



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

2020/2021 National Budget is based on

OIL Price of USD \$45 per barrel

GAS Price of USD 3.00 per mmbtu

2020/2021 Budget Snapshot (\$bns)

	<u>Original</u>
Total REVENUE	\$41.364
Oil \$	9.265
Non Oil \$	31.193
Capital \$	0.905

Total **EXPENDITURE** \$ 49.573

DEFICIT. \$(8.209)

Percentage of GDP 5.6%

2019/2020 Budget Snapshot (\$bns)

	<u>Original</u>	<u>Final</u>
Total REVENUE	\$47.8	\$34.1
Oil \$	11.004	
Non Oil \$	35.795	
Capital \$	0.950	

Total **EXPENDITURE** \$53.0 \$50.8

DEFICIT \$(5.2) \$(16.7)

3.1% 11%

Major Fiscal 2021 Allocations (bns)

	<u>2021</u>	<u>2020</u>
Education & Training	- 7.973	\$7.548
National Security	- 5.227	\$6.440
Health	- 6.050	\$6.084
Rural Development	- 1.642	\$2.469
Agriculture	- 1.198	\$0.708



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

TABLE OF CONTENTS	PAGE NUMBER
Budget 2020/21 - Major points that may impact you	3
Budget 2020/21 - What we GOT from the Budget	
- Tax <i>measures impacting</i> Business	4-5
- Tax <i>measures impacting</i> Individuals	6
- Non-Fiscal Measures	7
What has NOT changed	
- <i>Direct Taxation</i>	8
- <i>Indirect & Other Taxation</i>	9
- <i>Fees, Duties & Other Items</i>	10-11
Budget 2020/21 Insights	12-16
Bills/Legislation to be amended in 2020/2021	17
Our Services	18

*The Honourable Colm Imbert, Minister of Finance, delivered his sixth Budget presentation on October 05, 2020. Our newsletter is intended to provide you with a summary of some of the **fiscal measures & related issues announced** by The Honourable Minister of Finance.*



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

BUDGET 2020/2021 - **MAJOR** POINTS THAT MAY IMPACT YOU

Deregulation of petrol prices in 2021, petroleum retailers & dealers to fix pump prices

Approved property development companies tax relief on approved capital expenditure increased from 15% to 20%

Tax Allowances (150%) up to \$3m for tech start up & new tech business, technology solutions & digitalization & businesses that create employment in technology industry

Tax Allowance for all sponsorship activities including Creative Industries, Sports, Arts & Culture increased from \$6m to \$12m

Wear and tear (tax depreciation) rate on plant & machinery increased to 30% from 25%

Tax (VAT) waiver on imported construction material for Approved Building projects

Increase in Personal Allowance from \$72,000 to \$84,000 from 2021

VAT reimposed on imported luxury foods (e.g apples & grapes) - list to be provided

Mandatory submission of Property Valuations for Property Tax assessments in 2021

First time homeowners stamp duty exemption threshold increased to \$2m

Removal of all tax concessions on importation of private motor cars from October 20, 2020

Removal of all taxes on Mobile & Digital equipment, mobile phones, software, computer accessories and peripherals

Increases in Excise Duty & Customs Duty on Tobacco

The Salary Relief Grant and Income Support Grant Programmes extended to December 2020 for workers in the Creative and Cultural Industries

No New Taxes and No increase of Public Utility Rates or duty on Alcohol

No Changes in Petroleum Tax, Income & Corporation Tax, VAT and Duty Rates



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

BUDGET 2020/21 - WHAT WE GOT FROM THE BUDGET

2021 Budget Summary

Proposed measures impacting BUSINESS

Removal of all taxes on Mobile & Digital equipment, mobile phones, software, computer accessories and peripherals

150% Tax allowances up to \$3m on tech start up & new tech business, technology solutions and digitalization as well as businesses that create employment in the technology industry

TT\$500m Agriculture stimulus package & development of downstream agriculture

Removal of VAT on importation of building materials (excluding aggregate and road paving material) for Approved Building Projects

Corporation Tax Allowance increased from \$6m to \$12m for corporate sponsorships including Creative Industries, Sport, Arts and Culture etc.

Wear and tear (tax depreciation) rate on plant & machinery increased from 25% to 30%

Removal **of all** tax concessions on importation of private motor cars

Tax concessions remain in place for Commercial and Industrial vehicles and public transport vehicles

Creation of electronic funds transfer window to allow electronic payments to Government

Approved property development companies tax relief on approved capital expenditure increased from 15% to 20%

Deregulation of petrol prices from 2021 (except Liquid Petroleum Gas), petroleum retailers and dealers to fix prices at the pump



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

2021 Budget Summary

Proposed measures impacting BUSINESS (continued)

Access to equity funds on Trinidad & Tobago Stock Exchange for small and medium enterprises via increases in incentive period and tax holidays

Revenue Authority to be operational in 2021

Establishment of a National Special Economic Zone Regime

Privatisation of all NP petrol stations

Public/Private Partnerships at the Port of Port of Spain & Point Lisas

Property Tax assessments to be raised in 2021 NOT 2020 starting with residential then commercial then industrial then agriculture

Transfer Pricing – no introduction of the long promised legislation

No Changes in Petroleum Tax, Income & Corporation Tax, VAT and Duty rates

Supplemental Petroleum Tax Threshold for small onshore oil producers increase to US\$75 per barrel from US\$50 per barrel

No change to Foreign Exchange Regime. CBTT will continue to manage

No increase of Public Utility Rates at this time but the upcoming tariff review is expected to result in increasing levels of tariffs for electricity supply

No increase of minimum wage of \$17.50 per hour



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

2021 Budget Summary

Impact on The INDIVIDUAL

Increases in Excise Duty & Customs Duty on Tobacco

Deregulation of petrol prices from 2021, petroleum retailers & dealers to fix pump prices

Personal Allowance increased from TT\$72,000 to TT\$84,000 in 2021

VAT reimposed on imported luxury food items previously zero rated. List to be provided

Mandatory Property Valuation for (residential) Property Tax Assessments in 2021

First time homeowners stamp duty exemption threshold for residential properties increased from \$1.5m to \$2m

No change to VAT list for Zero Rated Items

Removal of all tax concessions for imported private motor vehicles effective October 20, 2020

Freezing filling vacant posts in Public Sector with immediate effect

The Salary Relief Grant and Income Support Grant Programmes extended to December 2020 for workers in the Creative and Cultural Industries

Internet MIFI for Students & expanding existing Wi-Fi hotspots & establishing internet cafes

Free access to YTEPP courses through the Retraining programme

No New Taxes and No increase in Income Tax Rate (25%/30%)

No price increase in Alcohol

No increase of Public Utility Rates

No increase in VAT Rate (remains at 12.5%)

No increase in minimum wage of \$17.50 per hour



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

2021 Budget Summary

NON FISCAL MEASURES

No change in duty of Alcohol

20% increase in excise duty on locally manufactured tobacco products effective 20/10/2020

20% increase in customs duty on imported tobacco effective 20/10/2020

Penalties increase by 200% for sale of alcohol and tobacco to minors

Deregulation of petrol prices from 2021, petroleum retailers & dealers to fix pump prices

Standard rate of VAT to apply to certain luxury imported food items – list to be provided

Permissible age of imported foreign used cars reduced to three years from January 2021

Quota for importation of foreign used cars to be reduced by 30% from January 2021

Increase in penalties, fines and custodial sentences for illegal quarrying of asphalt or other material on state lands by 200% from 2021

Increased in fines and custodial sentences for Praedial Larceny by 200% from 2021

Reimbursable grant to eligible Tourism Accommodation facilities extended

Proposal to increase retirement age to 65 years old to be considered



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

WHAT HAS NOT CHANGED

Direct Taxation

Petroleum Profits Tax rate retained at 50%

No change in royalty of 12.5% on gross revenue from extraction of gas, oil and condensate (for petroleum companies only).

Corporation Tax Rate remains at 10% (Insurance), 30% (Others) and 35% (Banks)

Business Levy Rate remains at 0.6% and Green Fund Levy Rate remains at 0.3%

Business Levy Threshold retained at TT\$360,000 for individuals

Tax Depreciation rates for buildings and computer and related equipment remain unchanged for all categories of taxpayers

No change to Employment Allowance for CEPEP and URP workers only

No change to TT\$500k claim for expenditure on home work/child care facilities

Withholding Tax base rate retained at 15%

No new Double Taxation Treaties

Base Income Tax rate retained at 25% (\$1,000,000) and 30%

Health Surcharge contribution unchanged

No change to \$50,000 deduction limit for contributions to NIS, approved pension and annuities combined

No change to \$25,000 housing allowance for first time home owners



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

WHAT HAS NOT CHANGED

Indirect & Other Taxation

No change in Land, Building and Property Tax Rates

VAT rate stays at 12.5% and 0% for goods and services

No change in classification of goods and services for zero-rated items, save for imported luxury foods

No change in VAT exempt services

No change in VAT registration limit of TT\$500,000

No increases in VAT penalties

No change in 7% tax for on-line purchases

No changes in NIS bands and contribution rates

NIS still not extended to the self-employed

Financial Services Tax rate stays at 15%

Insurance Premium Tax rate stays at 6%

Stamp Duty Rates unchanged

Hotel Accommodation Tax rate still 10%

No change in 10% tax on all cash winnings from National Lotteries Control Board



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

WHAT HAS NOT CHANGED

Fees, Duties & Other items

No changes to Foreign Exchange Regime

No change in NIS and State pension

No change in Excise/Customs Duty on Alcohol

No increase in duties on NEW tyres (15% buses & lorries; 30% for all other)

No increases in 30% Customs Duties on USED tyres

No change in \$20 Environmental Tax for each imported tyre

No change in 5 or 10 year period for driving permits

No changes in \$300 inspection fees for Motor Vehicles

No changes in fines for Motor Vehicle offences

No change in exemption of duties & taxes for motorcycles (under 300 cc)

Tax concessions remain in place for Commercial and Industrial vehicles and public transport vehicles



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

WHAT HAS NOT CHANGED

Fees, Duties & Other items

No changes in Public Utility Rates (as yet)

No changes in fares (air and sea) between Trinidad and Tobago

No change in passport fees

No changes in duties and taxes on Gambling and Gaming sector

No changes in licence fees and penalties for Private Hospitals

No changes to \$100,000 grants for new and existing Farmers



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

2021 BUDGET INSIGHTS – ‘FINDING THE RIGHT BALANCE’

(Contribution by Peter R Inglefield)

The Honourable Minister of Finance, Colm Imbert presented his sixth budget to Parliament on Monday October 5, 2020, and in what can only be described as unprecedented conditions brought about by the Covid 19 pandemic.

It is however a widely held view (not necessarily shared by the MoF) that the T&T economy has been in a deepening downward trend for the last five (5) years with, among other factors:-

- a primary deficit,
- repeated budget deficits,
- increasing levels of public debt,
- continued foreign exchange shortages,
- downgrades by the international rating agencies,
- long overdue debts to contractors,
- the much publicized arrears of VAT refunds and not to mention,
- T&T's unfavourable position in the global Ease of Doing Business (EODB) ranking.

The global pandemic offers the Minister of Finance a unique opportunity to critically assess the state of the economy and to prescribe much needed medicinal measures that perhaps, would not otherwise be acceptable to the population at large.

On the one hand the GORTT is faced with its stated commitment ‘to leave no one behind’, which demands targeted, effective, social programs that deliver the financial relief desperately needed by the vulnerable members of our society and which will become ever more severe the longer this crisis continues. This must be achieved notwithstanding the Government's significant ‘mandatory’ annual spend and greatly reduced revenue streams.

On the other hand, T&T's prospects as an investment destination, whether domestic or international, will be determined by the GORTT's ‘economic, financial, tax and industrial strategies. The GORTT must therefore identify the strategies and the sectors that are to become the drivers of the ‘new’ T&T economy and thereafter implement the measures that will create the economic environment in which private sector business, at all levels, can prosper and critically, achieve competitiveness and sustainability.

These conditions will foster confidence, encourage investment and generally enhance T&T's EODB ranking.



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

There has been much debate on where the focus should be and notable are:-

- manufacturing for export;
- the renewed thrust in agriculture; and
- tourism in all forms, including sports tourism.

These are not however immediate 'fixes' and one would expect there can be little meaningful progress made within a two (2) to three (3) year timeframe.

We strongly urge that a tangible commitment be made and a plan agreed with meaningful consultation with the stakeholders in these sectors.

In the meantime, and notwithstanding the current challenges faced by the Energy Sector, both upstream and downstream, these sectors remain an integral part of the T&T economic landscape and will continue to be so for the foreseeable future.

It is therefore imperative that GORTT engage with all stakeholders in the sector to implement terms and conditions that re-establish the competitiveness of Point Lisas and enable all parties along the value chain to continue to remain 'viable' and 'competitive' in the global petrochemical market through this pandemic period and beyond.

A challenging prospect, absolutely, but most critical to the T&T economy in the short term while the new initiatives take root and flourish.

Critical to the success of this new economic thrust is GORTT's role in the economy.

In our view, this should be directed towards maintaining safety and security for all citizens in all sectors of our society and creating the right business environment to attract both foreign and local investment. BUT not as an active player, crowding out private sector initiatives.

To date GORTT has been unwilling or unable to confine itself to such a role but we consider this to be an important component if the 'new economy' is to properly take root and deliver the thus far elusive goal of true economic diversity.



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

AND, what has the MoF delivered in his Budget 2020/21....

Total Revenue	\$41.364 billion (Oil - \$9.265 billion/ Non-oil - \$31.193 billion)
Total Expenditure	\$49,573 billion (net of capital repayments and sinking fund contributions)
Overall Deficit	\$8.209 billion
Financing by way of	Domestic and international capital markets; international institutions; public-private-partnerships (non-debt) and strategic asset sales.

The MoF reported on the state of the T&T economy pre Covid and painted a positive picture where, “the economic contraction of the past had been alleviated” and “the economy was projected to return to sustainable growth in 2021”.

He noted that at the start of fiscal 2020 all indicators reflected an improved performance, from increased Government revenues; reduced expenditure; reduced fiscal deficit; a stabilizing public sector debt level; AND a stable exchange rate.

However, this assessment is unlikely to be shared by all.

Interestingly, and presumably to head off any criticism, he emphasized that *“the Ministry of Finance do not generate actual GDP data or actual oil and gas production figures and/or make energy forecasts”*.

The MoF goes on to note that this improved performance was cut short abruptly by the advent of the Covid pandemic which was declared on March 11, 2020 and which proceeded to send shock waves through the economies of the world. The T&T economy was not immune to the effects of the pandemic and suffered serious social and economic hardships that resulted in the extensive social safety net being provided by our Government.

The 2021 Budget was thus formulated by the MoF and his team, in an environment of unparalleled uncertainty, with the objective of putting in place the foundation for a productive and innovative economy, and having regard to the changing reality *‘where the energy sector was not providing and could not provide the resources required to transform the economy’*. He noted that *“the diversification of the economy is our highest priority”*.



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

The focal point of his budget appears to be on the 'emerging digital economy' encompassing the widest possible range of products and services, which has been given a tight two (2) year timeline for development and implementation and which will be fundamental to achieving the economic transformation and diversification.

However, his presentation was wide ranging and included among other things the targeted sectors, including Agriculture, Manufacturing (with a special focus on new and niche markets, especially for exports), Construction, and the Creative and Cultural Industries.

Of particular interest to the private sector will be the commitment that:-

- *the ease of doing business will continue to improve as we build on the existing framework of competitive indicators;*
- *the VAT refund system will be made more efficient with the aim of improving cashflow for businesses;*
- *the highly successful tradable VAT bond instrument will be utilized again ;*

On the Energy front the MoF noted that *"the country's energy business and challenges have been aggressively and transparently addressed by the Government"* and he reported most positively on the levels of investment and production (of oil and gas) projected for the next three to five years. However, of concern to the upstream and downstream players in this sector, given recent history, will be his statement(s) that:-

- *we will negotiate with the major oil and gas companies an even greater share of energy revenues;*
- *we will avoid becoming a marginal producer of ammonia, methanol and urea by strengthening our cost competitiveness in downstream petrochemical production.*



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

Finally, in concluding his presentation, the MoF proceeded to spell out a wide ranging package of fiscal and other measures several of which are linked to the various sectors that are the focus of the diversification thrust, and others where some corrective action was deemed necessary, for whatever reason.

Of note (from a business standpoint) are

- the increased Property Development Allowance;
- VAT waiver on imported construction material;
- Increased Wear and Tear for Plant and Equipment; and
- Increased Sponsorship Allowance for Creative and Sporting Activities.

At the end of the MoF's presentation one is however left to ponder exactly what has been delivered...whether the questions have been answered....has the MoF done enough...in the right areas...to chart a new path for the TT economy....to lay the foundation for an enabling economic environment....to instill the confidence and hope for a prosperous sustainable future that is critical to all in these deeply challenging times and most importantly to shelter the most vulnerable.

Of one thing is certain and that is the Government's commitment to maintaining the social safety net and indeed to expanding it to include new programmes to bring relief to the most vulnerable elements of our population.

Beyond that, all else remains a work in progress, with many uncertainties and dependent to a large extent on the Government's ability to implement and deliver on the transformation initiatives that are critical to a 'new' economy.



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

LEGISLATION UPDATE

Acts to be Amended/Passed

Income Tax Act

Corporation Tax Act

VAT Act

Petroleum Taxes Act

Supplemental Petroleum Taxes Act

Petroleum Production Levy and Subsidy Act

The Customs Duty Act

The Excise Taxes Act

Motor Vehicle Road & Traffic Act

Minerals Act

State Lands Act

Liquor Licenses Act

Tobacco Control Act

Bills to be Debated

Trinidad & Tobago Revenue Authority Bill

Gaming and Betting Control Bill



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

OUR SERVICES

Our Services to Local & External Companies, Expatriates, Caricom & Local Individuals include:-

Strategic Consultation & Planning;

Business Registration;

Taxation Assistance

- Planning & Advisory
- Registrations
- Return Preparation
- Clearances
- Approvals (Severance, Quarterly Reductions, Deed of Covenant, TD1).
- Dispute Resolution (Audit, Objection & Appeal)
- Training

Social Security

- Registrations
- Dispute Resolution

Corporate Compliance

- Annual Returns & Beneficial Ownership Declarations (Amnesty to December 31, 2020)
- Charities - NPO Certificates & Tax Exemption applications



RESETTING THE ECONOMY FOR GROWTH AND INNOVATION

2020/2021 Trinidad & Tobago National Budget TAX Issues

CAVEAT

This commentary is intended to be a guide only and is not for the purposes of making a business decision. Whereas all reasonable care has been taken in providing this commentary, except as otherwise provided under the laws of Trinidad & Tobago, Susan Morgan and Associates Limited is not liable for any loss and damage suffered in respect of the information contained herein. This commentary has been provided exclusively to you and may not be shared, copied or distributed to any third parties without the prior written permission of Susan Morgan and Associates Limited. The copyright and all intellectual and moral rights in this commentary remains vested in Susan Morgan and Associates Limited.

OCTOBER 05, 2020

ACKNOWLEDGEMENT

We would like to thank Mr Peter R Inglefield of PRISAM Advisory Services Limited for his insightful and valuable contribution in the preparation of this newsletter.

BUDGET 2021 - Schedule a meeting

Did the Minister tell you what you wanted to hear in his Budget Statement???

If you would like to discuss any of these issues please contact:-

Susan Morgan- susan@smaltt.com or 1-868-391-3153

Troy Charles – troy@smaltt.com or 1-868-390-3731

Peter R Inglefield - peteringlefield@gmail.com or 1-868-353-6000

BIBLIOGRAPHY

BUDGET STATEMENT 2021

REVIEW OF THE ECONOMY 2020