Budget insights 2024

Reform, Reinvest and Reimagine

Trinidad and Tobago FY 2024
national budget commentary

2nd October 2023

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National Budget FY 2024: Trinidad and Tobago

Tax Leader's thoughts

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On the global frontier, experts warn of a long-term trend of stagnating economic performance due to a confluence of factors. These factors range from the Russia-Ukraine crisis, financing gaps, a pallid investment climate and rising debt[1], which undermine any prospects for a vigorous global recovery[2]. The average global growth rate stands at 3.1%, well below that experienced two decades prior to the COVID-19 pandemic. Despite this, economies continue to press on with resilience in services being noted in G20 countries and strong labour markets in advanced economies.[3]

Amidst this backdrop, the Honourable Colm Imbert, Minister of Finance, presented his ninth consecutive budget in Parliament on 2 October 2023. The Minister's budget presentation was optimistic and forward-looking, notwithstanding the following:

(a) The national diversification strategy has not been successful to the levels required despite decades of discussions around the need for diversification. There continues to be heavy reliance on a contracted energy sector. Although continued efforts to develop the Agriculture and Special Economic Zones are helpful for diversification;
(b) Access to foreign exchange remains a persistent vulnerability for businesses and the country;
(c) Key contributors to earning foreign exchange - the petrochemical plants and liquified natural gas (LNG) facilities - continue to face gas supply shortages and therefore, one can expect the challenges to access to foreign exchange remain unabated. It was acknowledged that the level of supply of gas needed to enable all petrochemical plants and LNG facilities to operate at full capacity is 4.2 billion cubic feet per day (bcf/d) while current production levels are 2.7 bcf/d. The supply of gas is expected to be 2.6 bcf/d and 2.5 bcf/d for 2024 and 2025, respectively;
(d) Crime and in particular, violent crime, remains a scourge on our society. One can say that it is reversing some of the decades of progress made since it is causing a brain drain, significantly impacting productivity because it affects the manner in which one can safely live and work in Trinidad and Tobago (T&T), it diverts national resources away from other key initiatives that are needed to address the struggling diversification strategy as well as the social and other economic challenges facing the country;
(e) Government is continuing to face immense pressure on its revenue generation and collection efforts given reduced business activities, widening tax gaps and leakages and not attracting as many non-energy, high-level foreign direct investment projects for a myriad of reasons including chronic systemic issues impacting the ease of doing business and transparency.
(f) There are challenges to introduce new and sustainable revenue sources to allow for savings which are critical for long-term fiscal management. The Heritage and Stabilisation Fund (HSF) has not grown in seven years. While revenue pressures are well noted in T&T, it is a stark reminder that it is a delicate balance to have the fund being maintained at the 2016 level so that income earned from the HSF has been utilised to subsidise revenue shortfalls over the years;
(g) Government debt-to-gross domestic product (GDP) levels hovers at 70.9%. While it is below the Government's target of 75%, this requires careful management and consideration at all times;
(h) The budget continues to be in a deficit, with the projected deficit for fiscal year 2024 being TT5.197 billion, representing 2.7% of GDP.

In spite of the above, we note that the Minister's optimism may not be fully misplaced given that the economic outlook for T&T seems to have improved during 2023 according to the Central Bank of Trinidad and Tobago (CBTT). In its recent report, the CBTT cited an uptick in activity in the non-energy sector and steady output in the energy sector during the first quarter.

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The CBTTreport also indicated a deceleration of domestic inflation during the first half of 2023, continued improvement in unemployment conditions into 2023, central government's surplus fiscal position and a sustained monetary policy stance for domestic economic recovery.[4] We also noted the reduction in the unemployment rate to 3.7% in the second quarter of the year, marginally improved credit rating standing for the country and overall projected growth.

The fact remains that T&T's oil and gas production is on the downturn with gas production declining by 40% since 2010[5] and lingering uncertainty with respect to the future of the former Petrotrin refinery.

To counteract this downward trajectory, the Government of T&T entered two new deals, which experts say could potentially revive gas production; the award of three deepwater exploration blocks to oil majors Shell and BP; and the signing of a profit-sharing agreement with Venezuela to export gas from the Dragon gas field utilising Trinidad's LNG infrastructure.[6]

However, only time will tell whether this would spur on production and increase exports or not. In any event, any benefits to be derived from these projects will not be experienced for possibly another decade, and the level of benefits to be derived may not be at past levels given the renewable energy agenda.

Throughout 2023, oil and gas prices oscillated, with oil prices climbing to just under US$95 per barrel in September of this year, its highest price for the year, with its lowest of US$74.84 being recorded in June according to the Brent Oil Crude.[7] Meanwhile, natural gas prices hit its lowest of US$2.18 per Metric Million British Thermal Unit (MMBtu) in May, down from a high of US$3.27 in January of this year, according to the Henry Hub statistical prices.[8]

The unpredictability of prices, reduced resources and the continued dependency on oil and gas remains the most important challenge facing T&T - yet, diversification remains an elusive target. The announcements related to FinTech and the Trinidad and Tobago International Financial Centre (TTIFC) are progressive and welcomed moves and we encourage and support all efforts to support this space.

There are, however, a bevy of projects that could have been capitalised on to help spur growth. One such project is the leasing of the currently inoperable drydock facilities to allow revenue generation for T&T, given the proximity of this facility to Guyana, Suriname and Brazil. More than 30 vessels operate in the oil and gas sector in those countries, and this is a unique value proposition for T&T. Another opportunity rests with the operationalising of the Special Economic Zone, which is long overdue.

The global shift toward renewable energy presents an opportunity for T&T to diversify its economy from oil and gas production. At present, the Government of T&T remains committed to reducing its dependency on domestic use of natural gas and achieving its target of 10% renewable energy. A consortium of bpTT, Shell and Lightsource bp is working with the Government to build two major solar projects at Brechin Castle and Orange Grove.[9]

In spite of this, more steps can be made toward introducing new forms of renewables such as green to pink hydrogen, wind, water and other renewable sources. In addition to the shift towards renewables, globally, the focus has been on the wider environmental, social and governance issues that now mandate economies implement a robust regulatory framework that transforms companies' purpose and redefines value.

Apart from T&T's energy conundrum, issues highlighted in the World Bank Group 2020 Ease of Doing Business Report[10] are yet to be addressed. T&T was ranked 105 out of 190 countries in ease of doing business, and the report identified the top five challenges for businesses in Trinidad and Tobago as:

- corruption;
- foreign exchange controls;
- crime and security;
- low productivity in the national labour force; and
- government bureaucracy.

According to global reports, T&T has the sixth highest crime rate in the world[11]. To date, some sources have recorded over 400 murders for the year[12] and overall serious crimes committed stand at 5,796.[13] These statistics negatively hamper foreign direct investment and dampen local business activity since it impacts business operations and productivity. It is contributing to increased migration amongst the middle and upper-income households, as well as causing a brain drain for qualified resources.

In terms of corruption, T&T held a score of 42 out of 100 points for perceived corruption in Transparency International's 2022 rankings.[14] It is well known that corruption may have substantial antagonistic effects on economic growth by deterring foreign investment, decreasing public expenditure through the diversion of funds, eroding public trust and exacerbating existing inequalities among the populace.

With respect to its foreign exchange issues, it is commendable to see some effort being made to allow greater access to foreign exchange for small and medium-sized companies, while acknowledging that those businesses have been utilising credit cards to effectively operate their businesses. Most recently, one commercial bank cut its US credit card limits by half[15], and this has put pressure on local businesses looking to import goods to service several sectors of the economy, as well as individuals utilising the facility for personal or business pursuits.

In light of these concerns, the Minister of Finance has stated that discussions will be held in the near future with the CBTT, the commercial banks and the business community to discuss *inter alia*, the underlying reason for the increased demand policies to address the current challenges and allocation strategies to increase the repatriation of forex earned overseas by local businesses and foreign business operating in T&T.[16]

As always, the devil is in the details, so the efficacy of this initiative will depend on the implementation of the measure.

In an effort to deal with falling revenues, we note that the Government is seeking to operationalise the long-awaited Trinidad and Tobago Revenue Authority (TTRA). It was noted that the operationalisation of the Authority was stalled due to pending litigation, but they remain hopeful that the matters will be resolved by December 2023, which will clear the way for operationalising the Authority. Government is hopeful that the implementation of the Authority will significantly reduce the current tax gap which it estimates to be approximately TT$10 billion. Taxing those who are non-compliant will be important to alleviating the tax burden for those who are already compliant.

Additionally, Minister Imbert spoke of the negative impact that transfer pricing has on the treasury, and he noted that this is an area that creates tax revenue leakage. As a corrective measure, the Government is proposing to introduce a transfer pricing regime which will establish the appropriate arm's length pricing arrangements.

The introduction of the transfer pricing regime would have implications for multinational companies operating in T&T and should significantly increase the tax base of the country. To this end, the Government has engaged the services of CAF Development Bank and the Inter-American Centre of Tax Administration (CIAT) to assist with development of the required policy framework and supporting legislation.

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The proposed measure is aimed at assisting in promoting greater tax transparency and managing profit shifting out of T&T. The policy is expected to be completed within 24 months.

The Property Tax is also expected to become a major revenue earner for Government. The collection of property tax will be effective from 2024 and it was announced that the Government is at the advanced stage of operationalising the property tax regime for residential property.

While a necessary step to attempt to close the tax gap, the issue of property tax continues to be a sensitive one which has been criticised in many quarters. Nevertheless, the Minister sought to give the assurance that the tax is easily calculated and noted that based on the valuation roll, more than 50%of households will pay property taxes between TT$540 and TT$1,080 annually.

The Minister also confirmed that the valuation roll is to be sent to the Board of Inland Revenue to allow for the collection of residential property taxes in the first instance. No indication was given around the implementation of the tax for industrial, commercial and agricultural property.

Unfortunately, we have not seen any measures that will seek to address the persistent outstanding VAT and other tax refunds issues. Two bond issuances have been done by the Government to address significant VAT refunds owed to taxpayers and both were successful since they were oversubscribed. However, only refunds owed as at December 2021 were eligible for the recent bond issuances, so large amounts remain outstanding and refunds will continue to climb. A long-term solution is needed to address this issue.

We note the introduction of the statutory provisions to limit the deductibility of expenses incurred to produce exempt income, which will be a key change for businesses operating within the Caribbean Community (CARICOM), including investment-type businesses who earn locally sourced dividends and interest income.

The introduction of an incentive to promote investment in cyber software and equipment is appropriate given the global digital thrust, and recent media reports of cyber-attacks and the detrimental effects that these attacks can have.

From a national social perspective, the increase of Minimum Wage from TT$17.50 to TT$20.50 per hour is a much-needed and welcomed move, but the level of increase could have been more in keeping with current wider manufacturing business practices to attract talent.

This additional disposable income would be well-received given the high food inflation and other increases being faced across the nation; however, discussions around increasing this rate remain an important one. Similarly, the proposed initiatives for education including the school grant of TT$1,000 to those in need and the proposed 150% uplift on expenditure for education is supported. This will allow for private sector participation in this vital area and hopefully this eases pressure on the Government on having to incur expenditure annually for schools.

Finally, the proposed increase of the retirement age from 60 to 65 years old, having regard to the results of a 2023 actuarial review of the National Insurance Fund, which reflected sustainability challenges and depleting reserves in part due to increasing life expectancy and decreasing birth rates. In this regard, the Government is in the process of completing consultations with major stakeholders and we look forward to seeing how discussions progress on this matter.

It should be noted that while the Honourable Minister indicated that, at this time, he is not looking to increase the rate of contributions, this might still be a possibility in the future.

In the final analysis, T&T must act swiftly to capitalise on new opportunities which present a new and sustainable value proposition. It will be critical to the country's long-term success to address persistent systematic issues to build this sustainable future; anything less, would be futile and perilous.

We are pleased to present our annual budget memorandum capturing the key tax measures below and look forward to discussing these measures and other matters with you.

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Budget economics 2024 overview

Budget economics 2024 overview

Interest rates*

02 October 2023	
Discount rate	5.50
Prime lending rate	7.50
Prime lending rate (average)	7.57
Overnight interbank rate	0.50

*source Central Bank of Trinidad and Tobago

Inflation rates*

August 2023	
Headline	4.0
Core	3.7
Food	5.6

*source Central Bank of Trinidad and Tobago

Budget economics 2024 overview (Continued)

Oil price of US$85 per barrel

Gas price US$5 per MMBtu

Total revenue for fiscal 2024

has been budgeted at $54.012 bn

Total expenditure for fiscal 2024

has been budgeted at $59.209 bn

Fiscal deficit for 2024

is $5.197 bn

Budget economics 2024 overview (Continued)

Oil revenue	**$16.709 bn**
Non-oil revenue	**$35.547 bn**
Capital revenue	**$1.756 bn**
Total revenue	**$54.012 bn**

Allocations:

Education and training
$8.022 bn

National security
$6.912 bn

Health
$7.409 bn

Works and transport
$3.394 bn

Public utilities
$3.018 bn

Housing
$1.165 bn

Rural development and local government **$1.825** bn

Social Grants
$5.5 bn

Agriculture
$1.442 bn

Proposed fiscal measures

Proposed fiscal measures (Continued)

Proposed measure

Supplemental Petroleum Tax (SPT) and Petroleum Profits Taxation

The Honourable Minister proposes the following amendments to the current SPT and petroleum taxation regime effective 1 January 2024:

1. Increase in the Sustainability Incentive for mature and small marine oil fields;
2. Introduction of a new SPT threshold for small shallow water producers;
3. Adjustments to the capital expenditure allowances for small shallow water producers**.**

Commentary

1. **Increase in the Sustainability Incentive for mature or small marine oil fields:** Currently, a 20% discount on the rate of SPT is applicable for (i) mature marine oil fields (a field that is 25 years or more from the date of first commercial production); and (ii) small marine oil fields (field that has production levels of 1,500 barrels of oil equivalent per day (BOE/D) or less). The Minister proposes to increase the discount to 25% as he recognises the need to incentivise smaller oil producers and lease operators in small and mature marine oil fields.

   SPT, which was originally introduced as a windfall tax, currently acts as a disincentive to small oil producers as it is computed on gross income and negatively impacts cash flow once oil prices reach a particular threshold. The increase in the Sustainability Incentive discount from 20% to 25% would be welcomed, as it has the potential to increase cash flows and thus encourage companies to invest in increasing oil production. However, given the marginal increase of 5%, we are unclear on whether this would have a material impact

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2. **Introduction of a new SPT threshold for small shallow water producers:** The Minister intends to introduce a new SPT threshold for small shallow water producers. This will be similar to the regime applicable to small onshore producers, whereby SPT only become payable when prices exceed US$75 per barrel. Currently, there is no special regime for small shallow water producers and thus SPT is payable once prices exceed US$50 per barrel. A definition will have to be provided for “small shallow water producers”. It is, at this time, unclear whether it will be aligned with the definition of small onshore producers, which based on the legislation is a company which produces less than 4,000 barrels of crude oil per day.

   The increase in the SPT threshold is intended to incentivise the upcoming Shallow Water Bid Round in which the Government will be offering 26 blocks.

Proposed fiscal measures (Continued)

Proposed measure

Supplemental Petroleum Tax (SPT) and Petroleum Profits Taxation (Continued)

Commentary (Continued)

3. **Adjustments to the capital expenditure allowances for small shallow water producers:** The Minister did not provide details on the potential adjustments to the capital allowances regime for small shallow water producers. The current regime allows for capital allowances to be claimed on a 20% straight line basis (i.e., written off over five years) for both tangible and intangible capital cost.

   Prior to 1 January 2020, the capital allowances regime allowed a three-year write-off of both tangible and intangible capital expenditure (Year 1: 50%; Year 2: 30%; and Year 3: 20%). Therefore, a similar regime may be contemplated for small shallow water producers. Also, currently, when a company incurs capital expenditure on drilling of exploration wells in a deepwater block, the company is entitled to claim capital allowances based on 140% of the cost incurred (i.e., an uplift on the capital cost incurred).

   This uplift was meant to incentivise the drilling of exploration wells in deepwater blocks, as exploration in deepwater is deemed more risky and costly. However, given that Government's intention to encourage investment in the upstream sector, there is potential for a similar incentive to be provided to the small shallow water producers.

   Similarly, this incentive is also targeted to increase the attractiveness and project economics of the upcoming Shallow Water Bid Round.

Proposed fiscal measures (Continued)

Proposed measure

Minimum Wage

Effective 1 January 2024, the Minimum Wage will be increased by 17%, or TT$3.00, from TT$17.50 to TT$20.50 per hour.

Commentary

A measure of this nature is anticipated to put more disposable income into the pockets of the working class, which should in turn stimulate consumer spending resulting in inflows to businesses. This is likely to be a welcome benefit in cushioning the lingering effects of the COVID-19 pandemic, especially in light of food inflation and the overall increased cost of living.

However, continuous discussion would be key to assessing the efficacy of this change and what, if any, changes are needed.

Proposed measure

Tourism Accommodation Upgrade Project: Small Hotels

Effective 1 November 2023, an extension of three years for the Tourism Accommodation Upgrade Project (TAUP) incentive.

Commentary

This incentive was initially introduced to provide a partial reimbursement grant to eligible small to medium-sized tourism accommodation properties in T&T, however, the incentive expired on 30 September 2023. This proposed measure seeks to extend the incentive for an additional three years. Its overall objective is to promote upgrades of existing tourism accommodation facilities, which are aligned with world class standards.

This measure is aimed at stimulating economic activity in the tourism sector which was hard hit by the COVID-19 pandemic. This incentive would also allow for an improvement in the quality of hotel accommodation and thus increase T&T's competitiveness in the tourism sector.

Proposed fiscal measures (Continued)

Proposed measure

Export Sales of Manufacturing Companies: Business Levy Charge

Effective 1 January 2024, an exemption from Business Levy on revenue earned by a manufacturer from export sales.

Commentary

The manufacturing sector grew by 17.2% of GDP in 2022 and was the focal point of high commendation by the Honourable Minister for its strong export performance with significant increases in 2022 over 2021 for machinery and transport equipment, beverages and tobacco. The initiative is a welcomed one as it is anticipated that it will provide the further impetus necessary to increase performance in this sector and advance diversification efforts.

This measure also provides a crucial avenue to increase forex inflows while expanding competitiveness for local manufacturers in international markets and creating employment.

The measure proposes to exempt manufacturing companies whose gross receipts fall within the 30% tax bracket from Business Levy (which is imposed at the rate of 0.6%) on revenue earned from export sales only. It appears that the Minister has excluded petrochemical companies from this measure, as these are subject to tax at the rate of 35% (rather than the 30% mentioned for other manufacturing companies).

Proposed measure

Investment Tax Allowance: Cybersecurity

From 1 January 2024 to 31 December 2025, Cybersecurity Investment Tax Allowance of up to TT$500,000 for companies which incur expenditure with respect to investments in cybersecurity software and network security monitoring equipment.

Commentary

In keeping with the Government's development plan for 2030 and its measures introduced in past budgets to promote the digitalisation of the productive sector, we see a further add-on in the direction of global transformation and the technology sphere.

This area is of increasing importance in an era of globalisation and the rise of threats from cyberattacks on businesses and governments. It is therefore imperative that focus is placed on safeguarding the security of networks, devices and personal/sensitive information from cyberthreats.
We believe that this measure will also support the ongoing anti-money laundering detection/ flagging initiatives as it can support the efforts of financial institutions in identifying suspicious patterns or anomalies in financial transactions.

This allowance is for a period of two years and the expenditure must be certified by the National Information and Communication Technology Company Limited (iGovTT). We await the legislative provisions giving effect to this measure to understand whether there are any parameters applicable in respect of the cybersecurity software and network security equipment.

Proposed fiscal measures (Continued)

Proposed measure

Exempt Income: Expenditure Earned

Effective 1 January 2024, expenses incurred in the production of exempt income will be non-deductible.

Commentary

It has been well-established before the local courts in landmark decisions that the current wording of the local legislation does not support a full add-back of expenses incurred in the production of exempt income. In the pivotal case of Citibank (Trinidad and Tobago) Limited vs the Board of Inland Revenue Appeals No. I65-I66 of 1998, the Court, which made its determination on 12 January 2000, established that expenses incurred to generate income pertaining to a single source, which is brought within the charge to tax under the charging section, but treated as exempt due to a specific statutory provision, should be deductible for tax purposes.

This historical position was further expanded in the ADT vs the Board of Inland Revenue case, which in its 2020 determination established that there is in fact no provision in the law that supports a conclusion that expenses in producing tax exempt income are disallowable, regardless of the type of income or the number of sources of income.

This proposed measure will amend the legislation to expressly disallow expenses incurred in the production of exempt income and it will nullify the established judicial precedent on the issue. This will also have far-reaching implications for entities earning income from CARICOM and other exempt sources such as locally-sourced dividends and interest income.

This measure is expected to yield approximately TT$75 million in tax savings. We await the legislation to assess the parameters and details of this measure.

Proposed measure

Public and Private Schools: Corporate Sponsorship

Effective 1 January 2024, 150%tax allowance of up to TT$500,000 on corporate sponsorship of public and private schools registered with the Ministry of Education.

Commentary

The Honourable Minister's intention is that this measure will encourage the enhancement of these schools to ensure that access to and delivery of education is promoted. This allowance would allow companies to make donations to schools registered with the Ministry of Education and obtain a tax deduction with an added uplift on the expenditure incurred.

Proposed fiscal measures (Continued)

Proposed measure

National Insurance

Increase in the retirement age by five years from 60 to 65 years old. The proposed implementation date is to be determined.

Commentary

The NIS Fund is facing sustainability challenges and the risk of reserve exhaustion caused by (i) a gap between the expenditure and the income of the fund; and (ii) the assets of the National Insurance Fund becoming depleted.

A proposed increase in the retirement age will likely continue to be met with mixed reactions by stakeholders such as the working class and trade unions. However, the Minister outlined that to ensure long-term financial viability of the NIS, an increase in the retirement age is needed.

This also gives the Government the opportunity to collect further contributions into the NIS coffers amidst concerns of inadequate reserves.

This initiative will serve to benefit persons who were previously unable to qualify for pension due to inability to make the minimum number of NIS contributions or found themselves in the predicament of entering the workforce late or were unemployed for a period of time. This having been said, some job promotions may be delayed due to the extended work life of personnel.

Proposed measure

SME Foreign Exchange Facility

Creation of new arrangements for preferential access to foreign exchange for qualified small and medium-sized enterprises (SMEs).

Commentary

This measure is aimed at coming into effect within six months and it is targeted to reducing the demand for sales of foreign exchange using credit cards and comes in light of the pre-existing pressure for foreign exchange. Recently, a local commercial bank reduced US-dollar credit card limits and this caused significant impact to small businesses who rely on these credit cards to import goods for resale.

This further exacerbates the scarcity of foreign supply given the existing limitations imposed by banks on the access to cash foreign currency and consequently, this hampers access by the citizenry to well-needed forex for personal and other small business use. Chronic shortages have caused pressure on many businesses, and it has impacted credit and other facilities that foreign suppliers have been willing to provide to T&T businesses.

Preferential access to forex for qualifying SMEs would be a welcome initiative for these businesses, however, the criteria to access this facility must be fair and transparent.

Proposed measure

Transfer Pricing

Introduction of a Transfer Pricing Policy Framework to be done within 24 months.

Commentary

The question of introducing Transfer Pricing legislation was introduced and announced at successive budget presentations dating back to 2010. The legislative framework is intended to govern the pricing arrangements between related parties and use a comparable uncontrolled pricing arrangement to ensure that parties are operating at arm's length.

The Government has engaged the CAF Development Bank and the Inter-American Centre of Tax Administration (CIAT) to advance a policy framework for transfer pricing legislation. This is a progressive step; the tax authorities currently rely on Section 67 of the Income Tax Act to challenge related party transactions, and allows the BIR to disregard any transactions that it views as artificial or fictitious.

This provision has been used in the past to challenge transactions between related parties that the BIR considers to be at variance with the arm's length principle. However, case law has given several subjective tests which are used for guidance, but the parameters and application have been problematic.

We anticipate that the Transfer Pricing legislation will be modelled after the principles embodied within the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration, since this was the Government's stated intention when the concept was first introduced. This legislative framework will provide greater clarity to related party transactions using established tests, principles and methodologies.

Further, this measure is anticipated to support enhanced compliance required by multinationals through (i) the maintenance of records and documentation by corporations to support intercompany arrangements; and (ii) a framework built on transparency and certainty in pricing structures. The introduction of this measure is likely to increase the costs of doing business where there are no Transfer Pricing reports currently being prepared and utilised by the group.

In the context of this announcement given by the Minister and in preparation for the introduction of Transfer Pricing legislation, we encourage companies to start preparing themselves to comply with the upcoming regime. This would include seizing the opportunity to address upfront areas of non-compliance by reviewing all their intercompany transactions, and collating documentation seeking to assist them in determining whether their related-party transactions are conducted on an arm's length basis having regard to the OECD guidelines.

As a point of reference, the OECD guidelines provide for the following three-tiered structure for standardised documentation:

I. A master file containing standardised information relevant to all multinational entity (MNE) group members;
II. A local file referring to material transactions of the local company; and
III. A country-by-country (CbC) report containing certain information relating to the global allocations of the MNE's group's income and taxes paid together with certain indicators of the location of economic activity with the MNE group.

We await further information and details to comment further on the measures.

Proposed measure

Property Tax

Effective 2024, property taxes on residential properties will be collected.

Commentary

The Minister announced that the Office of the Commissioner of Valuations had surpassed the 50% threshold of residential properties required to give effect to the population of the valuation roll. This roll is set to be submitted to the Inland Revenue Division, which will institute the procedural framework necessary to collect the residential property tax.

On this note, we have firstly outlined the methodology under the Property Taxes Act to determine the quantum of tax payable on a residential property:

1) The Commissioner of Valuations is to assess the annual rental value (ARV) of the property. For the purposes of computing the ARV where a rental value is not readily available, the capital cost of the property is used and converted by applying a rate of 3.5%;
2) The BIR will determine the annual taxable value (ATV) using the ARV less such deductions as it sees fit for voids or loss of rent of 10% of the ARV;
3) The residential property tax rate of 3% is then applied to the ATV.

We have outlined a computation and applicable tax in the case of a residential property with an annual rental value of $120,000 as follows:

Annual Rental Value	$120,000
Less 10%	$12,000
Annual Taxable Value	$108,000
Annual Property Tax Payable	$3,240

Therefore, a residential owner with an annual rental value of $120,000 will have to pay $3,240 annually which equates to $270 dollars a month. This annual rental value would be on the higher end of the spectrum because this would mean that the property can obtain $10,000 a month in rent on the open market.

It should be noted also that where a residential owner is unable to pay the tax due to any hardship or where they are on old age pension, public assistance or disability grants, they can apply to the BIR for a deferral of property tax.

In order to settle the tax, taxpayers must be issued with an assessment notice which will be generated by the Board of Inland Revenue by March 2024, and tax should be paid on or before 30 September 2024. It should be noted that an appeal can be lodged for any disagreement on the values assessed by the Board of Inland Revenue

There is no indication of when the tax will be levied on commercial, industrial and agricultural property.

Proposed fiscal measures (Continued)

Proposed measure

Trinidad and Tobago Revenue Authority

Operationalising of Trinidad and Tobago Revenue Authority anticipated to commence shortly.

Commentary

The Minister noted that due to multiple legal challenges, the government was thwarted in its efforts to introduce the Trinidad and Tobago Revenue Authority as previously planned. Once these challenges are resolved, it is anticipated that by the end of the year, the Government will operationalise the Revenue Authority and merge the Inland Revenue and Customs and Excise Divisions.

The TTRA was envisioned to be a mechanism to optimise the collection of taxes, rectify existing weaknesses in the current operational structure and increase efficiency in the administration of taxes. The government has anticipated that the TTRA will close the tax gap, which is estimated at TT$10 billion dollars, thereby ensuring that taxpayers pay their fair share of taxes and maintaining the suite of social services that the populace currently enjoys.

We believe that the TTRA is long overdue and look forward to the final stages of its operationalisation in the near future.

Proposed measure

FinTech

FinTech platform to be established locally.

Commentary

It is envisaged that this platform will (i) encourage stakeholders interested in financing opportunities for emerging in the FinTech sphere; (ii) provide capacity building to prepare applicants seeking to apply for licensing or seeking regulatory certainty for the use of technologies; and (iii) facilitate research to collect data to benefit the centre to advance digital finance and financial inclusion.

The introduction of FinTech brings a host of benefits by facilitating the use of digital payment technologies and reducing the country’s reliance on physical cash, increased speed in transactions and automation of existing processes. The strengthening of cybersecurity measures is critical in the context of the digitalisation of the economy.

Proposed fiscal measures (Continued)

Proposed measure

Educational expenses

School supplies and book grant to be introduced

Commentary

The Minister recognizes the cost of school uniforms, supplies and textbooks and in an effort to ease this burden on needy families, proposes to provide for needy students in primary and secondary schools a school supplies and book grant of $1,000 to assist in meeting the costs of attendance at primary and secondary schools in 2024.

Proposed measure

Payment to retirees

Tax exempt one-time lump sum payment to be issued to retirees.

Commentary

The Trade Unions have accepted a one-time lump sum payment of $4,000 to their members who retired compulsorily, voluntarily with permission or on the grounds of ill health from 2014 to 2016. This special payment is expected to benefit approximately 1,600 monthly-paid officers and 100 hourly, daily and weekly-rated workers who retired between 1 January, 2014 and 30 September, 2016.

Proposed measure

Special Economic Zone

Special Economic Zone regime to be finalised.

Commentary

The Minister indicated that Special Economic Zones are now being finalized, including a comprehensive investment incentive framework and a Special Economic Zone Authority to regulate the regime. In 2022 the Board of the Trinidad and Tobago Special Economic Zones Authority was appointed and once fully operationalised, domestic and foreign investors can expect enhanced transparency, predictability and security for their investments.

Proposed measure

Online payment of taxes

Online payment ecosystem to be rolled out for the collection of taxes

Commentary

The Government is developing an online payment ecosystem for collecting taxes as a key component in its drive to create a digital economy. The Development Bank of Latin America (CAF) has been engaged to provide technical consultancy services to undertake the project. It is anticipated that this project with comprehensive recommendations will be completed and implemented by March 2024.

Proposed measure

Tax free Agricultural Sector

Legislation to be passed to clarify the exempt status of the Agricultural Sector

Commentary

The Minister indicated that making the agricultural sector tax free is an essential component of the Government's policy framework. The Government intends to review, update and improve, where necessary, all concessions, incentives and rebates in the sector, such as the fuel rebate for fishermen, to make them more realistic and relevant. There are currently incentive offered to the agricultural sector such as the Agriculture Incentive Rebate Programme, Duty Free Concessions on Agricultural Equipment and Machinery and an Agro-Incentive Grant. In addition, under the Income Tax Act the gains or profits from commercial farming carried out on an approved agricultural holding is exempted from tax for a period of ten years from the date of approval of the agricultural holding.

Proposed measure

Green Manufacturing Initiative

Green Manufacturing Initiative including tax incentives to be rolled out.

Commentary

The Minister stated that "we are establishing a Green Manufacturing Initiative to assist local manufacturing to adopt and improve green manufacturing practices. This initiative will fund, through an energy efficiency audit, those businesses in the non-energy manufacturing sector interested in adopting greener practices. The initiative will include tax incentives and waivers for promoting renewable energy and energy efficiency."

Tax impact on ESG and ESG Trends

Tax impact on ESG and ESG Trends

Environment, Social and Governance (ESG) is a collective term used to express a company's purpose beyond financial growth. ESG reflects an organisation's responsibilities towards a broad group of stakeholders beyond shareholders; including suppliers, customers, employees and the surrounding communities they operate in.

ESG considerations have gained significant prominence in the corporate world and communities at large. ESG encompasses both tangible and intangible criteria that can shape a company's operational policies and its commitment and impact on society and the environment.

The environmental pillar of ESG looks at how companies impact the world as stewards of nature; the social pillar examines how organisations contribute to communities and how they manage relationships with stakeholders like employees, suppliers and customers; while the governance pillar examines how organisations implement the environmental and social components and how they conduct themselves as part of their corporate policy and internal controls.

Increasing global regulation and reporting requirements, investor and shareholder demand, employee recruitment and retention, and society in general, are driving the momentum for companies to put meaningful and robust ESG strategies in place, including roadmaps on how they intend to achieve their ESG ambitions.

ESG criteria have become integral to corporate strategies and public policy. A robust and comprehensive ESG policy can assist companies with:

- stronger overall risk management and resilience, including from a tax perspective;
- attracting and retaining high value talent;
- improved financial performance; and
- increased brand and reputation.

While traditionally ESG initiatives primarily focus on sustainability, they can also have noteworthy tax implications, as most business and operational decisions can have a direct or indirect tax impact. From government policy to community impact, tax is a critical component of each of the ESG pillars.

There are ongoing discussions on whether the largest global companies are paying their fair tax, how governments are using taxes to fund sustainable development goals and how governments are using taxes as a driver for positive ESG changes.

Tax strategy and policy play a vital role in the efficient implementation of ESG policies and strategies, and to this end, they should always be aligned.

Environment

From a general macro perspective, environmental policy is different from one jurisdiction to the next. It is often guided based on both the culture and interests of its people, as well as international commitments entered into by the government of the day.

In determining the optimal approach to implementing an environmental policy, governments often utilise their fiscal tax policy to provide either a 'carrot' or a 'stick' as the impetus to change.

Tax impact on ESG and ESG Trends

Where the goal is to encourage organisations to adopt a particular favourable environmental practice, they may introduce a tax incentive to stimulate that activity or on the other hand, they may seek to introduce a tax as a disincentive to discourage a practice or behaviour that is harmful to the environment. In these ways, tax policy can be a key component in the momentum for change.

Tax incentives can take the form of tax credits or tax allowances, such as tax credits for carbon capture and accelerated capital allowances for capital investments in the purchasing of energy-efficient equipment. In addition to the positive environmental impact, these types of incentives can also have a positive impact on a company's cash flow by reducing tax liabilities and potentially resulting in tax refunds in some instances.

The following are some environmental tax incentives available in Trinidad and Tobago:

- Energy service company allowance;
- Solar water heating equipment tax credit;
- Acquisition of plant, machinery and equipment for the provision of compressed natural gas (CNG) kit and cylinder installation allowance;
- Acquisition and installation of a CNG kit and cylinder in a motor vehicle allowance;
- Acquisition of plant, machinery, parts and materials for use in the manufacture of solar water heaters allowance;
- Acquisition of wind turbines and supporting equipment allowance;
- Acquisition of solar photovoltaic systems and supporting equipment allowance;
- Acquisition of solar water heaters allowance;
- Certification by an Energy Service Company of plant and machinery for the purpose of conducting energy audits allowance;
- Carbon capture and storage, and enhanced oil recovery allowance.

Similarly, a government could introduce a carbon tax as a disincentive, which effectively taxes companies for each ton of greenhouse gas (GHG) emissions they emit into the environment.

The Green Fund Levy is a tax that is applicable to companies operating in Trinidad and Tobago, which does not fall into the categories of incentive or disincentive, but rather an instrument to raise capital for environment-related projects.

The levy is intended to be a special purpose tax to be utilised by the government to provide resources for communities and non-governmental organisations to fund their environmental projects throughout the islands e.g., remediation and reforestation, education on environmental issues and conservation of the environment. While it is unclear as to the actual utilisation of the fund, it is a stark example on the use of taxation as a mechanism to impact environmental matters.

From an investor and stakeholder perspective, potential tax implications must be factored into any business decision as they could have either a negative or positive impact.

Tax impact on ESG and ESG Trends

Social

There are increasing calls for governments to adopt greater tax transparency policies and practices, as corporate taxpayers seek confirmation that a portion of their significant tax payments are going toward socially responsible areas such as hospitals, schools and the alleviation of crime.

Similar to tax incentives under the environmental pillar, there are several tax incentives for contributions to society. From a Trinidad and Tobago perspective, the following are some of the available tax incentives that have a social impact:

- Tertiary education allowance;
- First-time homeowner allowance;
- Scholarship allowance;
- Art and culture/sportsmen/sporting allowance;
- Deduction of covenanted donations to charity;
- Employee training/retraining allowance;
- Technology allowance vis-à-vis, the creation of employment;
- Apprenticeship allowance;
- Expenditure in constructing or setting up a facility dedicated for use as a childcare or homework facility for dependants of employees who are minors.

Greater transparency directly from companies themselves is also being requested from stakeholders. For most large corporations, their tax liabilities represent a significant cost of doing business in a particular jurisdiction. Greater tax transparency on their part will provide a level of comfort to investors and stakeholders that companies are paying their fair share of taxes and are having a positive impact on the communities they operate within.

Tax transparency can be an effective tool as a key indication of an organisation's contribution to society. This will have a positive impact on a company's brand and reputation, as well as its ability to retain and attract talent to its workforce. For example, tax transparency can be used as an instrument to tell the story of what the company's socially responsible investments are; does the company have a scholarship programme; is it making charitable donations; and what are its financial contributions to foster art and culture?

Governance

Tax governance includes oversight of an organisation’s tax strategies and decisions to ensure they align with business objectives and tax reporting.

A robust tax governance and control framework is the path towards a low tax risk profile and reliance against the likelihood of a tax audit, which could have significant financial penalties as well as a reputational impact resulting in an erosion of trust and perceived and actual market value.

Tax impacts under the governance pillar include examining a company’s tax strategy, tax risk policies and tax control framework.

Tax impact on ESG and ESG Trends

It is important for multinational companies in particular, to ensure that they have a tax policy that covers all the jurisdictions they operate in, and to ensure that their board of directors have oversight and awareness of the company's tax risk profile and tax strategies, especially:

- when entering new jurisdictions;
- as part of tax planning;
- restructuring discussions; and
- as part of tax due diligence on mergers and acquisitions.

As they seek to navigate advancing OECD tax policies and changing tax compliance obligations, the governance surrounding tax transparency is increasingly on the agenda of topics for discussion among:

- governments;
- regulators;
- citizens;
- in boardrooms
- C-suite; and
- other stakeholders.

To achieve increased demands for transparency, companies have invested in resources to foster the accuracy and quality of their underlying tax reporting and are ensuring that each of their operations around the world is operating under the same tax governance control framework.

ESG Trends

The current ESG reporting landscape is complex and evolving, with many global organisations and agencies playing important roles. One of those being the International Sustainability Standards Board (ISSB) which on 26 June 2023, issued its inaugural standards IFRS S1 and S2, to enable companies to communicate to investors about sustainability-related risks and opportunities.

<u>IFRS S1</u>

Discloses material information on sustainability‑related risks and opportunities, in particular:

- governance processes, controls and procedures a company uses to monitor, manage and oversee them;
- the strategy for managing these risks and opportunities;
- risk management processes to identify, assess, prioritise and monitor these risks; and,
- performance metrics in relation to these, and progress towards targets.

A company applying IFRS S1 is required to apply IFRS S2.

<u>IFRS S2</u>

Discloses material information on climate-related risks and opportunities, in particular:

- the strategy for managing physical and transition risks and opportunities, including effects on decision-making, financial effects and climate resilience;
- scenario analysis should inform disclosures;
- performance in relation to these, including disclosure of absolute gross GHG emissions generated across the value chain (Scopes 1, 2 and 3).

Tax impact on ESG and ESG Trends

Key actions

1. ESG and Tax Discussions

In formulating and amending an ESG policy, tax plays a crucial role and should be part of the conversation throughout the process.

Collaboration between Tax and ESG teams is crucial for the effective alignment of ESG efforts with tax strategies i.e., ESG strategy should always be aligned with your tax strategy.

2. Tax Contribution

Companies should be aware of their total tax contributions from an ESG perspective. This should form part of their ESG story and should be disclosed in a transparent manner.

Organisations should proactively assess the tax implications of their ESG policies and initiatives, while leveraging available tax incentives and ensuring compliance with their corporate governance guidelines.

3. Governance

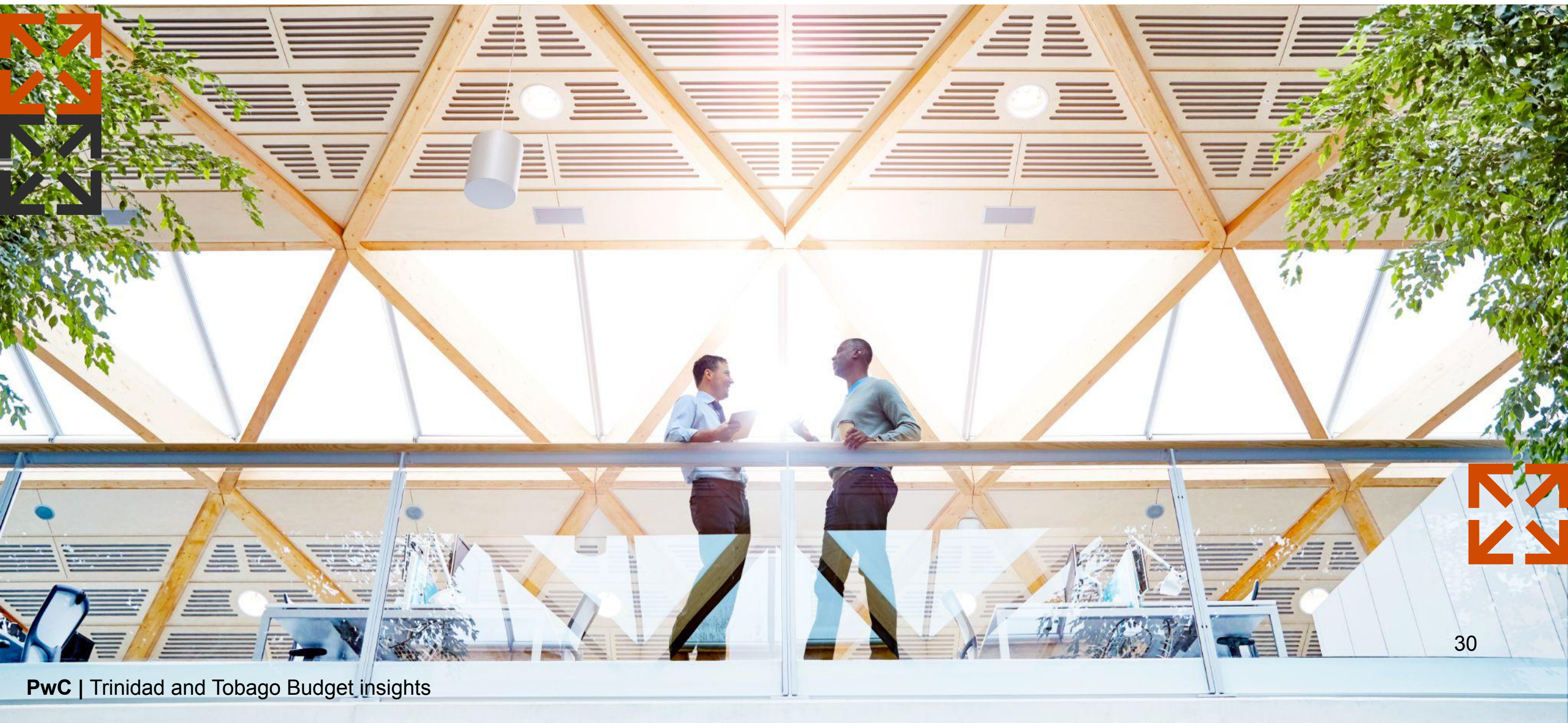
Companies should ensure that the tone at the top is clear and documented regarding both their ESG and tax policies. This should be accompanied with the appropriate level of board oversight.

A strong governance framework and controls should be utilised to manage how environmental and social policies and strategies are developed and implemented.

ESG should be formalised into corporate governance expectations, purpose, codes of conduct etc.

4. Reporting

Companies should examine if their ESG disclosures are credible and transparent and if they are ready to respond to stakeholder requests, including investors.



Tax facts

Tax facts

Income tax—Allowances/deductions

Income tax—Allowances/deductions	Proposed 2024	2023
Tax rate (Chargeable income ≤$1m)	25%	25%
Tax rate (Chargeable income > $1m)	30%	30%
Personal allowance	$90,000[1]	$90,000[1]
Tertiary education allowance	$72,000 [2]	$72,000 [2]
Pension/deferred annuity	$60,000 [3]	$60,000 [3]
National insurance	70%	70%
First time homeowner allowance	$30,000 [4]	$30,000 [4]
Stamp duty threshold	$2,000,000 [5]	$2,000,000 [5]
Contributions under a Deed of Covenant	15% of total income [6]	15% of total income [6]
Venture capital tax credit	30% of investment [7]	30% of Investment [7]
CNG kit and cylinder tax credit	25% of total cost [8]	25% of total cost [8]
Solar water heating equipment tax credit	25% of total cost [8]	25% of total cost [8]
Tax credits on National tax free savings bonds	25% of $5,000 [9]	25% of $5,000 [9]
Severance pay exemption limit	$500,000 [10]	$500,000 [10]
Alimony paid	No limit	No limit
Guest house approved capital expenditure deduction	No limit	No limit

Income tax—1	Effective January 1, 2023 the Personal allowance of $90,000 will be available to all resident individuals and non resident individuals receiving pension income accruing in or derived from T&T.
Income tax—2	For attendance at foreign universities not GORTT funded. Claim limited to $72,000 per year w.e.f 1 January 2019.
Income tax—3	Maximum claim of $60,000 effective 1 January 2022.
Income tax—4	First-time homeowners deduction for five (5) years for properties purchased/constructed with effect from the date of acquisition.
Income tax—5	Stamp duty threshold for first time home owners increased to $2,000,000 w.e.f 2021.
Income tax—6	Contributions under a Deed of Covenant include donations to approved sporting bodies, charitable organisations and/or The Children Life Fund.
Income tax—7	Any unrelieved credit on the Venture Capital Investments can be carried forward if unrelieved in the first year.
Income tax—8	The credit is 25% of the cost of the equipment up to a maximum of $10,000.
Income tax—9	Any unrelieved credit on the National tax free savings bonds can be carried forward if unrelieved in the first year.
Income tax—10	Approval must be obtained from the BIR.

Tax facts

Corporation tax—Allowances/deductions (1 of 2)

Corporation tax—Allowances/deductions	Proposed 2024	2023
Corporation tax rate (Petrochemicals)	35%	35%
Corporation tax rate (Other)	30%	30%
Corporation tax rate (Commercial Banks)	35%	35%
Corporation tax rate (Exporters of local goods)	25% [1]	25% [1]
Small and Medium Enterprises (SME) (First five years from the listing on the Trinidad & Tobago Stock Exchange)	0% [2]	0% [2]
SME (Five years following the listing)	15% [2]	15% [2]
SME (Core business related to technology solutions, digitalisation and construction)	25%	25%
Business Levy (On gross sales & receipts)	0.60% (0.3% SME - five years following listing)	0.60% (0.3% SME - five years following listing)
Business Levy (On gross sales & receipts)	Exempt (Export sales of non-petrochemical manufacturing companies)	
Green Fund Levy (On gross sales & receipts)	0.30% (0.15% SME - five years following listing)	0.30% (0.15% SME - five years following listing)
Initial allowance (Manufacturing companies)	90%	90%
Scholarship allowance	Expense incurred	Expense incurred
Art and culture/sportsmen/sporting activities	Expenses incurred [3]	Expenses incurred [3]
Promotional allowance	150% uplift	150% uplift
Audio/Visual/video production allowance	150% uplift [3]	150% uplift [3]
Fashion allowance	150% uplift [3]	150% uplift [3]
Production company allowance	150% uplift [4]	150% uplift [4]
Energy service company allowance	150% uplift	150% uplift
Covenanted donations to charity	15% of Total Income [5]	15% of Total Income [5]
Employees training/retraining	150% uplift	150% uplift
Approved property development company (Construction of building used for commercial and industrial purposes)	20%	20%
Investment in tech start-up and new tech business	150% uplift [6]	150% uplift [6]
Technology solution and digitalisation	150% uplift [6]	150% uplift [6]
Creation of employment in a technology industry	150% uplift [6]	150% uplift [6]

Corporation tax—1	Exporters of local goods where the annual revenue is over $500K.
Corporation tax—2	A tax rate of 0% would apply for the first five years from listing on the T&T Stock Exchange and five years following the listing at a rate of 15%. Standard rate of tax thereafter.
Corporation tax—3	Tax deduction up to a maximum of $12m. Aggregate of all claims restricted to $12m.
Corporation tax—4	Allowance only available to production companies. $8m limit.
Corporation tax—5	Covenanted donations to charity include approved sporting bodies, charitable organisations and/or The Children's Life Fund
Corporation tax—6	Tax deduction up to a maximum of $3m.

Tax facts

Corporation tax—Allowances/deductions (2 of 2)

Corporation tax—Allowances/deductions	Proposed 2024	2023
Digitalisation and technology solutions company	50% exemption first $100K of chargeable income— yr 1 and the first $200K of chargeable income—yr 2	50% exemption first $100K of chargeable income—yr 1 and the first $200K of chargeable income—yr 2
Research and development (R&D) capital allowance	40% of expenditure	40% of expenditure
Apprenticeship allowance	150% uplift	150% uplift
Manufacturing tax credit	One time tax credit of $50,000	One time tax credit of $50,000
Electronic payment providers and e-Money Issuers	One time tax credit of $50,000	One time tax credit of $50,000
Cybersecurity Investment Tax Allowance	Expenses incurred [7]	
Corporate Sponsorship - Public and Private schools	150% uplift [8]	

Corporation tax—7	Tax deduction up to a maximum of $500,000 effective January 1, 2024 to December 31, 2025
Corporation tax—8	150% tax allowance up to $500,000, effective January 1, 2024

Tax facts

Investment income

Investment income	Proposed 2024	2023
Local distributions (dividends, mutual fund income, etc.)	Exempt	Exempt
Interest (individuals)	Exempt [1]	Exempt [1]
Gains or profits from sale of residential house sites	Exempt [2]	Exempt [2]
Sale/rental income from commercial buildings/	Exempt [3]	Exempt [3]
Multi-storey car parks	Exempt [3]	Exempt [3]
Premiums and rents from letting of newly constructed multi-family dwelling	Exempt [4]	Exempt [4]
Gains or profits from the initial sale of newly constructed multi-family dwelling	Exempt [5]	Exempt [5]

Investment income—1	Interest income as per Section 8 of the Income Tax Act.
Investment income—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.
Investment income—3	Construction must have commenced on or after 1 October 2012. Profits/rental Income exempt until 31 December 2025.
Investment income—4	Construction must have commenced on or after 1 July 2016. Income exempt until 31 December 2025.
Investment income—5	Construction must have commenced on or after 1 July 2016. Profits exempt until 31 December 2025.

Tax facts

Petroleum

Petroleum	Proposed 2024	2023
Petroleum Profits Tax (PPT)—Petroleum operations	50%	50%
Petroleum Profits Tax (PPT)—Petroleum operations—Deep water block	30%	30%
Unemployment Levy	5%	5%
Tax losses brought forward (PPT)	75% relief	75% relief
Royalty	12.5% of the fair market value of crude oil and natural gas won and saved	12.5% of the fair market value of crude oil and natural gas won and saved
Supplemental Petroleum Tax (SPT)	Computed on gross income from disposals of crude oil. Allowances and tax credits available. Varying rates from 0–55%	Computed on gross income from disposals of crude oil. Allowances and Tax Credits available. Varying rates from 0–55%
Investment Tax Credit	30%	30%
Sustainability Incentive	25%	20%

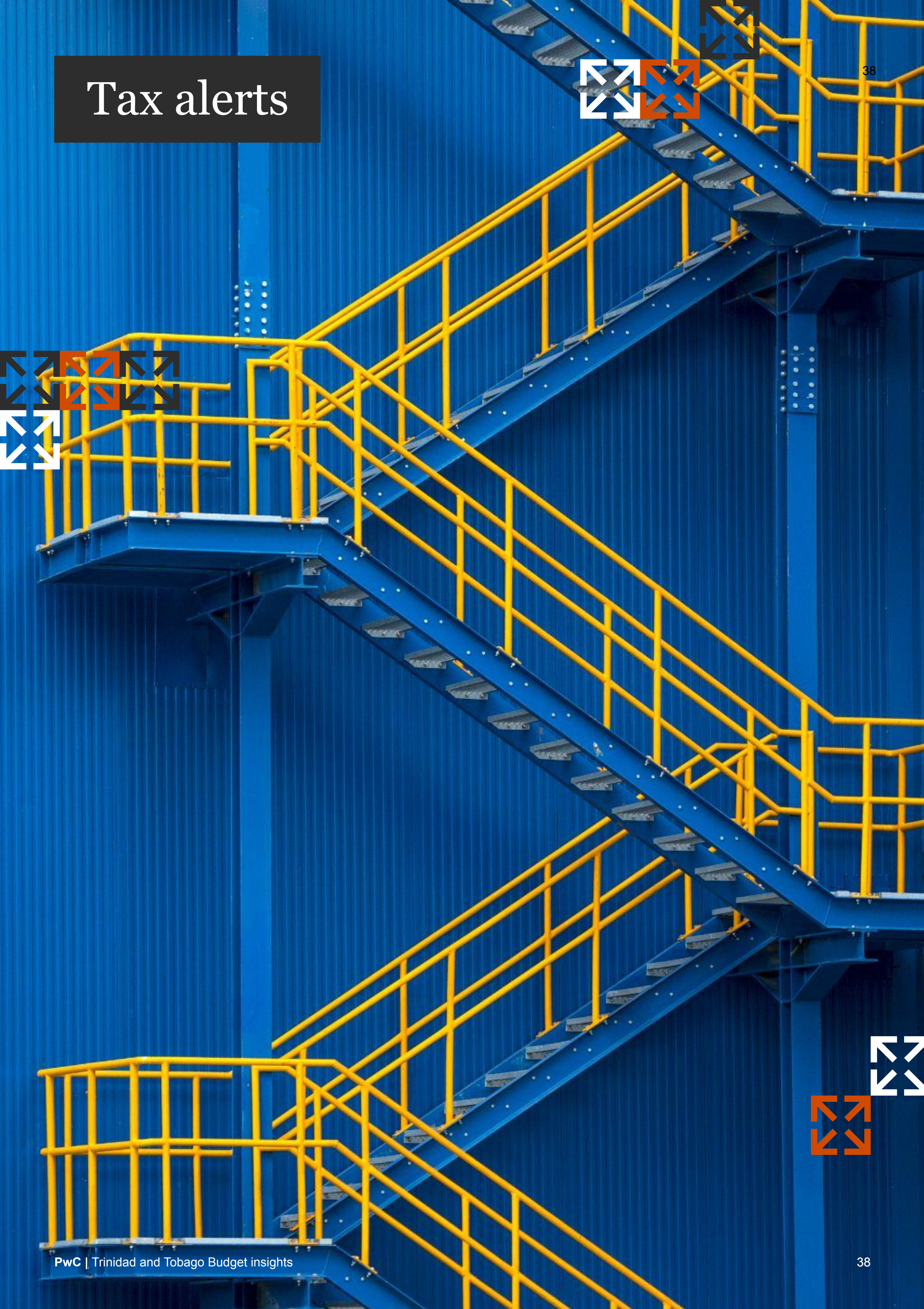
Tax facts

Alternative energy incentives

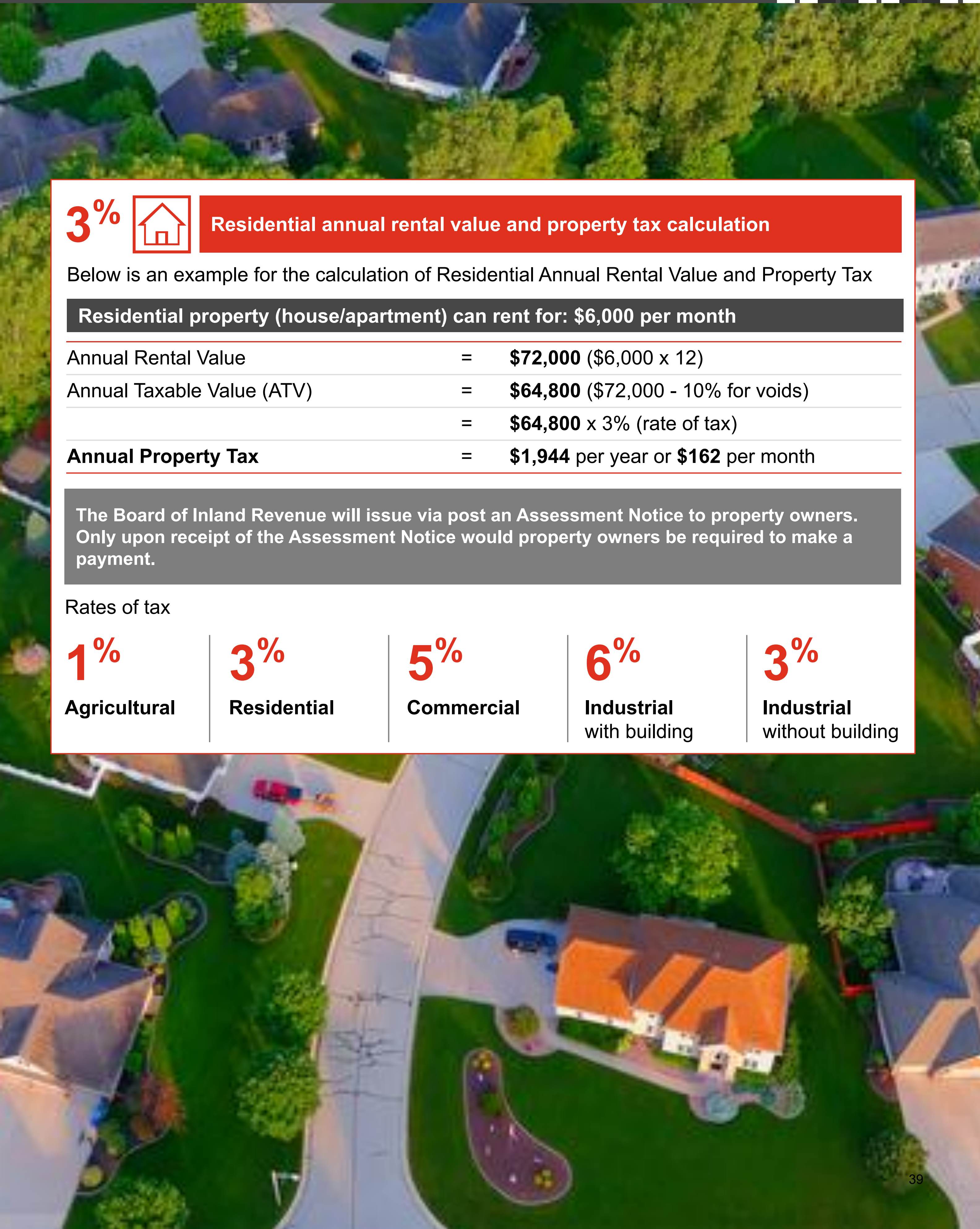
Alternative energy incentives	Proposed 2024	2023
Wear and tear allowance (CNG)	130%	130%
Wear and tear allowance (Solar & Wind)	150%	150%
New and used electric commercial vehicles (not older than 3 yrs) Engine size 179kw	Duty, Motor Vehicle Tax Exempt—VAT 0%	Duty, Motor Vehicle Tax Exempt—VAT 0%
New and used hybrid commercial vehicles (not older than 3 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 commercial vehicles (not older than 3 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

Alternative energy incentives—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.
Alternative energy incentives—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 alerts



Property tax



3% Residential annual rental value and property tax calculation

Below is an example for the calculation of Residential Annual Rental Value and Property Tax

Residential property (house/apartment) can rent for: $6,000 per month

Annual Rental Value	=	**$72,000** ($6,000 x 12)
Annual Taxable Value (ATV)	=	**$64,800** ($72,000 - 10% for voids)
	=	**$64,800** x 3% (rate of tax)
Annual Property Tax	=	**$1,944** per year or **$162** per month

The Board of Inland Revenue will issue via post an Assessment Notice to property owners. Only upon receipt of the Assessment Notice would property owners be required to make a payment.

Rates of tax

1%	3%	5%	6%	3%
Agricultural	**Residential**	**Commercial**	**Industrial** with building	**Industrial** without building

4th quarter 2023 tax instalments are due on or before 31 December 2023

Trinidad and Tobago 4th quarter tax payments are due on or before 31 December 2023.

If your chargeable profits for 2023 is less than 2022

Where your estimated chargeable/taxable income for 2023 **is less than that of 2022**, you are required to seek approval from the Inland Revenue Division to reduce your quarterly instalments i.e. obtain approval to pay less quarterly taxes than required by law.

If your chargeable income for 2023 exceeds 2022

Where your estimated tax liability for 2023 **exceeds that of 2022**, your 2023 quarterly tax instalments are to be based on your 2023 tax liability.

You are required to remit to the Inland Revenue Division quarterly instalments equal to your liability for 2022 together with 80% of the increase over 2022 by 31 December 2023.

Business Levy 0.6% on gross sales/receipts

Where your Corporation Tax quarterly instalment liability exceeds your Business Levy liability for the quarter, you are required to remit **only** the Corporation Tax quarterly instalment. Where your Corporation Tax quarterly instalment liability is less than your Business Levy liability, you are required to remit the Corporation Tax instalment and the excess Business Levy liability for the quarter.

Green Fund Levy 0.3% on gross sales/receipts

Green Fund Levy is payable in addition to your Corporation Tax and/or Business Levy liability.

Interest at the rate of 20% per annum is imposed for the short payment (where prior approval is not obtained) of taxes and on the late payment of levies and taxes.

Year end tax planning

As we approach the 2023 calendar year end and the financial year for some companies, it is an opportune time for Trinidad and Tobago companies to consider their year end tax position and provisions for 2024. The management of the company's cash flow position is an important aspect of its business vis a vis its tax position in relation to any tax refund that it may be entitled to or any significant final tax payments.

Year end tax questions

As we head to the end of calendar year 2023, here are some tax related questions companies should be considering.

4th quarter tax payment

Should you apply to the Inland Revenue Division for a reduction in your 4th quarter tax payment? Have you paid all of your previous quarterly tax payments?

Tax allowances

Have you taken full advantage of all available tax allowances including:

- Promotional expenses allowance.
- Production company allowance.
- Scholarship allowance.
- Art and culture, sportsmen, sporting activities, audio, visual or video production, fashion Industry allowance.
- Training and re-training.
- Wear & tear allowance/capital allowance.

Repair & maintenance

Have you done a detailed analysis of your repair and maintenance expenditure to determine if any items are capital in nature?

Donations

Have you made any donations to nonprofits/charities? Were these done under a deed of covenant?

Payment to non-residents of Trinidad and Tobago

Have you made any payments to non-resident of Trinidad and Tobago? Was withholding tax applicable on those payments?

Fixed asset register

Have you done a detailed review of your fixed asset register to confirm disposals and additions of assets? Are your assets classified correctly and are the correct tax depreciation rates being applied?

Third party/external professional fees

Have you completed an analysis of any expenses related to third party professional fees e.g. lawyers, architects, foreign consultations to determine if they are related to capital transactions or subject to withholding tax?

Bad debts

Do you have any provisions for bad debt on your accounts? Do you have documentation demonstrating your attempts to collect these debts as well as support for the methodology used to quantify your provisions?

Let’s talk

Tax and 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.

PwC offers a wide range of tax, corporate secretarial and commercial transaction support services and we utilise subject-matter experts to cater to a variety of clients and their unique needs. This will allow our clients the opportunity to focus on their core competencies in growing their businesses.

Our services extend beyond our borders, as we continue to provide advice to companies operating in Trinidad and Tobago on all of the services outlined as follows.

Tax consulting services

These assignments are all encompassing and include tax advice related to all transactions or issues undertaken as part of the business operations of a client. It extends to cross-border and other tax implications such as tax treaty issues arising on a transaction. Additionally, our experienced team of tax professionals advises on special areas including:

- Corporate finance and funding arrangements
- Acquisitions and merger tax implications
- Debt restructuring and debt workouts
- Transfer pricing arrangements and other relevant International tax initiatives impacting cross-border transactions
- 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

Preparation and/or review of tax returns, advising on areas of exposure and recommending solutions for addressing same. Additionally, we can support with review and regularisation of tax records with the Board of Inland Revenue to ensure that the Tax Authority's records are in order.

Value Added Tax 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 instalments

We support our clients by computing quarterly tax instalments due and payable and where applicable, we make the appropriate applications to the tax authorities for adjustment of these instalments.

Personal Income Tax returns and related advisory services

Preparation of personal income tax returns for expatriate personnel and advising on all executive and employee compensation and other personal tax matters.

Tax audit and dispute resolution audits/objections/appeals

We provide assistance, advice and support throughout the audit, objections and appeal stages by liaising with the tax authorities on behalf of our clients.

Tax accounting and payroll accounting support

We can assist with the preparation of the relevant tax and payroll accounting documentation.

Corporate Secretarial Services Incorporation

Incorporation of both external and local companies. We provide advice to clients on general corporate matters and concerns.

Tax registration

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

De-registration

We can facilitate the de-registration of both external and local companies from the Companies Registrar and the Tax Authority.

Maintenance of company portfolio

We prepare and file on behalf of the company Annual Returns, filings in relation to 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 including supporting our clients with the beneficial ownership requirements.

Amalgamations and other corporate restructurings

Preparation and filing of the necessary documents with the government authorities to effect a required amalgamation or other corporate restructurings. We can also advise on methods of share dispositions and provide the relevant support services for each method 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.

Work permits/renewals and other Immigration related support services

Prepare and submit work permit applications and renewals for expatriate personnel, including facilitating the advertising, interviewing and evaluation process required by the Ministry of National Security. We can also provide support for endorsements, visas and visa waivers and other relevant immigration services.

Liquidation and dissolution

We can assist with, and advise on, voluntary and involuntary winding-ups.

Caribbean presence

PwC in the Caribbean comprises eight firms with more than 1,200 people in The Bahamas, Bermuda, British Virgin Islands, Cayman Islands, East Caribbean (including Barbados and Saint Lucia), Guyana, Jamaica and Trinidad & Tobago. We provide quality assurance, tax, legal and advisory services to a full range of private and public organisations, including international businesses, local enterprises and Government.

Locations in the Caribbean

Our clients have access to top PwC talent, which means tapping into our vast pool of Caribbean and global industry resources that have the experience and credentials to deliver the quality services for which PwC is known.

The Bahamas	Bermuda	British Virgin Islands
Cayman Islands	East Caribbean (including Barbados & St Lucia)	Guyana
Jamaica	Trinidad & Tobago	

We have a long history of operating in the Caribbean

Caribbean territories
8

Caribbean locations
11

Our people in the Caribbean
1,200+

Building trust and solving important problems

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 327,000 people who are committed to delivering quality in assurance, advisory and tax services.

Our advisory, tax, and assurance services address today's most pressing business imperatives

Simulate innovation	Align costs with business strategy	Transform human capital
Accelerate digital and technology impact	Grow and create competitive advantage	Navigate risk and regulatory complexity
Optimise deals	Create unique customer experiences	Strengthen trust and transparency
Unlock data possibilities	Secure assets	Strengthen Corporate Governance

We have the global reach, experience, and skill you need

Countries
155

Global offices
1008

Our people
327,000+

Locations
742

Our revenue
$42.4bn

Our clients
85%
of the Fortune Global 500 are our clients

Our clients range from the world's largest and most complex organisations to some of the most innovative entrepreneurs.

Let’s talk

Connecting PwC tax services to your business

Tax 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.

We offer a range of tax services and 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.

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Thank you

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At PwC, our purpose is to build trust in society and solve important problems. PwC is a network of firms in 155 countries with over 327,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/tt.