
5. Drydock and ship building repair facility
6. Two new state-of-the-art fast ferries

While these are commendable measures, we await further details and clarification on their implementation. Keen attention should however be given to tackling issues still not holistically addressed such as the curbing of tax leakages, diversification, foreign exchange shortages, reintroduction of property tax, and the TTRA.

Fiscal measures

We will now examine the key fiscal measures:

Stamp duty exemption

The threshold for exemption of stamp duty is to move, for first time homeowners, from TT\$850k to TT\$1.5m.

While this measure is expected to bring relief to young families, the Minister gave no further details as to how it will be implemented. We await clarification on the rate to be applied where the acquisition price is in excess of the TT\$1.5m since the unintended effect can result in the excess being subject to the higher rate of 5% or 7.5% depending on the value of the property.

Compliance with the Board of Inland Revenue

The Minister announced the proposal to increase penalties for non-compliance with Board of Inland Revenue to act as a deterrent for delinquent taxpayers. These penalties are:

- i. Incorrect information provided in TD1 forms - TT\$3,000 to TT\$10,000
- ii. Fraud – TT\$50,000 to TT\$250,000

Additionally, the proposed harmonisation of the interest rate for the late payment of taxes under the Registration of Clubs Act, Chap. 21:01 increased from 15% to 20%.

In the absence of the proper enforcement mechanism, the imposition of penalties or harsher penalties may not yield the intended result of acting as a deterrent. It is therefore prudent that any penal measure be accompanied by the necessary enforcement mechanism both in terms of the legislative framework as well as the human resource capacity. With respect to the

current rates			proposed measure		
	Rate			Rate	
1st \$850,000	0%	-	1st \$850,000	0%	0
Next \$400,000	3%	12,000	Next \$400,000	0%	0
Next \$500,000	5%	25,000	Next \$250,000	0%	0
Next 250,000	7.50%	18,750	Next \$250,000	5.00%	12,500
			Next \$250,000	7.50%	18,750
		55,750			31,250

increased penalties for fraud, historically the tendency of the tax authority is to focus on taxpayers committing VAT fraud and we have not seen such prosecution extended to the other taxation areas.

As such the focus should be on implementation of robust enforcement measures and at the same time build the human resource capacity through training and adequate resources.

Business Levy (BLV)

Traditionally the BLV threshold has been in line with the VAT threshold which currently stands at \$500k. While Finance Act 2 of 2013 effective 1 January 2013 brought the BLV threshold in line with the VAT threshold for Corporations, the adjustment was not made for the self-employed individuals. This is a regularising measure which brings in line the BLV.

The measure seems to be a further step toward harmonising the BLV threshold with the VAT threshold.

Tax allowance for tertiary education

The measure is intended to increase access to overseas tertiary education. While a section of the population will welcome this measure it is not clear whether the benefit will translate to a wide cross section of the population given that the majority of persons who opt to further their education abroad are generally persons who have the means and resources to cover this.

The effect of the measure is further questionable since it is not clear as to

the percentage of these persons returning to T&T to contribute to the country's economic development.

Foreign exchange tax credit for manufacturing sector

The Minister proposes the introduction of incremental foreign exchange tax credits for agricultural and agro-processing, food and beverage, non-energy and non-petrochemical products and any other business approved by Minister. While we acknowledge that this may be intended to repatriate much-needed foreign exchange currency held abroad, we are awaiting clarifications on the specifics of the measure.

Other measures which promote economic growth

a. One of the most significant discussions in the budget surrounds the Government's decision to restructure Petrotrin. This is a sensitive matter which evokes strong emotions regardless of which side of the fence you are on. The Government has extensively presented on the rationale for the restructure and it has provided a breakdown of the cost saving that ought to arise from the restructure. The true saving remains to be seen. In that, there is a paucity of information to definitively state what are the costs of importation of the refined product and the costs of maintaining Petrotrin as is. However, on the back of the envelope assessment, it may be argued that greater savings will be derived from the restructure.

b. The proposed construction and infrastructure projects announced are likely to bring about short and medium term growth since there will be companies who will be earning from the projects, temporary employment created and monies used from those projects flowing into the economy via purchases etc. However, as time has shown, these are not sustainable levels of growth and while it may alleviate some pressure at this time, long term diversification strategies must be devised and employed.

c. Foreign Direct Investment (FDI)

We note that the Government secured substantial foreign direct investment from China and it was suggested that China intends to use Trinidad and Tobago as the gateway to South America. This is a welcomed move considering the current revenue generation gap and this should help to shift the reliance away from the energy sector.

Property Tax

d. The implementation of the property tax in 2019 is a welcomed move by the Government since it is estimated that this will contribute an estimated TT\$252m annually in revenue to the Government coffers. Taxpayers can also breathe a sigh of relief since the Government confirmed that the imposition of the tax will not be retroactive.

Tourism Sector

e. The Government announced its intention to press ahead with the Sandals project in Tobago and it stated that it also intends to address the air and sea bridge issues. However, the funding for the Sandals project is not yet clear. Notwithstanding this, the construction of the hotel facility will create employment and growth and once operational, it will generate employment which will create some long term benefits for Tobago. The overall success is contingent on the fixing of the air and sea bridge.



Who won & who didn't – T&T Budget 2019

Who won

Retired Public Servants

Minimum interim \$3,500 per month pension to public servants immediately upon retirement.

All Citizens

Board of Inland Revenue to employ 150 more persons to deal with non-compliant persons.

Health centres located in Grand Riviere, Blanchissuese and Cedros to open 24/7.

Greater accountability and transparency through the use of public procurement legislation in the award and execution of Government contracts.

Children

100% increase in all fines related to the prevention of cruelty to children as detailed in the Children's Act, 2012.

First-Time Home Buyers

Stamp duty threshold for residential properties subject to stamp duty to be increased from \$850,000 to \$1.5m for first time homeowners.



Environment

Increase in the fines for persons contributing to the start of bush fires from \$1,500 to \$5,000.

100% increase in all penalties under the Litter Act 1973.

Government of Trinidad and Tobago

Increase in revenue collection from the planned implementation of property tax from 2019.

Increase in the penalty/fine for the submission of incorrect information in TD- 1 Forms from \$3,000 to \$10,000.

Increase in the threshold for self-employed individuals subject to Business Levy from \$200,000 to \$360,000.

Increase in the penalty for offences in respect of Fraud from \$50,000 to \$250,000.

The rate of interest for late payments of taxes to be increased from 15% to 20% per annum under the Registration of Clubs Act, 1955.

Differently Abled Citizens

Differently abled and special needs children under the age 18 to access increased Disability Grants as follows:

Increase from \$800 to \$1,500

Increase from \$1,150 to \$1,500

Recipients 18 years or older to access Disability Grant as follows:

Increase from \$1800 to \$2000

Low Income Families

Increase in the value of food cards as follows:

Households of 1-3 persons, from \$410 to \$510 per month

Households of 4-5 persons, from \$550 to \$650 per month

Households of 6 or more persons, from \$700 to \$800 per month.

The Public Assistance Grant to be increased by \$150 across the board as follows:

for 1 person from \$1150 to \$1300

for 2 persons from \$1400 to \$1550

for 3 persons from \$1600 to \$1750

for 4 or more persons from \$1750 to \$1900.

Senior Citizens

Increase in the cap on joint income received by retirees in respect of national insurance and old age pension to \$6,000. Allowing persons in receipt of both a National Insurance Scheme pension and a Senior Citizens' Pension to receive \$3,000 a month from the NIS and up to a further \$3,000 per month from the Senior Citizens' Pension.

Tertiary Level Students

Tax allowance for foreign tertiary education expenses to be increased from \$60,000 to \$72,000 per year.

Manufacturers

Introduction of an incremental foreign exchange earnings tax credit for manufacturers engaged in: agriculture

and agro-processing; food and beverage; non-energy and non-petrochemical products; and any other businesses approved by the Minister with the responsibility for Trade and Industry. Legislation to give effect to this measure is to be introduced during fiscal year 2019.

Tobago

The Government's commitment to ensuring that the Sandals project is implemented.

Proposed acquisition of new vessels to alleviate Trinidad and Tobago sea bridge issues.

Construction sector and Labourers in that sector

A number of significant projects were announced including the Curepe interchange, the road projects and port projects.



Who Didn't

Non Government Parties to LNG Train Contracts

Government to renegotiate existing contractual and commercial arrangements of Liquefied National Gas Trains, to address tax leakage through transfer pricing.

All Citizens - Transportation

Cost of super gasoline to be increased from \$3.97/litre to \$4.97/litre.

Criminals

Crime Stoppers rewards to be increased to up to \$100,000 for information leading to the successful conviction of any of the 25 most wanted criminals.

Increased use of technology e.g. use of drones, GPS and body cameras.

Self Employed

Board of Inland Revenue staff to focus on the tax compliance of self-employed persons, including doctors, lawyers, accountants and other professionals as well as small and medium sized organisations.



Fiscal Resilience – The only path to sustainable growth in T&T

by Marla Dukharan

Marla Dukharan is recognized as a leading economist and thought-leader in the Caribbean, well-known for her monthly Caribbean Economic Report and her series of change-inspiring webinars on key topics of regional importance. She has taken a leading role in promoting new models of fiscal and economic resilience to lead the region toward a more prosperous and sustainable future.

We have had near-ZERO growth on average for the past 10 years, while recording primary fiscal deficits, i.e. fiscal deficits so large that we are borrowing to pay the interest on our existing debt. It is worthy of note that total debt servicing accounts for around 20% of fiscal expenditure, and the wage bill 31%. And this situation is projected to persist - neither the IMF, nor Moody's, nor S&P project the fiscal deficit falling below 2.5% of GDP by 2021. At the same time, Total Public Sector Debt outstanding was already \$122bn in June 2018, up from \$71 bn in June 2011 - an increase of about \$51.5bn or 73% in just seven years.

The Government must address its spending pattern via structural reform, since relying on one-off financing items is unwise and unsustainable. To solve for growth and recover from long-term stagnation, meaningful policy reforms will have to be effected over the next several years to make our economy sustainably more competitive, more successful at generating jobs sustainably, capable of earning sufficient foreign exchange, and to balance the fiscal budget and reduce the debt level.

Pro-cyclical fiscal policy is harmful

Pro-cyclical fiscal policy simply means that we spend more when revenues are buoyant, and when there is an economic downturn, we don't have enough saved to sustain our spending levels. Pro-cyclical fiscal policy is harmful because it amplifies an already volatile business cycle which in T&T is driven largely by the petroleum sector, but also, Cotton, Finch, and Sookraj (2013) found that fiscal policy is even MORE accommodative in the 12-18 months prior to a general election!



In oil producing countries, pro-cyclical fiscal policy amplifies the effect of oil price volatility on the overall economy - it causes higher wages and inflation, and a real appreciation of the exchange rate, which undermines competitiveness in the non-oil sector, which then makes overall economic activity and exports even weaker when oil prices are low. Pro-cyclical fiscal policy also crowds out private spending and investment, and usually results in a decline in private sector output and employment.

Deficit spending does not drive growth in T&T

T&T's economy is characterized by low fiscal multipliers (where \$1.00 in fiscal spending leads to an increase of only 32 cents in nominal (GDP) and high fiscal leakage (where roughly 80% of fiscal spending 'leaks' out in the form of imports). Higher fiscal spending drives higher consumption and therefore higher levels of imports, and outflows of USD. Fiscal deficits do not drive growth, and it only exacerbates the foreign exchange pressures the country would naturally experience during a downturn in the energy sector – this is EXACTLY what we have been feeling since 2014.

Introducing fiscal rules

Introducing a fiscal resilience framework means mandating through legislation, a counter-cyclical fiscal policy to encourage savings (for example in the Heritage and Stabilization Fund), discourage overspending, and avoid the negative consequences associated with persistent fiscal deficits. Such frameworks build fiscal buffers, lower debt, and solve growth, vulnerability, and volatility problems, while protecting the population when there are shocks, and minimizing hardship during economic downturns. The use of policy to create the necessary fiscal space to respond to shocks is not only practical, but fundamental to macroeconomic stability and inclusive growth.



Adoption of comprehensive transfer pricing rules in Jamaica – Our experience so far

Brian J. Denning – tax & corporate services leader, PwC Jamaica

It is widely recognised that transfer pricing and other initiatives to counteract tax base erosion are part of an ongoing cultural shift in international taxation. In 2015, Jamaica enacted comprehensive Organisation for Economic Cooperation and Development(OECD)-based transfer pricing rules with these taking full effect in 2016. So what has our experience been so far?

The answer – it depends. The state of readiness amongst taxpayers to adopt these rules has been varied. It is no surprise that multinationals headquartered outside the CARICOM region and operating globally have generally been better positioned to evaluate the transfer pricing implications of local transactions as they typically can leverage existing transfer pricing studies, rulings or internal experience elsewhere in their group.

In the absence of such global experience, regionally headquartered multinationals and local groups need to undertake more extensive work in an effort to comply. This includes conducting an initial risk assessment of **each** of their related party transactions in order to prioritise which ones are the most material and/or susceptible to challenge by the tax authorities from a transfer pricing perspective. Priority transactions and activities then require further detailed evaluation (having regard to OECD guidance and internationally accepted practice) in order to determine whether their current pricing is acceptable, and if not, what adjustments are required for tax purposes. The preparation and maintenance of transfer pricing documentation on file is also necessary in order to support the transfer pricing methodology and price adopted for tax purposes.



4. Adoption of transfer pricing rules

Jamaica's transfer pricing regime applies to all taxpayers and connected party transactions, whether domestic or cross-border. Transactions with counterparties located in low-tax jurisdictions are also **deemed** to be related party transactions unless demonstrated otherwise. As part of the annual income tax filing process, one is required to report all related party transactions annually and to impute an acceptable arms-length consideration for all such transactions in computing one's taxable income. This is proving onerous particularly for small and medium-sized taxpayers who may not have the resources needed to undertake the necessary due diligence work to comply. While the requirement to prepare and maintain comprehensive OECD-standard documentation to support pricing methodologies and pricing adopted for tax purposes is limited to taxpayers with gross annual revenues over J\$500m (approx. US\$3.7m at time of writing), all taxpayers must otherwise adhere to the rules so a certain level of due diligence must be undertaken regardless in an effort to both comply and manage tax risk.

The Jamaican regime also features an advance pricing agreement (APA) mechanism whereby taxpayers can approach the Jamaican tax authorities with a view to negotiating and agreeing on an arms-length price that would be acceptable to both parties in respect of specific connected party transactions subject to agreed conditions and applicable period (up to five years). The Jamaican tax authorities, to their credit, have been actively sensitizing the business community on the APA process and encouraging the use of same.

To our knowledge, no taxpayer has yet sought and secured an APA in Jamaica – this more reflects taxpayers' reluctance to "*open the kimono*" rather than the tax authorities willingness to engage. In some respect, this is not surprising – taxpayers recognize that they need to undertake their own transfer pricing due diligence and analysis before initiating an APA process. Taxpayers will also need to feel assured that their participation in, and information provided during, an APA process cannot subsequently be used against them to trigger tax audits and assessments.



4. Adoption of transfer pricing rules

While the transfer pricing regime in Jamaica is still somewhat in its infancy, in our view there are some insights that can be gained from the experience so far as similar transfer pricing regimes are being contemplated for implementation by Trinidad & Tobago and other jurisdictions within the CARICOM region. These include the following:

1. The merits of applying the transfer pricing regime to all taxpayers from the outset should be weighed against the relative risk of tax base erosion and taxpayers' capacity to comply in the short-term.
2. Consideration should be given to implementing the regime on a phased basis with initial application focusing on the reporting of related party transactions.
3. Full application (i.e. imputation for tax purposes, documentation etc.) could be first confined to large taxpayers (as defined) and perhaps transactions with related parties in low-tax regimes (whether cross-border or local).
4. The regime's requirements could be scaled down for small and medium-sized taxpayers (excluding higher risk transactions) with initial application limited to the reporting of related-party transactions.
5. The phased approach would also benefit tax authorities in the application of limited resources to pursue delinquent taxpayers and enable focus to be maintained on higher risk transactions.
6. A comprehensive public education and awareness programme about the regime is critical both in advance and during implementation.
7. In evaluating arms-length pricing assessments, it will be important for tax authorities in the region to be cognisant of the limited availability of information on external comparables within the region.
8. A successful APA process requires trust and collaboration between taxpayers and the tax authorities - this will involve a cultural shift from both perspectives.
9. The APA division should be distinct and separate from other parts of the tax administration (especially the audit division). Information shared by taxpayers during the APA process must be maintained on a highly confidential basis and cannot be shared or used for audit or assessment purposes.

The implementation of comprehensive transfer pricing regimes across the region combined with initiatives to target base erosion and profit shifting (BEPS) strategies are set to materially impact the local and regional tax environment. It is important however that these changes are implemented carefully in order not to overwhelm taxpayers and place a heavy strain on both their resources and those of the tax authorities.

Cooperation to transformation

The Guyana and Trinidad and Tobago Energy MOU

Guyana and Trinidad and Tobago (T&T) share a long economic and cultural history and relationship. Given that relationship and Trinidad's experience in the energy sector and Guyana's burgeoning energy sector, the Governments of both countries came together to sign a historic Memorandum of Understanding on Wednesday 19 September 2018. The signing came amidst some resistance and some commendation.

This Memorandum of Understanding on Energy Cooperation (hereinafter referred to as MOU) seeks to establish the process through which the Governments of Trinidad and Tobago and Guyana would assist each other in the development of their energy and energy related sectors.

The proposed areas of cooperation include, sharing of technical assistance in exploration and production, exchange of information on public policies regarding administration and sovereign management of resources, training and capacity building and any assistance in any related joint projects that may support development of the hydrocarbon value chain.

The spirit of inter-governmental collaboration is a welcomed one, especially in the current world climate of protectionism, tariffs and embargoes. However, there are a few key points which need to be further examined regarding the practical and tangible implementation of this MOU.

Economic Power and Opportunity

Country	Trinidad and Tobago			Guyana		
	2018	2017	2016	2018	2017	2016
Real GDP Growth (%)	1.0	(2.6)	(6.1)	3.4	2.1	3.4
Inflation, End of Period (%)	2.3	1.3	3.1	2.2	1.5	1.5
Nominal GDP (USD \$bn)	23.3	22.8	22.3	3.6	3.5	3.5
Current Account Balance (% of GDP)	10.7	10.2	(2.9)	(6.1)	(6.7)	0.4
External Debt to GDP Ratio (% of GDP)	16.0	16.4	15.4	36.0	35.5	33.2
Budget Surplus/(Deficit) (% of GDP)	(6.0)	(11.0)	(12.0)	(5.4)	(4.5)	(4.4)

Sources:

(1) IMF Country Report Guyana, No. 18/220: July 2018

(2) IMF Country Report Trinidad and Tobago, No. 18/285: September 2018

The above table gives a brief overview of some of the macroeconomic variables for both Parties. It shows fairly stable prices, a swing toward slight positive GDP growth and as of 2018, roughly 5% to 6% budget deficit projected for both countries. Guyana's figures are expected to show a sharp positive economic improvement from 2020 onwards as the multinationals lift first oil. T&T is currently taking very strong action to address its budget deficit by raising capital through debt and partial divestments of state assets, increasing tax revenues while at the same time attempting to contain expenditure of line ministries and state bodies. Given the state of affairs of both countries, the MOU presents a unique opportunity for both parties to carve some much-needed space for investment income which can be channelled through this MOU.

However, as a quick comparison, one can also consider the position of ExxonMobil; the corporation which has been instrumental in the realisation of hydrocarbons in the various basins and who will be one of the key players, if not the lead, in the development of Guyana's medium term outlook. A quick look at the Company's 2017 Summary Annual Report and 2017 Financial Statements indicate the following when compared to the financial position of both Guyana and Trinidad and Tobago. It has:

- Significant revenue (USD13.3bn in earnings after income taxes for upstream activity only).

- Significant asset base (Property, plant and equipment, less allowances USD 252.6 bn).
- Low debt (Net debt to capital ratio 16.8 %).
- Effective and possibly efficient use of available assets (Return on Average Capital Employed is 9%).
- Access to top-tier human capital (Partnerships with more than 175 universities in the last 10 years; employment of more than 19,000 scientists).

A general overview of the financial outlook of the other major operators in the Guyana energy sector at this time are consistent with ExxonMobil's position, in that, they have:

- Significant financial capabilities
- Worldwide access to top-tier Human Resource talent
- Proprietary, cutting-edge and patented knowledge
- Well established, safe and high-quality processes (technical, managerial, operational, etc).

These established, in-house competencies of these corporations overlap with some of the terms proposed within the MOU. Both countries will therefore need to establish a vantage point and mechanism from which they can partner with the well-established upstream companies to add value to their refined procedures.

Assessment of key areas for cooperation

Labour market

One of the objectives of the MOU speaks to capacity building; and it makes reference to secondment as one of the methods. This would generally infer personnel at a managerial, qualified supervisory or subject matter expert competency. Given some of the realities presented in the previous section, there may still be an opportunity for the supply of labour with that skill level or alternatively those who may be on the National Vocational Level (NVQ) pathway (Apprentice, Craftsman, etc). Naturally once the correct type of labour required to monetise the assets is insufficient, a need would arise to have this gap closed in the shortest possible time, likely with preference been given to the Guyanese nationals first. The local content issue has been a key area of focus for Guyana.

T&T's unemployment rate is currently just about 5% (roughly full employment) as compared with roughly 12% for Guyana and T&T has human resource capacity that has already demonstrated competence within upstream, mid-tier and downstream energy for several decades, which presents that Party as a natural solution to a labour gap. However, one must also remember that Guyana shares its border with several other countries who also have experience in hydrocarbon production, the Bolivarian Republic of Venezuela (Venezuela) being the most prominent. Venezuela has the world's largest proven oil reserves (estimated at 300 bn barrels), is currently ranked just about tenth in the world for volume shipped daily and has more than a

century of experience of significant oil production. (It is claimed the first shipment of a single barrel of oil from 'Venezuela' was in 1539.)

Venezuela's population and unemployment rate are both significantly larger than either country (roughly 32 million persons, 33% unemployment). Likewise, Brazil has a daily oil production that is almost equivalent to Venezuela, a population of over 200 million and an unemployment rate of around 13%. Brazil also shares a strong trade relationship with Guyana largely through the agriculture and mining sectors and as such, labour from Brazil flows into Guyana through these sectors.

One can reasonably expect that if the relevant barriers (language, disputes) can be surmounted, both countries (and many more!) can also supply labour of the quantity and quality required; which will also depress the going wage rate per category of worker in Guyana.

Technology and knowledge as a service

As mentioned in the section titled "Economic Power and Opportunity", neither Party is well-known to own significant amounts of proprietary technology required in the energy field. Neither country is well-known as a manufacturing location for emergent technology. T&T has demonstrated excellent capacity and competence in the manufacture of offshore platforms in its LABIDCO facility over the last 15 years but this has also unfortunately become well-known for a public cost and schedule failure incident due to industrial relations issues. Concerning the MOU, both countries may be called

to demonstrate the technical and technology instruments over which they hold possession and how these instruments can be value-added to the multinational machinery currently monetising the Guyanese assets.

Private capital and entrepreneurship

The hand of Government (generically) has sometimes been identified as being slow to identify and take hold of opportunities, especially where driven by political motives and where its best human talent is 'snatched' by private enterprise. It is also generally agreed that the Government's direct contribution to GDP should be carefully managed – to encourage but not crowd out the other drivers of the economy particularly the business owners. Just as the multinational corporations serve their shareholders well by "sweating the assets" to deliver efficiency and derive success and failure at the permission of its clients, so too, the MOU presents an opportunity for both Parties to bring the small and medium enterprises (SMEs) to the table. Large corporations may also be facilitated.

The opportunity is this: that the Parties use the MOU to increase the ease of doing business between nations within the energy and commodity fields. As a bi-nation treaty, each can provide the right environment of subsidies and tariffs to encourage SMEs originating in either country to move into the common space; extracting and exploiting opportunities with private capital at risk.

The correct framework of taxation will allow each nation to benefit while not steering the capital allocation. The MOU creates a hierarchy of structures and groups and teams; with proposed reporting deadlines but not as yet a

scope, framework or clearly defined opportunity that can be immediately addressed. The countries use the MOU opportunity to instead encourage the influx of SMEs, this will allow private capital to seek and engage opportunities, in the supportive framework created by the intergovernmental agreement by which the Governments can benefit with increased taxation revenue.

Foreign Direct Investment (FDI)

The countries can further support SMEs in their identified opportunity (manufacturing, distribution, logistics, food and beverage, construction, etc) by providing well-managed microfinancing as part of the MOU. This translates into increased FDI, opportunities for knowledge transfer, reduction of unemployment, technical collaboration, etc which creates potential for unlimited synergies which is the intent of the MOU.

Conclusion

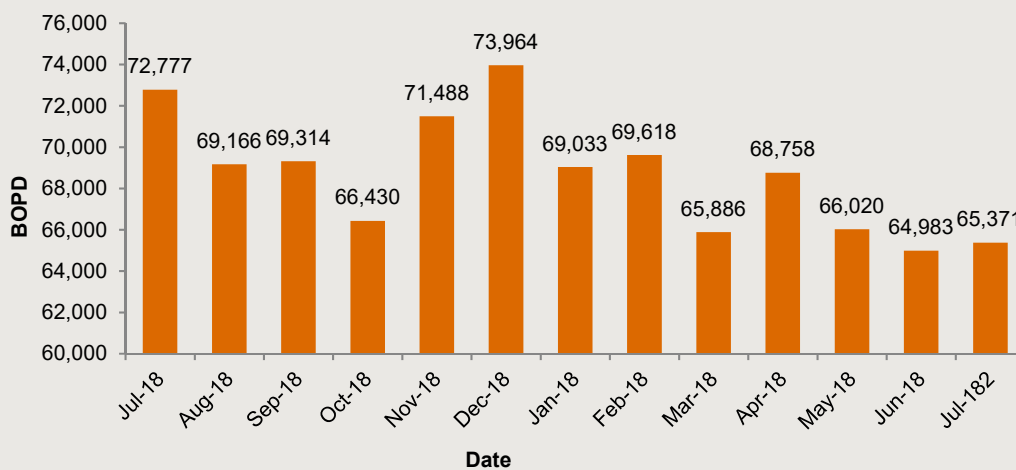
Both countries have relatively stable economies and a positive outlook for GDP. Both have had similar political histories and experience in commodity-based economies. At this critical juncture, the MOU presents a great opportunity to kick off diversification into more efficient, previously attempted income streams as well as untested new income streams. To get the best return on equity, both countries should create and measure the policy framework(s) to obtain a mutually optimised configuration but should at the same time, allow the gap to be filled and supported primarily by private capital with appropriate taxation.

Energy overview

Trinidad and Tobago (T&T) is shifting from a predominantly oil-based to a gas economy which is precipitated by the continuous fall in crude oil production in the country. This state of affair has reinforced the need for a tectonic shift from the heavy dependency on the natural gas industry since natural gas curtailment continues to be a pressing issue in that sector. Further, the continuity of supply is also an area of concern as Government seeks to look at its neighbours to maintain its energy status quo.

Investments in new domestic projects to increase gas production by the upstream companies have somewhat contributed to reducing the curtailment and thus giving T&T a brighter outlook for the sector- at least for the next five years. However, our economy continues to be vulnerable to the inherent volatility in energy prices as well as the question of supply.

Crude oil & condensate production – barrels of oil per day (BOPD)



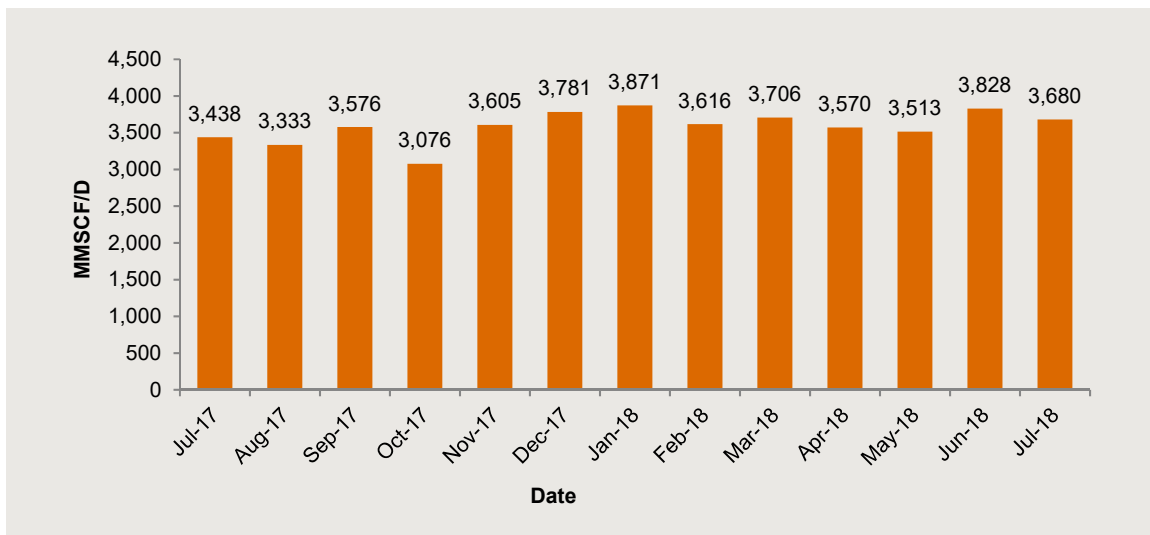
Source: Ministry of Energy & Energy Industries

Overview of energy prices

The Organization of the Petroleum Exporting Countries (OPEC) and several non-OPEC producers' decision to restrict their oil production has been dictating the crude oil market prices. From September 2017 to August 2018, the West Texas Intermediate (WTI) crude oil price averaged US\$62.31 per barrel and reached a high of US\$70.98 in July 2018. For the same period, natural gas prices averaged US\$2.94 per million British Thermal Units (mmbtu) with the price reaching as high as US\$3.87 per mmbtu in January 2018.

In 2008, natural gas prices averaged US\$8.86 per mmbtu and fell to a low of US\$3.95 in 2009. For the past four years, prices have averaged below US\$3.00 per mmbtu. The deterioration of natural gas prices from 2008 onwards was mainly due to increased U.S. natural gas supplies via hydraulic fracturing and horizontal drilling.

Natural gas production – millions of standard cubic feet per day (MMSCF/D)



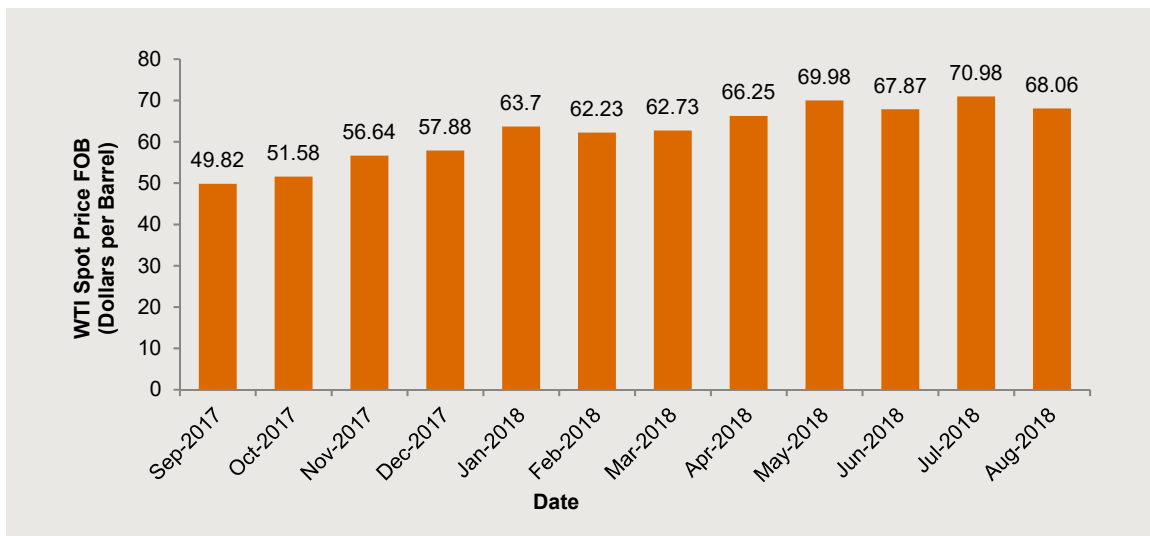
Source: Ministry of Energy & Energy Industries

Overview of energy prices

Crude oil and condensate production have continued to decline in T&T with production falling by 5.30% from January to July 2018 with an even sharper decline of 10.18% when compared to July 2017. Natural gas production also showed a decline of 4.91% for the period January to July 2018. However, when compared to July 2017 there was an increase in

production of 7.05%. T&T's downward slope of natural gas production has been mitigated by bpTT's US\$2bn investment in the Juniper gas platform and its Trinidad Onshore Compression Project (TROC). While there was a decline in LNG production of 7.48% for the period January to July 2018, in comparison to July 2017 there was an increase in production by 8.06% as result of the increase in the natural gas production.

WTI Spot Prices



Source: U.S. Energy Information Administration (EIA)

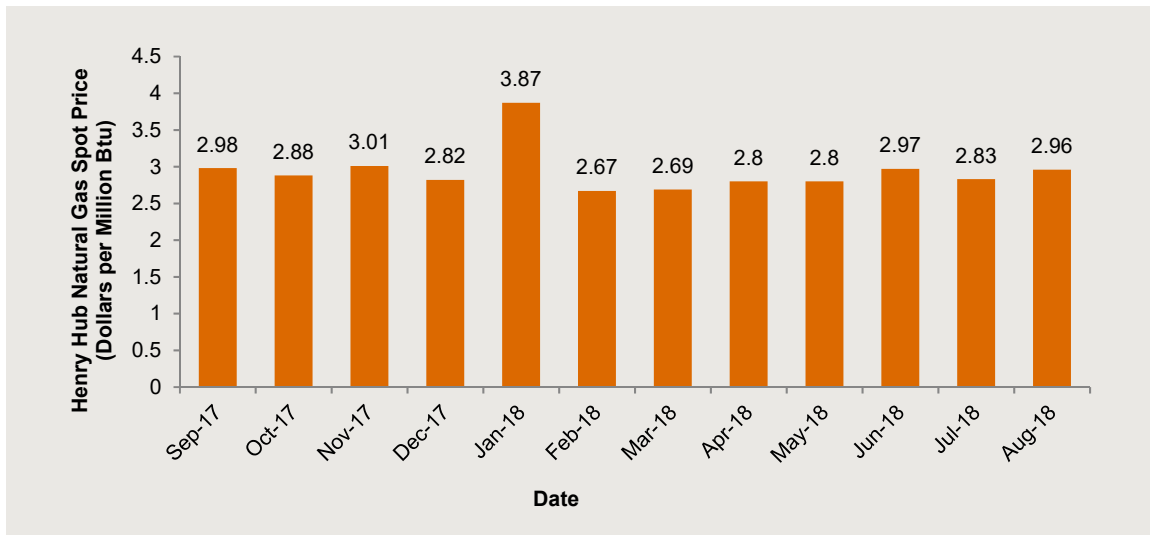
Overview of energy prices

In Central Bank's July 2018 Economic Bulletin it was noted that Central Government's total revenue increased to \$29,238m in the first nine months of FY 2017/18 and revenue from the energy sector climbed to \$7,801.8m. The main contributor was the increase in the petroleum prices and natural gas output. Royalties on crude oil and natural gas also contributed to the increase in revenue as it amounted to circa \$1,450.7m compared to \$641.3m in the comparable period.

Royalty rates for both crude oil and natural gas were standardised at 12.5% effective 1 January 2018 and became payable on the fair market value of the net volumes won and saved. Previously, crude oil royalty rates ranged between 10 to 15% on the field storage value while natural gas ranges from 0 to 15% on the value of natural gas.

The fundamental issue is that even where there is an increase of output and the commodity prices remain lower than enjoyed in earlier years, the question of revenue of generation remains pertinent and relevant.

Henry Hub Natural Gas Spot Price (Dollars per Million Btu)



Source: U.S. Energy Information Administration (EIA)

Looking ahead

T&T's uncertainty to remain as a major player in the energy sector was given a positive outlook following the announcements/commencement of:

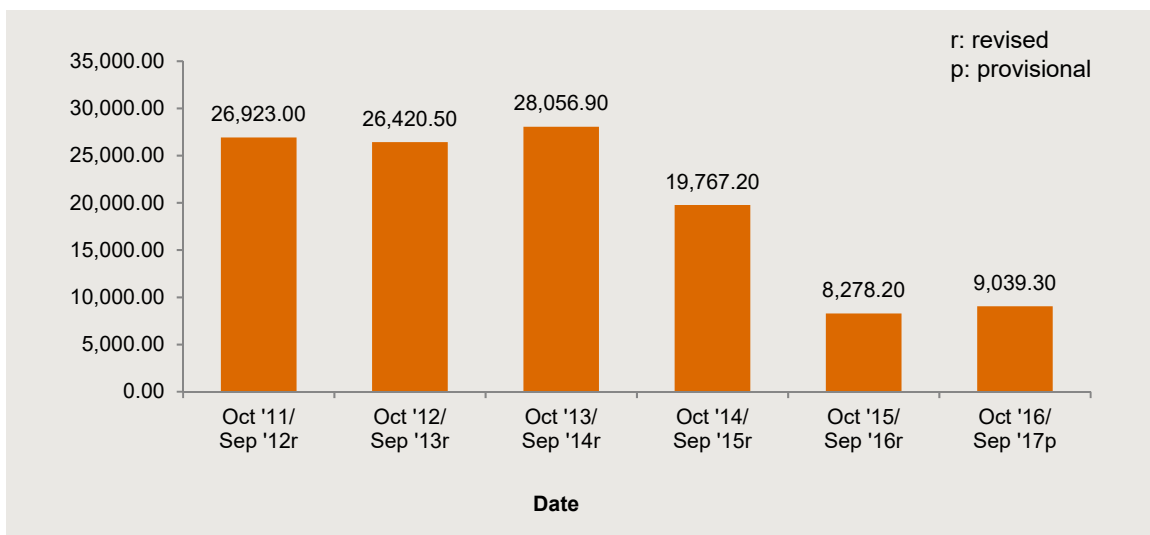
- bpTT's discovery of approximately 2 trillion cubic feet of gas in the Savannah and Macadamia exploration wells.
- BHP's discovery of natural gas in its deep-water exploration wells LeClerc-1 and Victoria-1.
- bpTT's Angelin Project which has a production capacity of approximately 600 million standard cubic feet of gas a day with first gas expected in 2019.
- DeNovo's Iguana marginal gas field on Block 1(a) which is expected to produce first gas in Q1 2019.

- T&T/Venezuela Dragon gas deals in which T&T will receive 150 mcf of gas per day, (eventually to increase to 300 mcf) from Venezuela's Dragon field through a 17-kilometre pipeline to Shell's Hibiscus platform offshore. This is expected to begin in 2020.

Further, the Government has taken tangible steps to address the potential decrease in supply by entering into Agreements with the Governments of Guyana and Venezuela respectively. These agreements are primarily geared to increase supply as well as strengthen the cooperation between T&T and these countries in this major sector.

While these items will be fruitful for T&T and help relieve T&T's revenue generation and collection woes, our economy's heavy dependence on the energy sector is untenable.

Energy sector revenue – TT\$ million



Source: Review of the Economy 2017

Tax facts

	2019	2018
Income Tax		
Allowances/Deductions		
Tax Rate (Chargeable Income < \$1m)	25%	25%
Tax Rate (Chargeable Income > \$1m)	30%	30%
Personal Allowance	\$72,000 (1)	\$72,000
Tertiary Education Allowance	\$72,000 (2)	\$60,000
Pension/Deferred Annuity	\$50,000 (3)	\$50,000
National Insurance	70%	70%
First Time Homeowner Allowance	\$25,000 (4)	\$25,000
Stamp Duty Threshold	\$1,500,000 (5)	\$850,000
Contributions under a Deed of Covenant	15% of Total Income (6)	15% of Total Income
Venture Capital Tax Credit	30% of Investment (7)	30% of Investment
CNG Kit and Cylinder Tax Credit	25% of Total Cost (7)	25% of Total Cost
Solar Water Heating Equipment Tax Credit	25% of Total Cost (7)	25% of Total Cost
Tax credits on National Tax Free Savings Bonds	25% of \$5,000 (8)	25% of \$5,000
Severance Pay exemption limit	\$300,000	\$300,000
Alimony paid	No Limit	No Limit
Guest house approved capital expenditure deduction	No Limit	No Limit

Notes:

- (1) Personal allowance of \$72,000 available to all resident individuals and non resident individuals receiving pension income accruing in or derived from T&T.
- (2) For attendance at foreign universities not GORTT funded. Claim limited to \$72,000 per year w.e.f January 1, 2019.
- (3) Maximum claim of \$50,000 from 2015.
- (4) First-time homeowners deduction for five (5) years for properties purchased/constructed after January 1, 2011.
- (5) Stamp Duty threshold for first time homeowners increased to \$1,500,000 w.e.f January 1, 2019
- (6) Contributions under a Deed of Covenant include donations to approved sporting bodies, charitable organisations and/or The Children Life Fund.
- (7) Tax Credits limited to \$10,000 for each. Any unrelieved credit on the Venture Capital Investments can be carried forward if unrelieved in the first year.
- (8) Purchase of GORTT bonds. Tax credit restricted to a maximum of \$1,250 per year. Unrelieved tax credits can be set off against future tax liabilities.



Tax facts

Investment Income

Local distributions (dividends, mutual fund income, etc.)	Exempt	Exempt
Interest (individuals)	Exempt (1)	Exempt
Gains or Profits from sale of residential house sites	Exempt (2)	Exempt
Sale/Rental income from commercial buildings/ multi-storey car parks	Exempt (3)	Exempt
Premiums and rents from letting of newly constructed multi-family dwelling	Exempt (4)	Exempt
Gains or Profits from the initial sale of newly constructed multi-family dwelling	Exempt (5)	Exempt

Notes:

- (1) Certain interest income as per Section 8 of the Income Tax Act
- (2) Construction must have commenced on or after 1st October 2012 and relates to persons in the business of property development. Profits exempt until December 31, 2025.
- (3) Construction must have commenced on or after 1st October 2012. Profits/Rental Income exempt until December 31, 2025.
- (4) Construction must have commenced on or after 1st July 2016. Income exempt until December 31, 2025.
- (5) Construction must have commenced on or after 1st July 2016. Profits exempt until December 31, 2025.

	2019	2018
Corporation Tax		
Allowances/Deductions		
Corporation Tax Rates (Petrochemicals)	35%	35%
Corporation Tax Rates (Other)	30%	30%
Corporation Tax Rates (Commercial Banks)	35%	35%
Small and Medium Size (SME)	10% (1)	10%
Business Levy (On Gross Sales & Receipts)	0.6%	0.6%
Green Fund Levy (On Gross Sales & Receipts)	0.3%	0.3%
Initial Allowance (Manufacturing Companies)	90%	90%
Scholarship Allowance	Expense incurred	Expense incurred
Art and Culture/Sportsmen/Sporting Activities	Expense incurred (2)	Expense incurred
Promotional Allowance	150% uplift	150% uplift
Audio/Visual/Video Production Allowance	150% uplift (2)	150% uplift
Fashion Allowance	150% uplift (2)	150% uplift
Production Company Allowance	150% uplift (3)	150% uplift
Energy Service Company Allowance	150% uplift	150% uplift
Covenanted donations to charity	15% of Total Income (4)	15% of Total Income
Employees training/retraining	150% uplift	150% uplift

Notes:

- (1) A tax rate of 10% rate would apply for the first five years from listing on the T&T Stock Exchange.
- (2) Tax deduction up to a maximum of \$3m. Aggregate of all claims restricted to \$3m.
- (3) Allowance only available to production companies. \$3m limit.
- (4) Covenanted donations to charity include approved sporting bodies, charitable organisations and/or The Children's Life Fund.

Tax facts

Petroleum Taxes

Petroleum Profits Tax

- Petroleum Operations	50%	50%
- Petroleum Operations - Deep water block	35%	35%
Unemployment Levy	5%	5%
Supplemental Petroleum Tax	Base & sliding scale	Base & sliding scale

Value Added Tax

VAT Rate	12.5%	12.5%
Registration Threshold	\$500,000	\$500,000

	2019	2018
Alternative Energy Incentives		
Wear and Tear Allowance (CNG)	130%	(1) 130%
Wear and Tear Allowance (Solar & Wind)	150%	(2) 150%
New and Used electric private & commercial vehicles (not older than 4 yrs) Engine size 179kw	Duty, Motor Vehicle Tax Exempt - VAT 0%	Duty, Motor Vehicle Tax Exempt - VAT 0%
New and Used Hybrid Private & Commercial Vehicles (not older than 4 yrs) Engine size <1599cc.	Duties, Motor Vehicle Tax Exempt and VAT - 0%	Duties, Motor Vehicle Tax Exempt and VAT - 0%
All New and Used CNG Private & Commercial Vehicles (not older than 4 yrs) Engine size, 1599cc.	Duties, Motor Vehicle Tax Exempt and VAT - 0%	Duties, Motor Vehicle Tax Exempt and VAT - 0%
Private passenger vehicles - Engine size >1599cc but <1999cc	Increase M/V Tax and Duties by 25%	Increase M/V Tax and Duties by 25%
Motorcycles - Engine size - 300cc	Duties & taxes exempt	Duties & taxes exempt

Notes:

(1) 130% of cost of acquiring plant, machinery and equipment for the purpose of providing a CNG kit and cylinder installation service or on the acquisition and installation in a motor vehicle of a CNG kit and cylinder.

(2) Effective 1 January 2011, allowance based on plant and machinery, parts and materials for manufacture of solar water heaters/wind turbines/solar photovoltaic systems.



Tax facts

Individual Tax Computation

Middle Income Person

TTS	2019	2018
Total Income	400,000	400,000
Less		
Personal allowance	72,000 (1)	72,000
Tertiary Education Allowance	72,000 (2)	60,000
Pensions/Annuity/NIS contributions	50,000 (3)	50,000
First time homeowner	25,000 (5)	25,000
Contributions under a Deed of Covenant	30,000 (4)	30,000
Total Deductions	249,000	237,000
Taxable Income	151,000	163,000
Income Tax Liability	37,750	40,750
Effective Tax Rate	9.4%	10.2%

High Income Person

TTS	2019	2018
Total Income	2,400,000	2,400,000
Less		
Personal Allowance	72,000 (1)	72,000
Tertiary Education Allowance	72,000 (2)	60,000
Pensions/Annuity/NIS contributions	50,000 (3)	50,000
Contributions under a Deed of Covenant	100,000 (4)	100,000
Total Deductions	294,000	282,000
Taxable Income	2,106,000	2,118,000
Progressive tax rate		
Tax @ 25% (\$0 - \$1m)	250,000	250,000
Tax @ 30% (> \$1m)	331,800	335,400
Total Tax Liability	581,800	585,400
Effective Tax Rate	24.2%	24.4%

Notes:

- (1) Personal allowance of \$72,000 available to all resident individuals and non resident individuals receiving pension income accruing in or derived from T&T.
- (2) Maximum claim between spouses restricted to \$72,000.
- (3) Limited to \$50,000.
- (4) Restricted to 15% of total income. Contributions under a Deed of Covenant include donations to approved sporting bodies, charitable organisations and/or The Children's Life Fund.
- (5) First time home owner means "(a) the purchase for the first time of a completed on or after 1st January 2011; or (b) the construction for the first time of a house completed on or after 1 January, 2011.

Tax facts

Corporation tax computation Company engaged in manufacturing activity

TT\$ in 000's	2019	2018
Profit as per Financial Statements	40,000	40,000
Add:		
Depreciation	6,500	6,500
Donations not under Deed of Covenant	100	100
Audio Visual and fashion donations	2,000	2,000
Staff training	100	100
	8,700	8,700
Less:		
Audio Visual & Fashion Allowance	3,000	3,000
Wear and Tear Allowance	5,000	5,000
Initial Allowance (90%)	3,500	3,500
Profit on Sale of Asset	175	175
Staff training (150% uplift)	150	150
	11,825	11,825
Chargeable Profits	36,875	36,875
Corporation Tax @ 30% (*)	11,063	11,063
Effective Tax Rates	27.7%	27.7%
Business Levy		
Gross Sales/Receipts	500,000	500,000
Business Levy @ 0.6%	3,000	3,000
Green Fund Levy		
Gross Sales/Receipts	500,000	500,000
Green Fund Levy @ 0.3%	1,500	1,500
Assumptions		
Company is not engaged in the production of petrochemicals.		
Company engaged in manufacturing activity.		
Company is not a video production company.		

*The rate change was effective from 1 January 2018.



Tax facts

Corporation tax computation Commercial Banks

TT\$ in 000's	2019	2018
Profit as per Financial Statements	300,000	300,000
Add:		
Depreciation	3,600	3,600
Donations not under Deed of Covenant	200	200
Amortised premiums on investment	6,400	6,400
Staff training	400	400
	10,600	10,600
Less:		
Wear and Tear Allowance	7,000	7,000
Tax Exempt Income	1,000	1,000
Staff training (150% uplift)	600	600
	8,600	8,600
Chargeable Profits	302,000	302,000
Corporation Tax @ 35% (*)	105,700	105,700
Total Corporation Tax	105,700	105,700
Effective Tax Rates	35.2%	35.2%
Business Levy		
Gross Sales/Receipts	499,000	499,000
Business Levy @ 0.6%	2,994	2,994
Green Fund Levy		
Gross Sales/Receipts	500,000	500,000
Green Fund Levy @ 0.3%	1,500	1,500

*The rate change was effective from 1 January 2018.



Tax facts

Corporation Tax Computation Small and Medium Enterprises

TTS in 000's	2019	2018
Profit as per Financial Statements	250	250
Add:		
Depreciation	40	40
Audio Visual and fashion donations	10	10
Donations not under Deed of Covenant	6	6
	56	56
Less:		
Audio Visual & Fashion Allowance	15	15
Wear and Tear Allowance	25	25
	40	40
Chargeable Profit	266	266
Corporation Tax @ 10%	27	27
Effective Tax Rates	0	0
Business Levy		
Gross Sales/Receipts	4,000	4,000
Business Levy @0.6%	24	24
Green Fund Levy		
Gross Sales/Receipts	4,000	4,000
Green Fund Levy @0.3%	12	12
Assumptions		
Company is not engaged in the production of petrochemicals.		
Company is an SME listed company and is operating within the first five years of being listed.		



PwC's tax & legal services

Tax consulting services

These assignments include advice related to executive and employee compensation, withholding and various tax and double tax treaty implications of clients' business operations. Additionally, our team of tax specialists advises on special areas such as:

- Corporate finance and funding arrangements
- Acquisitions and merger tax implications
- Debt restructuring and debt workouts
- Transfer pricing arrangements
- Commodity and financial derivative issues
- Thin capitalisation rules
- State and Central Government proposals for the introduction of incentives to attract foreign direct investment as well as Regional/Government proposals for reorganisation of taxing authorities.

Compliance services

Corporate tax returns

Review and/or preparation of tax returns based on the financial data provided and advice regarding areas of exposure to reassessment by the tax authorities and recommendations for addressing same.

VAT returns – Preparation of monthly/bi-monthly VAT Returns and associated refund claims if required. Maintenance of a VAT refund monitoring programme for our clients geared towards expediting the receipt or refunds by identifying and clearing up any queries by the Inland Revenue Division on a timely basis.

Quarterly installments – We notify our clients of quarterly tax installments due and payable and where applicable we make applications to the tax authorities for adjustment of these installments.

Personal income tax returns
Preparation of personal income tax returns for expatriate personnel.

Tax audit and dispute resolution

Objections/appeals

We provide assistance, advice and support throughout the Audit, Objections and Appeal Stages.

Maintain tax accounting and payroll accounting.

Our PwC tax team

PwC helps organisations and individuals create value they're looking for. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

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PwC has prepared this budget memorandum on the principal changes in the 2019 National Budget read on 1 October 2018.