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October 2019

Hope amidst uncertainty

Budget memorandum

2020

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A message from our territory leader

Brian Hackett
Territory Senior Partner

We are pleased to present our 26th annual Post-Budget Memorandum "Hope amidst uncertainty" in response to the 2019/2020 National Budget presented by the Honourable Colm Imbert, Minister of Finance, on 7 October 2019. This publication provides a platform for us to share our perspectives on the fiscal and other policies announced during the Minister's presentation, and we look forward to obtaining greater details of the proposed measures from the relevant Ministers in the upcoming Budget Debate in Parliament.

The 2020 Budget presentation, the last of the Government's current five-year term in office, provides an opportune point to reflect on the Government's overall fiscal management of the economy and the impact of the proposed measures for the 2020 financial year.

Globally, the uncertainty of unsettled geopolitical tensions, the ramifications of a likely prolonged trade war between the United States and China and the knock-on effects of Brexit all threaten to impact local and regional economies to varying degrees in the coming fiscal year.

> **"...an opportune point to reflect on the Government's overall fiscal management of the economy..."**

As we continue as a nation to settle into the new economic reality, the Government's continued focus over the last few years on exercising fiscal prudence in their attempts to constrain spending, in light of energy related declines in revenue, must be acknowledged and commended. So too their attempts to find the appropriate balance between providing for the most vulnerable in our society, without further deepening the entrenched culture of dependence and entitlement should be commended. Additionally, the Government's plan to absorb a portion of the Venezuelan migrants into society as productive contributors to the economy is well-intentioned and for the most part, appears to be successful.

We have noted some improvements in the various macroeconomic indicators and are encouraged by the narrowing of the gap between revenue inflows and expenditure and are hopeful that we are moving closer to achieving the troublingly elusive target of a balanced national budget in the near future. There is still a need however, for additional sustainable revenue generating measures, outside of one-off sale/ monetisation of government assets, bond issues and amnesties.

There continues to be a call from the business community for the Government to provide the right framework and fiscal incentives to foster sustainable growth in the non-energy sector, foreign direct investment, timely and efficient interactions when conducting business with the Government and generally, for the state to reduce the size of its footprint within the local business community.

Regrettably, the 15% increase in the rates of pay for CEPEP and URP workers, though not necessarily excessive in the overall levels of remuneration for persons employed in this sector does, yet again, potentially signal the increasingly permanent nature of these temporary relief measures and, as in the past, this move will likely serve to exacerbate the labour shortages at such income levels in the economy.

Conversely, despite the Government being the largest conglomerate and employer in the country, they cannot shoulder the country's need for increased productivity, innovation and diversification alone. It is therefore heartening to hear of the increased levels of productivity as certified by the Central Statistical Office.

On the issue of crime, the feedback from the business sector has been one of renewed optimism. While stated plans and proposed crime reduction measures are encouraging and unquestionably a step in the right direction, we share public opinion that the timeliness of implementation will be the real test of the relevance and efficacy of these measures.

“...a call from the business community for the Government to provide the right framework and fiscal incentives to foster sustainable growth...”

The popularity of recent corporate filing and tax amnesties which earned TT$2.382bn suggests that, as a people, we could do better with our ongoing compliance commitments in a timely manner. On the other hand, while the Government has made several commitments to settle outstanding Value Added Tax (VAT) refunds, this continues to have a crippling effect on many businesses. Of great concern is that this issue, along with the chronic inability to readily obtain hard currency to conduct business and repatriate earnings, has now, regrettably, become part of the conversation for international businesses looking to do business in Trinidad and Tobago and for local businesses looking to expand operations.

The prospect of having multiple large VAT refunds outstanding for more than 12 months, is not particularly attractive to local and international businesses. In a highly competitive global marketplace, the perception should not be that VAT is a material cost of doing business in Trinidad and Tobago. Accordingly, like many others in the business community, we hope that the government bonds, albeit at off-market interest rates, which have been proposed as a settlement mechanism, will provide meaningful relief to the outstanding refund issue.

Finally, as you read this digital copy of our publication, it is worth noting that we welcome the Government's commitment to place the environment at the centre of development. This echos our own commitment to being positive environmental contributors. We are pleased to announce that we have taken a decision not to print for distribution any copies of this publication. This is one of many initiatives we have put in place as we continue our move to becoming a greener organisation.

For the fiscal year 2020, we are hopeful that we will see a sustained focus on requiring the implementation of mandatory international corporate governance standards and yearly training for members for all Government Boards and Statutory Bodies. Additionally, the potential impact of the digitalisation of the nation and the resulting accountability, efficiencies, growth, diversification and productivity cannot be overstated. As with the various crime reduction announcements, we look forward to the implementation of the various proposed policies and measures.

“...it is worth noting that we welcome the Government's commitment to place the environment at the centre of development.”

Lastly, we fully endorse the Minister's call for the business community to continue to contribute to nation building as is currently being done on multiple levels. Most notable are the various corporate social responsibility/community outreach programmes which contribute to helping those in need, raising awareness of social issues and bringing us closer together as a nation.

Accordingly, we look forward to the Budget Debate in Parliament and to the implementation of the proposed measures and policies. In the interim, should you wish to discuss the impact to your organisation of any of the proposed measures, please reach out to our Tax & Legal Services Leaders.

Brian Hackett

Territory Senior Partner

Angelique Bart
Territory Tax & Legal Services Leader

Our tax leader's thoughts

The Honourable Colm Imbert, Minister of Finance, delivered in the House of Representatives, his fifth and final budget of this Administration's tenure under the theme "Stability, Strength and Growth."

The Government deserves some commendation for being fiscally prudent over the last four years and this budget was in some respects, equally as prudent. Many may not realise that economic recovery is a complex question, which cannot be definitively answered by any Government given broader economic challenges and external influences. Notwithstanding, we are hopeful that the Government will provide the framework for additional revenue generating measures to assist in the process.

As in the prior budget the Honourable Minister reported that, based on the statistical data available to his Ministry, key macroeconomic indicators are reflecting that the economy is heading in a positive direction. For example, the overall fiscal deficit in 2019 will be lower than projected so the deficit will be $3.94bn or 2.38% of Gross Domestic Product (GDP) as opposed to the projected deficit of $ 4.57bn or 2.85% of GDP.

While the Honourable Minister provided additional evidence to support his positive outlook of the economy in his presentation, the question from the woman on the street remains the same - when will she start to see and feel a tangible impact of this on her life? To that woman, we say that the effects of these measures are medium to long term.

> **"The Government deserves some commendation for being fiscally prudent over the last four years..."**

The 2020 fiscal budget is based on an oil price of US$60 per barrel and a gas price of US$3 per MMBtu. Total Revenue and Expenditure have been budgeted at $47.749bn and $53.036bn respectively, resulting in a projected fiscal deficit of $5.287bn or 3.1% of GDP for fiscal year

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2020. It is worth mentioning that in spite of the fact that the budget is predicated on oil and gas prices, oil production has significantly declined over the last few years and the economy is largely supported by the supply of natural gas.

In the short to medium term, it was a relief to hear of the potential boost in oil and gas production from deepwater activities from BHP Billiton's Ruby Field and other companies, as well as the likely extension of our proven gas reserves to 14.6 years.

"...an efficient, transparent and accountable tax administration and an equitable, transparent, fair and reasonable property tax regime will, in the medium to long term, benefit all citizens."

We appreciated the fact that the Honourable Minister squarely commented on the Revenue Authority, Property Tax and VAT refunds. As stated, the Minister anticipates that the Revenue Authority will become operational in fiscal 2020 and it appears that care is being taken in conducting the property assessments. We believe that an efficient, transparent and accountable tax administration and an equitable, transparent, fair and reasonable property tax regime will, in the medium to long term, benefit all citizens.

On the issue of VAT refunds, it was heartening to hear the Honourable Minister's acknowledgement of the persistent delays in refund payments to the business community and in reality, these delays have caused severe cash flow issues for many VAT registrants. We also fully appreciate Government's constraints in settling these sums in a timely fashion. We are of the view that the proposed TT$3bn interest-bearing bonds is a unique solution to the pervasive refunds issue and we look forward to the Minister providing greater details on this and particularly, clarification on the tax treatment when those bonds are traded or transferred.

We know that manufacturers continue to experience difficulties in accessing foreign exchange to conduct business. We anticipate that they will be pleased to hear of the additional allocation to the EXIMBANK facility, but we would ask that the bank revisits its policies for companies wishing to access the fund. Further, the expansion of the promotional expenses allowance to facilitate an uplift to first-time exporters to certain CARICOM markets is a positive and laudable initiative. We would strongly urge the Government to consider expanding this allowance to existing exporters since many of our local manufacturers are dominant suppliers of products in the region. This is likely to augment much-needed foreign exchange earnings.

The tax incentives proposed for agriculture and agro-processing were unexpected but understandable given our need for diversification of the economy and for greater food security; issues which have proven to be elusive for far too long. This has the potential to reduce our food import bill, alleviate the foreign exchange demand and curb inflation.

In terms of revenue generation, we note that the recent tax amnesties resulted in collections of $2.382bn - the largest amount ever collected by the Government. We would caution against widespread jubilation and judgement on taxpayers since a portion of these payments were made provisionally pending the outcome of tax disputes that are in progress. In respect of Tobago, it was a relief to hear of efforts to stimulate Tobago's economy including Government's intention to name an operator for the Magdalena Grand Beach and Golf Resort, the new terminal building at the ANR Robinson International Airport and the proposed new ferries to improve the sea bridge between the twin isles.

Additionally, in keeping with global trends and initiatives, Government should be applauded for leading by example in implementing environmental conservation plans. This includes banning the importation of Styrofoam (polystyrene) for use in the food industry and single-use plastics; requiring local manufacturers to include additives to make their products biodegradable, revisiting energy consumption in public buildings, incentivising solar energy for households and aspiring to have smart cities.

This is the start of a meaningful conversation around global warming and preservation of the planet's resources. We hope that the private sector uses this as the impetus for changing its outlook on this critical issue and furthering the conversation around the use of technology to achieve energy and other business efficiencies.

"...in keeping with global trends and initiatives, Government should be applauded for leading by example in implementing an energy conservation plan."

Finally, we look forward to the details surrounding the fiscal measures proposed, such as the long-awaited amendments to the taxation regime for long term insurance companies and the Special Economic Zone to replace the under-utilised free zones regime.

In the interim, we have provided our initial thoughts on the likely impact of the measures in this memorandum. Our PwC Team stands ready to discuss how the proposed measures could impact your organisation, so please do not hesitate to contact us.

Angelique Bart

Territory Tax & Legal Services Leader

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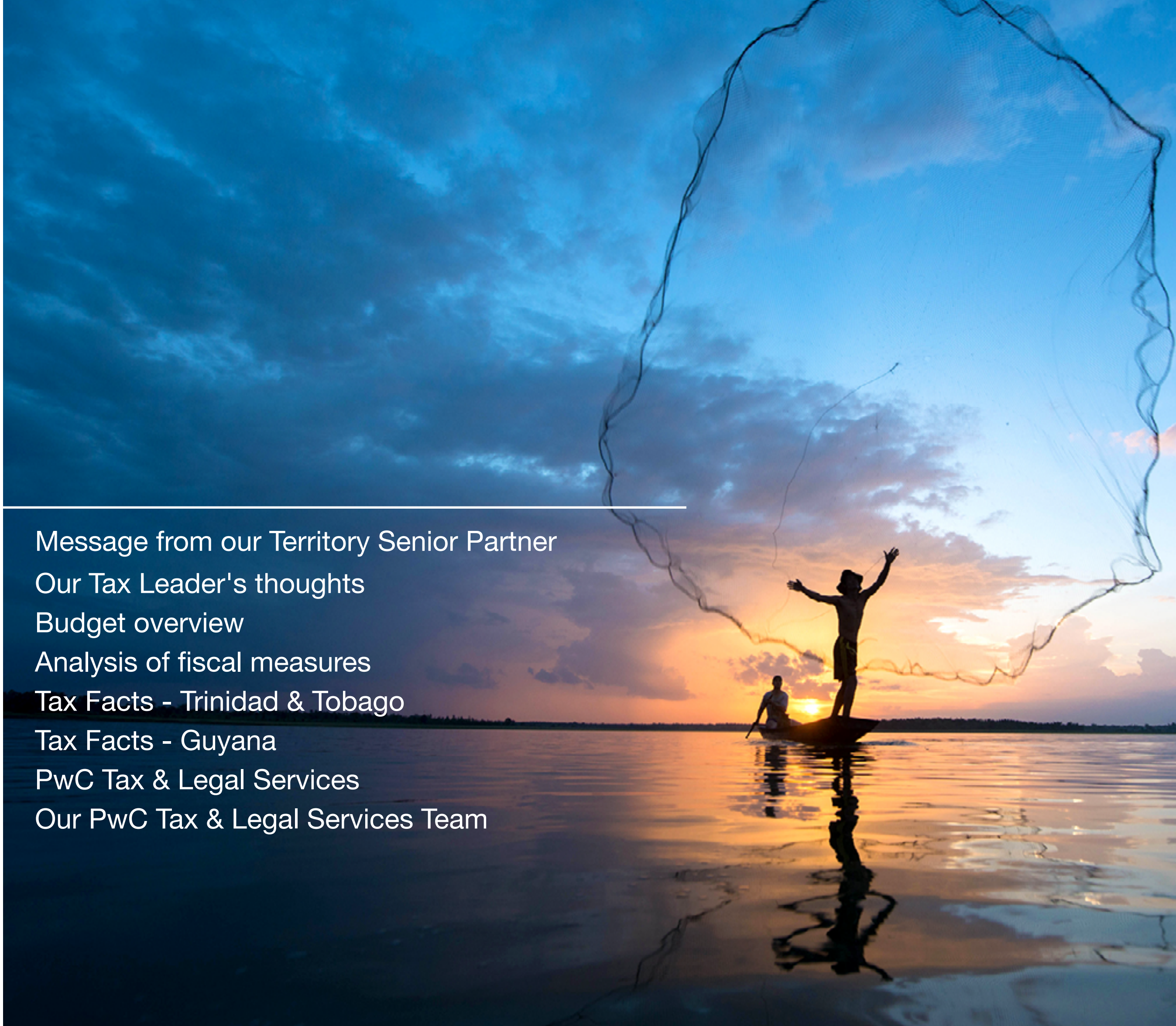

Budget overview

The Honourable Finance Minister, Colm Imbert presented the 2020 Budget delivered under the theme “Stability, Strength and Growth” is in line with the Government’s efforts to rebuild the economy and foster a sense of hope, and confidence among the citizenry.

The Minister highlighted that despite inadequate resources, the Administration was able to attain several macroeconomic achievements including headline inflation at 1.2% in August 2019, and economic growth projected at 0.9% for calendar year 2019 in accordance with the most recent World Bank estimate.

While a fiscal deficit budget was once again projected for 2020, (marginal increase to $5.287bn or 3.1% of Gross Domestic Product), the Administration has been fiscally prudent by controlling government expenditure. In fact, the 2019 fiscal deficit of $3.945bn was lower than the originally projected deficit of $4.05bn. This was not an easy feat and the honourable Minister and his team should be commended for their conservatism in government spending over the last four years. This has no doubt borne fruit and one can only imagine that had it not been for some strong but painful decisions, economic indicators would’ve been much worse.

With major allocations to education, training, national security and health estimated expenditure for fiscal 2020 is projected to be $53.036bn. The expenses are to be financed by revenue of $47.749bn mainly stemming from taxes on income and profits of $20.8bn, taxes on goods and services of $8.6bn and property income of $11.7m. Non-oil revenue was projected to be $35.795bn.

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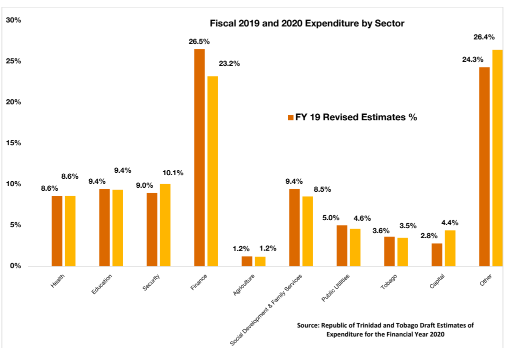
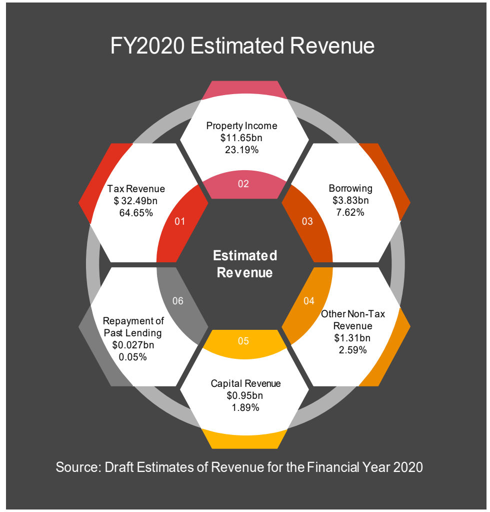
Oil revenue on the other hand, is estimated to be $11.004bn and it is predicated on the oil and gas prices assumptions established in the Mid-year Budget Review of US$60 per barrel and US$3.00 per MMBtu, respectively. These prices are not consistent with the 2020 West Texas Intermediate prices of US$56.50 per barrel in relation to oil and Henry Hub's 2020 gas price of US$2.55 per MMBtu.





Moreover, Trinidad and Tobago's energy-related revenue is largely driven from the supply of natural gas as opposed to the sale of crude oil which has been steadily declining over the years. We should however note that the deepwater exploration activity of the BHP Ruby Field as well as those of other companies is intended to yield increased crude oil production and natural gas proven reserves are projected to last for another 14.6 years.

No new taxes were imposed and there were no increases in the tax rates. However, it appears from Draft Estimates produced by the Ministry of Finance that transfers and subsidies have increased.

Further, we welcome the fact that strides have been made to ensure that property assessments are done in an organised fashion and particularly, we note that 60,000 properties have been assessed but this is well below the statutory target of 250,000 properties in order for the property tax to be brought into effect. Therefore, we await legislative confirmation of the extension of the moratorium from September 2018 to 31 December 2018. Further, given the status update provided by the Minister, it seems unlikely that property taxes can be implemented for 2019.

Given the challenges in collecting tax revenues to the same level as was done in the past, the Government has within recent years sought to raise capital through debt-financing to fund

Budget overview

its national development strategy. In this regard and following on the heels of the success of the oversubscribed National Investment Fund (NIF) bond issue, Government has announced that it proposes to:

a) finance the provision of housing units by the issuance of a $1bn bond at the rate of 4.5%; and

b) allow the Tobago House of Assembly (THA) for the first time to raise financing via the issuance of a bond of $300m to fund critical projects in Tobago.

The overall debt levels are increasing and we would like to see a more cautious approach being adopted in the future to debt-financing since debt-servicing ratios are also increasing. Amongst the institutional reforms being considered by the Government are:

The pension process

Pensioners who were born in Trinidad and Tobago and possess a computerised birth certificate with an associated personal identification number (PIN) would be relieved to know that the requirement to submit bi-annual life certificates will be eliminated thus alleviating an undue burden to pensioners and the Treasury. All other categories are still required to complete the life certificate on a semi-annual basis due to administrative issues.

The immigration process

In an effort to keep up with international best practice, the Minister has proposed to eliminate arrival forms at airports effective 2020 and implement a new system which will rely on advance passenger information using machine readable passports and other appropriate technology. This initiative is expected to improve efficiency of Immigration and Customs resulting in significantly shorter lines at our airports and ultimately enhancing the travel experience for passengers utilising this mode of transportation.

A series of proposed social measures were presented by the Minister and some of these are as follows:

On the Job Training

With respect to the On the Job Training (OJT) Programme, the Minister proposed to increase OJT stipends by 10% effective 1 December 2019. The current stipend, based on the trainee's level of qualification ranges from $2,750 to $7,920 per month. A 10% increase will be welcomed by the trainees and would result in an increase in their disposable income ranging from $275 to $792 per month. It should be noted that the OJT's salary costs are borne by the Government and not the companies to which they are placed, hence this proposed measure will have no direct impact on the operational cost of those companies.

Further, it was also announced that the intake for the OJT programme will be increased to 8,000 trainees.

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Based on these proposed measures the OJT programme will become more attractive to school leavers and university graduates and would help reduce the current issue of placement of new graduates and reduce the rate of unemployment in the country.

Minimum wage

Lower income earners, approximately 194,000 persons in the workforce, can look forward to a proposed increase in minimum wage to $17.50 per hour, effective 1 December 2019. This increase represents a 40% increase over the last four years. This measure will increase the disposable income available to low income earners, but concomitantly, would result in increased costs of doing business in Trinidad and Tobago in relation to wage costs and employer's National Insurance contributions.

CEPEP and URP

Given the increased cost of living, the proposed 15% increases to CEPEP and URP workers and contractors intended to take effect 1 December 2019, would be appreciated by these workers. The spin off effect however is that other categories of workers in particular unionised workers may advocate for similar increases which can create some tension in the labour force. Further, the private sector is not insulated from such wage adjustments since on the one hand it allows for an increase in spending power but on the other hand will force most companies to revisit their overall compensation packages.

Public service pension

Daily paid workers in the public service with an "appropriate length of service" will now be eligible for a minimum Public Service pension of $3,500 per month Previously they were entitled to a lump sum on retirement in the form of gratuity. Currently there is a contributory health plan in place and the intention is that the pension plan to be enacted in December 2019 will also be contributory.

Concession on Co-operative Society shares

Currently, there is a limit of $5,000 imposed on transfer of shares or interest payable to a nominated beneficiary upon the death of a member. It has been proposed to amend the Co-operative Societies' Act to increase this limit to $50,000, effective 1 January 2020. The Minister also advised of his intention for Co-operative societies and credit unions to be able to accept payment of utility bills subject to the implementation of the relevant machinery. Additionally, a new regulator of financial cooperatives has been proposed to be created. This entity will report to the Ministry of Finance and have full control over this sector and the services provided by Credit Unions will be extended to include quasi-banking services including encashment of cheque and teller services. We await further details on this measure to better assess the impact. Nevertheless, the appropriate regulations will be required

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to ensure that proper controls are implemented by Co-operative Societies and as far as possible the appropriate support in respect of training and implementation should be facilitated by the Government.

In an effort to promote a greener environment, the Minister announced a ban on the importation of Styrofoam (polystyrene) and single-use plastic containers. This measure is carded to take effect on 1 January 2020. Further measures such as the prohibition on the use of plastic water bottles in Government offices will also be implemented in support of the Government's green agenda. These measures are in keeping with global trends and the increased pressure on emerging markets to put measures in place to protect the environment.

The Minister also announced the move towards a Special Economic Zone. This new regime will replace the existing Free Zone regime and is intended to expand the non-energy sector. While further details were not provided by the Minister, he acknowledged that this measure is to ensure compliance with the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Inclusive Framework and the EU's Code of Conduct. The existing Free Zone regime provides a broad range of incentives to qualifying companies engaged in the production of goods and services geared largely for export. These incentives include exemption from:

- corporation tax, business levy or any other tax or levy on sales, receipts, profits or gains which apply to an approved enterprise engaged in exporting services from a free zone to a territory other than the customs territory;
- withholding tax on the remittance or deemed remittance to a non resident of profits of a branch, dividends and other distributions arising from the activities of an approved enterprise within the free zone;
- customs duties on imports of goods into a free zone by an approved enterprise.

In Trinidad and Tobago the free zone regime has arguably not yielded the desired result in respect of promoting diversification and attracting a significant level of foreign direct investment. There is therefore compelling reasons for the Government to move away from this structure and embrace a structure that ultimately attracts more foreign direct investment, promotes diversification and presents opportunities for ease of doing business.

Finally, for close to two decades the Government has been seeking to establish the right governance model to achieve an appropriately high-level of tax-payer compliance within the tax and customs administration. The Minister advised that the tax gap has

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been estimated to be in the vicinity of approximately $5bn or 10% of public revenue. After much time, effort and resources have been spent, the policy framework informing the Trinidad and Tobago Revenue Authority (TTRA) Bill will soon be re-laid in Parliament and the TTRA is expected to be fully operational in fiscal 2020.

Conclusion

In the wake of economic uncertainty created largely by a volatile oil and gas sector and certain international developments such as the US and China trade wars, the measures proposed by the Government present a ray of hope to the population who welcome the economic stability. Nevertheless, there is still the burning need to introduce more measures geared at stimulating growth in revenue, diversification and increase in foreign investments. Issues such as the forex shortage and the resulting impact on investment were not addressed.

Analysis of fiscal measures

Energy

Over the past years, there has been a sharp decline in revenue earned from the energy sector due to a number of factors such as; reduction in prices, depleting production, accelerated capital allowances and other tax incentives offered to the energy sector. The combined effect of these factors may result in an accumulation of tax losses which can adversely impact Government's taxation revenue in the future when prices and production increases.

To alleviate this, the Honourable Minister of Finance proposed the following (effective 1 January 2020):

- Extend the capital allowance write-off period from three years (50%/30%/20%) to five years (20% straight line):
- Reduction in the tax loss relief rate from 100% to 75% for energy companies

The Minister anticipates that these measures will result in additional revenue for the Government.

The multinationals who may be assessing future investment in exploration and development projects in Trinidad and Tobago will have to relook at its cash flow projection model and adjust it accordingly for these fiscal changes. These measures ought not to negatively impact foreign direct investment and ought to result in additional revenue for the Country in the short term.

With oil prices currently averaging above US$50 per barrel, the increase in the Investment Tax Credit from 20% to 25% for the computation of Supplemental Petroleum Tax (SPT) will be welcomed by the petroleum companies who operate in mature oil fields and perform enhanced oil recovery projects. It is notable though that most companies would have preferred a reform to the SPT regime as many of the smaller operators who operate under farmout and lease operatorships agreements have continuously voiced their concern regarding the negative cash flows experienced when oil prices are in the low US$50s.

Life Insurance Companies - Taxation Reform

Two main issues have prompted the revamping of the fiscal regime applicable to life insurance companies. These are:

(i) the complexity of the current fiscal regime; and

(ii) the impact of the new provisions of the Insurance Act, 2018, Chapter 84:01 which was assented to on 4 June 2018 (yet to be proclaimed).

Analysis of fiscal measures

Nexus between statutory fund and taxation of the life insurance business

We have outlined below the salient features of the current fiscal regime.

The First and Fourth Schedules of the Corporation Tax Act (CTA) prescribe the tax treatment to be applied to life insurance companies. The classes of long-term business listed in the Fourth Schedule include ordinary life insurance business, general annuity business, industrial life insurance business, approved annuity business, bond investment business, non-cancelable sickness and accident insurance business.

Section 3(1) of the Corporation Tax Act currently provides as follows:

3. (1) The profits of the long-term insurance business of an assurance company on which corporation tax is payable shall be profits derived from the investment of its Statutory Fund, (…)

Item 2 of the First Schedule provides as follows:

2. In the case of the long-term insurance business of an assurance company the rate of tax shall be 15 per cent, except that where profits of that business are transferred to the shareholder's account

Every company carrying on long-term assurance business in Trinidad and Tobago is required to establish a Statutory Fund into which it must place assets equal to its liability and contingency reserves with respect to Trinidad and Tobago policyholders as at its last balance sheet date.

In brief, (save for where there is a transfer from policyholders to shareholders), the long term insurance business in Trinidad and Tobago is subject to corporation tax at 15% <u>on the profits derived from the investment of its Statutory Fund.</u>

The disbanding of the Statutory Fund by the new Insurance Legislation would have taken away the very foundation of the fiscal regime for life insurance companies.

Life insurance industry- the delicate balance

Technocrats around the world agree that the integrity of the financial system of a country is instrumental to the health of the overall economy in that jurisdiction. Further, governments recognise the role of insurers as an economic security device in that:

(i) insurance products work as a substitute for government social security programs and thus tend to reduce the import of social welfare; and

(ii) the insurance industry encourages savings and channels these in large proportion to domestic investments, thereby impacting the growth of other local economic sectors.

Conversely, an ill-constructed tax system (coupled with possibly inadequate regulatory interventions) may have the

Analysis of fiscal measures

potential to impede economic, social and political development.

In the same breath, given the effect of the financial industry on social welfare, GORTT would want to ensure that the tax regime still allows the sector to remain competitive from a business standpoint, thus preserving both the social stability and its' (GORTT's) revenue by pre-empting the migration of this service which is quite mobile in nature.

This having been said, the tax regime would need to ensure fairness for all sectors, i.e. it should not offer life insurers an unfair advantage over other industries.

New fiscal regime

While the Minister has not yet shared the new methodology which is to replace the existing basis for taxing life insurers, he indicated that the methodology will have a marginal impact on the tax position of insurers, and that it would be simple and quickly implementable.

We are welcoming the simplification of the regime since addressing the certainty in taxation is particularly critical in a sector where products have to be priced up to decades before their actual cost is known.

We understand that GORTT was arranging stakeholders' discussions and that the basis for the taxation may remain investment income, albeit not on assets held in the Statutory Fund.

We are eagerly awaiting the release of the new legislation and are looking forward to identifying how it may have dealt with some of the ills/ambiguities of the current regime which include:

(i) the timing at which transfers from policyholders to shareholders should be subject to further tax

(ii) the relevance of the make-up of the profits being transferred (i.e. lines of business from which they originate);

(iii) the determination of the factors that allow for treatment of a product as annuity;

(iv) the methodology to split income and expenses among lines of business;

(v) the treatment of acquisition of financial investments and their consequences.

Analysis of fiscal measures

Other Fiscal Measures

Removal of all taxes and all duties on all inputs and resources for farmers registered for agricultural purposes

With the volatility in the Oil and Gas market, this bold measure is aimed at stimulating the agricultural sector and encouraging more citizens to become involved in the sector. Currently, agriculture does not present a significant contribution to the GDP which underscores the need to make the sector attractive. See table below.

Gross Domestic Product of Trinidad and Tobago at Constant (2012) Market Prices

Gross Domestic Product of Trinidad and Tobago at Constant (2012) Market Prices (TT$ Millions)

INDUSTRY	2013	2014	2015	2016	2017	2018
Agriculture, forestry and fishing	588.2	530	663.1	561.8	682.7	575.9
GDP at purchaser prices (4)[1]	169,010.20	167,371.30	170,347.00	159,258.70	156,301.60	159,223.60
	0.35%	0.32%	0.39%	0.35%	0.44%	0.36%

Source: Page 80, The Review of the Economy

https://www.finance.gov.tt/wp-content/uploads/2018/10/Review-Of-The-Economy-2018.pdf

[1](4) The purchaser’s price is the amount paid by the purchaser, excluding any VAT or similar tax deductible by the purchaser, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. The purchaser’s price of a good includes any transport charges paid separately by the purchaser to take delivery at the required time and place

Analysis of fiscal measures

Currently the incentives available to farmers/agriculture sector include:

(i) Zero-rating of VAT on the following items:

(a) Animal feeding stuff suitable for any animal referred to in item 2;

(b) Seeds and other means of propagation of plants and plants that are used for specified purpose;

(c) Preparations for agricultural use including peat moss, fertilisers, insecticides, herbicides and fungicides;

(d) Self-propelled agricultural equipment, agricultural tractors and agricultural implements for attachment to agricultural tractors; agricultural implements propelled by draught animals; agricultural devices designed to be carried by the operator;

(e) pest control services for the purpose of agriculture.

(ii) 150% uplift on promotional expenses in respect of the export of goods and agricultural produce manufactured or produced in Trinidad and Tobago and shipped in commercial quantities; and

(iii) ten year exemption on gains or profits for commercial farming carried out on approved agricultural holding

The existing incentives in the main remove or reduce import duties and VAT on equipment and supplies to be used in the agricultural sector and arguably, are more beneficial to large scale farming since the smaller farmers may not have the capital to invest in large pieces of equipment.

Despite this plethora of incentives being currently made available to farmers, the general view is that greater attention should be focused on this sector since it presents a viable platform to diversify the economy at a time when revenue from the energy sector has dipped significantly.

While the Minister did not give further details on the proposed measure and we wait to see the parameters in the Finance Act. There are a few looming questions such as whether:

1. The exemption from all taxes will also apply to income earned by farmers;

2. The move to exempt the sector creates a preferential tax regime for this sector and therefore is contrary to the OECD – Harmful Tax Practices - 2018 Progress Report on Preferential Regimes.

The measure will be welcomed by all farmers and is likely to cause an increase in the number of persons who now embrace agriculture as their vocation. Tax-free agriculture may encourage persons to move

Analysis of fiscal measures

into those sectors thereby reversing the deterioration of participation in the sector and positively impacting unemployment figures.

However, there is an acute need to ensure that proper regulations and safeguards are put in place to mitigate any potential abuse and to ensure that the measure yields the intended results not only for farmers but ultimately the country as a whole.

Removal of all taxes and duties on LED bulbs

This is another measure geared at promoting a green economy and protecting the environment. Currently, lamps and light fittings attract import duties of 20% and VAT at 12.5%. The removal of all taxes and duties on LED bulbs will go a long way in ensuring that citizens heed the call in taking tangible steps in reducing the use of non-renewable energy and ultimately, preserving the environment.

Nevertheless, while on the face of it the measure is commendable, consideration needs to be given to the potential hidden cost of power quality issues on the implementation of this measure (i.e. impact on the grid of an implementation of this scale). While this sounds counter-intuitive, it is possible that excessive LED lighting could negatively impact the power grid.

In addition to sometimes creating power quality issues, the performance and lifespan of LED lighting also can suffer due to existing power quality issues in a facility. Flicker, voltage fluctuations, and harmonics in a facility can cause premature failing of LED lights, negating the energy savings provided and causing a financial loss.

Increased tax credit on solar water heating equipment up to a maximum of $10,000

There has been increasing calls for Government to provide more incentives that will aggressively promote the use of renewable energy and reduce the country's carbon footprint. Globally, countries have made significant strides in implementing tax and other incentives to promote a greener environment. In Trinidad and Tobago, the tax incentives to support green measures include:

(i) 130% wear and tear allowance for expenditure incurred on:

- The acquisition of plant machinery and equipment for providing CNG kit and cylinder installation services; or
- The acquisition and installation in a motor vehicle of CNG kit and cylinder.

(ii) 150% wear and tear allowance or expenditure incurred on:

- The acquisition of plant and machinery, parts and materials used for the manufacture of solar water heaters; or
- The acquisition of wind turbines and supporting equipment

Analysis of fiscal measures

- Solar photovoltaic systems and supporting equipment; or
- Solar water heaters.

In addition to the uplift, there is currently zero-rating on the supply of some of the above items.

(iii) 75% of the cost incurred on acquisition by a certified energy service company of plant and machinery for the purpose of conducting energy audits. The remaining 25% may be claimed as wear and tear from the following year.

The measure is therefore a step in the right direction and will further enhance the incentives available to the population.

Increase in exemption threshold on personal goods imported from $3,000 to $5,000

This measure will benefit part of the population whose preference is to source their personal effects outside of Trinidad and Tobago. While the man on the street may take the position that the existing threshold of $3,000 has been arguably too low, it is not clear whether an increase by $2,000 will yield any significant impact on the persons affected. The measure has to be weighed against the impact on local retailers as well as the foreign exchange availability.

In this regard, we would urge that the 7% online tax be revisited.

Promotional expense allowance

Section 10B of the Corporation Tax Act currently allows taxpayers to deduct 150% of the cost incurred to create or promote the expansion of foreign markets for the exports of the following wide range of goods and services:

(a) architectural engineering, design, quantity surveying or contracting services in connection with the building industry, where such services are performed by a person resident in Trinidad and Tobago for a recipient who is outside Trinidad and Tobago; or

(b) the export of goods and agricultural produce manufactured or produced in Trinidad and Tobago and shipped in commercial quantities, equivalent to one hundred and fifty per cent of the amount actually expended.

The types of expenses that qualify for the uplift are as follows:

(a) advertising in foreign markets

(b) providing promotional literature for overseas distribution;

(c) participating in trade fairs, trade missions and similar promotional activities;

(d) overseas travel for the purposes of conducting promotional activities;

(e) providing free samples and technical information on products;

(f) inviting buyers to Trinidad and Tobago;

Analysis of fiscal measures

(g) the recruitment of specialist sales personnel operating in foreign markets for a maximum of two years;

(h) conducting foreign market surveys.

This allowance only applies where the services, goods or agricultural produce in question have been exported as a result of the expenditure.

The allowance is not currently available in respect of expenses incurred in “petroleum operations” as defined.

The uplift is currently only available to countries that are not listed in Sixth Schedule of the Corporation Tax Act, namely; Antigua, Barbados, Grenada, Guyana, Dominica, Belize, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines.

It is therefore expected that the new proposed measure will extend the benefits of this provision to first time exporters of all of the aforementioned countries. We are awaiting the wording of the legislation to confirm the full list of CARICOM countries to which the measure will apply, since the Sixth Schedule does not currently capture all of the signatories of the Treaty of Chaguaramas. Given that most Trinidad and Tobago based manufacturers largely export to the English-speaking Caribbean, we are of the view that this is a positive initiative by the Government since it will encourage exports and thus positively impact Trinidad and Tobago’s foreign exchange earnings, boost the economy and support the Government’s thrust towards diversification from the energy sector reliance. Additionally, we are of the view that this incentive should be expanded to existing exporters of products so that the full benefits can redound to the benefit of the country.

From an implementation point of view however, there may be need for closer monitoring of exportation activities to mitigate abuse of the incentive.

Value Added Tax refunds

The chronic and persistent delays in processing VAT refunds has been the subject of a long and arduous discourse. It was therefore heartening for the Honourable Minister to acknowledge that in the face of very difficult economic circumstances, they were unable to refund the current arrears of VAT refunds due to registrants, despite all of their previous efforts to do so.

Minister Imbert is proposing a unique and unexpected initial solution to abate the delay in refunds via the offering of a $3bn interest-bearing bond in the first instance. All eligible VAT-registered businesses will qualify to participate in the initial bond issue to meet VAT arrears. Thereafter, the Honourable promises that VAT refunds will be put on a current basis.

More specifically, it is proposed that the VAT bonds will be for a period of five years and will bear interest at a rate of 1.5% per annum. He further indicated that the bonds will be tradeable and transferable, to facilitate their use as

Analysis of fiscal measures

collateral or to obtain cash.

After efforts over the last five years or more to alleviate the backlog of VAT refunds without much success and the ongoing lack of funds, it is no surprise that a creative solution is being proposed. However, we await clarification on whether these bonds will be treated as tax-exempt to improve their attractiveness to banks and other financial institutions to buy and trade in these securities. Further, this initiative is reminiscent of the Public Sector Bonds that were issued during the 1990's to settle public servants emoluments and remnants of uncertainty surrounding the transferability of the tax-exempt status remain today. So it is critical that clear and unambiguous language be used in the legislation. We are of the view that this will be vital to the success of the bond issue.

Secondly, the VAT Act currently provides that any VAT refund that remains outstanding for more than six months shall bear interest at the rate of 1% per month or part thereof. As such, it begs the question of whether the VAT registrant will be better off from a cash perspective. This is due to the fact that a sale would have to be done at a discount and thus, the taxpayer will forego a portion of its VAT refund. That portion foregone would have to be weighed against the cost of borrowing and indeed the ability to access funding in the absence of receipt of the refund.

In addition and in the absence of clear legislative language, any interest payment may be to subject to tax at 30% or business levy at 0.6% plus green fund levy at 0.3%.

Therefore, once the arithmetic is done, VAT may well be a final cost to the VAT registered business.

Having noted the above, it means that a registrant will be in a position to access his funds on the sale of the bond.

Further, issues that need to be considered include whether the registrant will be required to accept the bond or, exercise his option to wait for his refund and claim his interest at 1% per month from the due date. Secondly, where a taxpayer participates in the bond issue but is subsequently audited and assessed in a manner where his refunds are reduced then it is possible that the VAT registered entity could be made to repay funds that were foregone to collect his cash now.

We await the specific measures in the Finance Act to fully understand how this proposal will work including how the allocation will be dealt with.

Further, we wish to highlight that tax refunds are growing and becoming due and this should also be factored in to the overall solution to addressing this issue. Failure to address this issue before it becomes a national concern may impact investor-confidence in the country.

Analysis of fiscal measures

Creative Industries - Incentives

The Honourable Minister is proposing to increase the tax allowance from $3m to $6m for the corporate sponsorship of the following:

- nationals in the local fashion industry;
- audio, visual or video productions for the purpose of local education or local entertainment;
- local production companies in respect of their own productions;
- companies which sponsor sporting activities or events or sportsmen; and
- arts and culture.

It is intended that this measure will take effect from 1 January 2020.

This allowance was last increased in January 2013 to $3m from $2m and prior to that, the allowance was capped at $1m. The Honourable Minister should ensure that his team carefully evaluate how effective this allowance will be in encouraging private sector companies to sponsor these creative industries given that many of these companies practice overall conservatism towards expenditure in light of the current economic climate.

Nonetheless, a deduction for such sponsorship will be welcomed by companies especially if there continues to be an uplift in the allowance. Further, the creative industries, save for Carnival, are in their embryonic stage in Trinidad and Tobago so that any incentives aimed at encouraging investment and growth in the sector may well be to the country's benefit in the long-term. There can be no doubt that some countries have successfully monetised their creative industries and in fact, it is key to the overall brand of the country. In its report 'The Orange Economy: An infinite Opportunity', the IDB stressed the importance of Latin American and Caribbean countries capitalising on its creative industries. These industries include activities such as fashion, music, and the audiovisual arts. The 2013 report suggests that this sector provided approximately 5% of total employment in Trinidad and Tobago and, it contributed to 4.8% of the country's economy. This is on par in that year with the sector's contributions with other Caribbean islands such as Jamaica which notably places a higher focus on its creative economy.

As an underutilised sector in Trinidad and Tobago, which attracts only seasonal attention for Carnival, there is an untapped potential to be unlocked to foster much needed creative entrepreneurship.

Tax Facts - Trinidad & Tobago

Income Tax Allowances/Deductions (TT$)

	2020		2019
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]	$72,000
Pension/Deferred Annuity	$50,000	[3]	$50,000
National Insurance	70%	[3]	70%
First Time Homeowner Allowance	$25,000	[4]	$25,000
Stamp Duty Threshold	$1,500,000	[5]	$1,500,000
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 Cost	[8]	25% of Cost
Solar Water Heating Equipment Tax Credit	100% of Cost	[8]	25% of Cost
Tax credits on National Tax Free Savings Bonds	25% of $5,000	[9]	25% of $5,000
Severance Pay Exemption Limit	$500,000	[10]	$500,000
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 1 January 2019.

[3] Maximum claim of $50,000 from 2015.

[4] First-time homeowners deduction for five years for properties purchased/constructed after 1 January 2011.

[5] Stamp Duty threshold for first time home owners increased to $1,500,000 w.e.f 1 January 2019.

[6] All contributions under a Deed of Covenant include donations to approved sporting bodies, charitable organisations and/or The Children Life Fund.

[7] Any unrelieved credit on the Venture Capital Investments can be carried forward if unrelieved in the first year.

[8] Tax Credits limited to $10,000 for each.

[9] 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.

[10] Tax exemption limited to $500,000 w.e.f 30 November 2018.

Tax Facts - Trinidad & Tobago

Investment Income

	2020		2019
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] Interest income as per Section 8 of the Income Tax Act.

[2] Construction must have commenced on or after 1 October 2012 and relates to persons in the business of property development. Profits exempt until 31 December 2025.

[3] Construction must have commenced on or after 1 October 2012. Profits/Rental Income exempt until 31 December 2025.

[4] Construction must have commenced on or after 1 July 2016. Income exempt until 31 December 2025.

[5] Construction must have commenced on or after 1st July 2016. Profits exempt until 31 December 2025.

Tax Facts - Trinidad & Tobago

Corporation Tax Allowances/Deductions (TT$)

	2020		2019
Corporation Tax Rates (Other)	30%		30%
Corporation Tax Rates (Petrochemicals)	35%		35%
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	[5]	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% would apply for the first five years from listing on the T&T Stock Exchange.

[2] Tax deduction up to a maximum of $6m w.e.f. 1 January 2020 (2019: $3m). Aggregate of all claims restricted to $6m (2019: $3m).

[3] Allowance only available to production companies $6m limit w.e.f. 1 January 2020 (2019: $3m).

[4] Covenanted donations to charity include approved sporting bodies, charitable organisations and/or The Children's Life Fund.

[5] Allowance now extended to first time exporters to the CARICOM market.

Tax Facts - Trinidad & Tobago

Value Added Tax TT$	2020	2019
VAT Rate	12.5% | 0%	12.5% | 0%
Registration Threshold	$500,000	$500,000

Alternative Energy Incentives	2020		2019
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 - Trinidad & Tobago

Individual Tax Computation

Middle Income Earner (TT$)

	2020		2019
Total Income	400,000		400,000
Less			
Personal Allowance	72,000	[1]	72,000
Tertiary Education Allowance	72,000	[2]	72,000
Pensions / Annuity / NIS Contributions	50,000	[3]	50,000
First-Time Homeowner	25,000	[4]	25,000
Contributions under Deed of Covenant	30,000	[5]	30,000
Total Deductions	249,000		249,000
Taxable Income	151,000		151,000
Tax @ 25%	37,350		37,350
Tax Credit	10,000	[6]	2,500
Income Tax Liability	**27,750**		**32,250**
Effective Tax Rate	6.9%		8.8%

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] First-time homeowner means (a) the purchase for the first time of a completed on or after 1 January 2011; or (b) the construction for the first time of a house completed on or after 1 January 2011.

[5] 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.

[6] Tax credit on Solar Water Heating Equipment limited to $10,000. (2020: 100% of cost; 2019: 25% of cost).

Tax Facts - Trinidad & Tobago

Individual Tax Computation

High Income Earner (TT$)

	2020		2019
Total Income	2,400,000		2,400,000
Less			
Personal Allowance	72,000	[1]	72,000
Tertiary Education Allowance	72,000	[2]	72,000
Pensions / Annuity / NIS Contributions	50,000	[3]	50,000
Contributions under Deed of Covenant	100,000	[4]	100,000
Total Deductions	294,000		294,000
Taxable Income	2,106,000		2,106,000
Progressive Tax Rate			
Tax @ 25% (≤ $1m)	250,000		250,000
Tax @ 30% (> $1m)	331,800		331,800
Total Tax	581,800		581,800
Tax Credit	10,000	[5]	2,500
Income Tax Liability	**571,800**		**579,300**
Effective Tax Rate	23.8%		24.1%

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] Tax credit on Solar Water Heating Equipment limited to $10,000. (2020: 100% of cost; 2019: 25% of cost).

Tax Facts - Trinidad & Tobago

	2020	2019
Petroleum Taxes TT$		
Petroleum Operations	50%	50%
Petroleum Operations - Deep water block	35%	35%
Unemployment Levy	5%	5%
Capital Allowances (Tangible and Intangible Exploration/Development expenditure)	Straight-line basis over five years (20% per annum)	Initial - 50% Year 2 - 30% Year 3 - 20%
Exploration expenditure on Deep Water Block	140% uplift on the capital expenditure	140% uplift on the capital expenditure
Dry Hole	100% deduction of the total cost in respect of a dry hole that is plugged & abandoned	100% deduction of the total cost in respect of a dry hole that is plugged & abandoned
Heavy Oil Allowance	Year 1 - 60% deduction on capital expenditure incurred Year 2 to 6 - 18% deduction on capital expenditure incurred	Year 1 - 60% deduction on capital expenditure incurred Year 2 to 6 - 18% deduction on capital expenditure incurred
Signature Bonus	Capitalised and amortised on a straight line basis over five years	Capitalised and amortised on a straight line basis over five years
Production Bonus	Deductible when paid	Deductible when paid
Decommissioning or Abandonment	Cost deductible in the year the work is actually performed	Cost deductible in the year the work is actually performed
Workovers/qualifying side tracks	100% deduction of cost incurred	100% deduction of cost incurred
Tax Losses brought forward (PPT)	75% relief	100% relief

Tax Facts - Trinidad & Tobago

Petroleum Taxes TT$	2020	2019
Petroleum Impost*	According to Petroleum Rating Order for the respective year	According to Petroleum Rating Order for the respective year
Petroleum Production Levy*	Lower of (i) 4% of income from crude oil or (ii) amount determined by the Ministry of Energy	Lower of (i) 4% of income from crude oil or (ii) amount determined by the Ministry of Energy
Royalty*	12.5% of the fair market value of crude oil and natural gas	12.5% of the fair market value of crude oil and natural gas
Supplemental Petroleum Tax (SPT)*	Sliding scale rates based on the weighted average crude oil prices	Sliding scale rates based on the weighted average crude oil prices
Investment Tax Credit	25% SPT tax credit on capital expenditure on development of mature oil fields and EOR projects	20% SPT tax credit on capital expenditure on development of mature oil fields and EOR projects
Sustainability Incentive	SPT rate discounted by 20% for mature and small marine oil fields	SPT rate discounted by 20% for mature and small marine oil fields
Royalty and Overriding royalty paid under a licence or sub-license	Payment deductible when computing SPT	Payment deductible when computing SPT

* **Note:** deductible when paid

Tax Facts - Trinidad & Tobago

Corporation Tax Computation
Company engaged in manufacturing activity

	2020	2019
	TT$ in 000's	**TT$ in 000's**
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	4,000	2,000
Staff training	100	100
	10,700	**8,700**
Less:		
Audio Visual & Fashion Allowance	6,000	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
	14,825	**11,825**
Chargeable Profits	**35,875**	**36,875**
Corporation Tax @ 30% (*)	**10,763**	**11,063**
Effective Tax Rates	26.9%	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 - Trinidad & Tobago

Corporation Tax Computation
Commercial Banks

	2020	2019
	TT$ in 000's	TT$ in 000's
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
	14,600	**10,600**
Less:		
Wear and Tear Allowance	7,000	7,000
Tax Exempt Income	1,000	1,000
Staff training (150% uplift)	600	600
Audio Visual & Fashion Allowance	6,000	3,000
	14,600	**11,600**
Chargeable Profits	**300,000**	**301,000**
Corporation Tax @ 35% (*)	**105,000**	**105,700**
Effective Tax Rates	35.0%	35.1%
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 - Guyana

	2019	2018
Income Tax Allowances/Deductions (GY$)		
Tax Rate (Chargeable Income < $1,560,000 per annum)	28%	
Tax Rate (Chargeable Income in excess of $1,560.000 per annum)	40%	
Tax Rate (Chargeable Income < $1,440,000 per annum)		28%
Tax Rate (Chargeable Income in excess of $1,440,000 per annum)		40%
Personal Allowance	$780,000	$720,000
National Insurance on insurable earnings (Employer)	8.40%	8.40%
National Insurance on insurable earnings (Employee)	5.60%	5.60%
Capital Gains Tax	20%	20%
Property Tax	0% on the 1st $40,000,000, 0.5% on the next $20,000,000, 0.75% on every dollar of the remainder	0% on the 1st $1m, 0.5% on the next $5m, 0.75% on every dollar of the remainder

Exchange Rates:

US$1.00 = GY$ 210.45

TT$1.00 = GY$ 23.54

Source: *Bank of Guyana as of 7 October 2019*

Tax Facts - Guyana

Corporation Tax GY$

	2019		2018	
Corporation Tax Rate (Telephone Companies)	45%		45%	
Corporation Tax Rate (Commercial Companies)	40%	[1]	40%	[1]
Corporation Tax Rate (Any other company)	25%		27.5%	
Capital Gains Tax	20%		20%	
Property Tax	0% on the 1st $40m, 0.5% on the next $20m, 0.75% on every dollar of the remainder		0% on the 1st $1m, 0.5% on the next $5m, 0.75% on every dollar of the remainder	

[1] 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). Commercial companies (other than insurance companies) are subject to tax at the rate of 40% of chargeable profits or 2% MCT of turnover, whichever is higher.

All companies operating in Oil and Gas sector (exploration and service companies) are subject to taxation under the general corporation tax regime.

Any excess MCT over tax at the normal rate is carried forward for setoff against corporate tax payable in subsequent years, provided that in no year is the tax payable reduced to less than 2% of turnover.

Income Tax Allowances/Deductions

	2019	2018
VAT Rate	14%	14%
Registration Threshold	$15m	$15m

Tax Facts - Guyana

	2019	2018
Alternative Energy Incentives		
Vehicles principally designed to accommodate LPG gas, with an engine capacity not exceeding 2000cc not older than four years from the date of manufacture to the date of importation	Exempt from Excise Tax	Exempt from Excise Tax
Machinery and equipment imported to set up refilling stations for vehicles principally designed to accommodate LPG gas, with an engine capacity not exceeding 2000cc not older than four years from the date of manufacture to the date of importation	Exempt from Customs Duties	Exempt from Customs Duties
Tourism Sector		
Vehicles between 2,000cc and 4,000cc that are used exclusively in the tourism sector for the transport of persons by incorporated entities that have been operating in those regions for at least five years		
Vehicles 2,000cc to under 3,000cc and which are less than four years that are used exclusively in the tourism sector for the transport of persons by incorporated entities that have been operating in those regions for at least five years	Excise Tax - 0%	Excise Tax - 0%
Vehicles over 3,000cc to 4,000cc and which are less than four years that are used exclusively in the tourism sector for the transport of persons by incorporated entities that have been operating in those regions for at least five years	Excise Tax - 0%	Excise Tax - 0%
Vehicles that are less than four years, which are used to transport more than 21 persons	No VAT	No VAT
Vehicles four years and older that carry between 22 and 29 passengers	VAT - 14%	VAT - 14%
Gold and Diamond Sector		
Tributors Tax	10% [1]	10% [1]
Replacement of the 2% Minimum Tax with the following scaled rates:		

Price of Gold (per ounce)	Percentage Income Tax Payable
Under US$1,100	2% Income Tax (Final Tax)
US$1,100 and under US$1,300	2.5% of Gross Proceeds (Final Tax)
US$1,300 and under US$1,600	3% of Gross Proceeds (Final Tax)
Over US$1,600	3.5% of Gross Proceeds (Final Tax)

[1] With effect from 1 January 2018

PwC Tax & Legal Services

Our vision is to build a sustainable and competitive advantage by offering unique, efficient and professional tax solutions to our clients. We believe that in order to maximise client satisfaction a broad understanding of the tax laws and our client's needs is required.

A range of tax services are offered and we employ extensive tax and corporate secretarial expertise to cater to a variety of clients and their unique needs. This allows our clients the opportunity to focus on their core competencies in growing their sustainable businesses.

Our services are extended beyond our borders, as we continue to provide advice to companies operating in Guyana.

Tax Consulting Services

These assignments include advice related to executive and employee compensation, withholding and various tax and double tax treaty implications of client's 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 Value Added Tax (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 where applicable we make applications to the tax authorities for adjustment of these installments.

PwC Tax & Legal Services

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

Corporate Secretarial Services

Incorporation

Incorporation of both external and local companies. Provide advice to clients on general corporate concerns.

Deregistration

We facilitate the deregistration of both external and local companies from the Companies Registrar.

Tax Registration

We facilitate the tax, VAT and social security (National Insurance) registrations.

Maintenance of Company Portfolio

We prepare and file on behalf of the company Annual Returns, filings in relation to changes in corporate changes in corporate instruments as well as other statutory filings and liaise with the Registrar of Companies to address queries relating to corporate documents filed by the company.

Advise and prepare other statutory requirements in accordance with the Company's Act.

Amalgamations

Preparation and filing of the necessary documents with the government authorities to effect a required amalgamation.

Work Permits/Renewals

Work permit applications and renewals for expatriate personnel, including facilitating the advertising, interviewing and evaluation process required by the Ministry of National Security.

Share Transfers

We can facilitate share transfers between corporate entities including the valuation of shares; drafting of share instruments for review and execution by the company and having same assessed and stamped for duty by the Board of Inland Revenue.

Liquidation and Dissolution

We can assist with voluntary and involuntary winding-ups.

Let's Talk

Meet our Tax & Legal Services Team

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