Focus on Trinidad & Tobago Budget 2020
Focus on Trinidad & Tobago Budget 2020 is based on the Budget Statement delivered by the Minister of Finance, the Honourable Mr. Colm Imbert, in Parliament on 7 October 2019.

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7 October 2019
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On 7 October 2019, as the Minister of Finance read his budget speech in Parliament, I reflected on the fact that a decade ago the world was hit by a global crisis that severely disrupted financial markets, forcing governments and regulators to take extraordinary steps to bailout the financial sector and restore financial order.

Today, after a long period of stability, new global challenges are emerging, where governments are being forced to step up and address complex issues such as climate change and slowing economic growth, and where destabilization risks have increased even within the largest commercial union in the world, the EU. Even China, with a history of tremendous growth is facing unique challenges with its aging population, with major demonstrations taking place in Hong Kong and with an ongoing trade war with the USA.

A central theme in all of this, is that the world is becoming increasingly complicated and polarized with technology driving a heightened pace of change with many countries unable to respond. Internationally and within the region, the future will be brighter for those nations and businesses that take appropriate steps to adapt to the demands of their citizens and consumers. Within CARICOM, the situation is even more complicated as our member states are small, vulnerable and generally burdened by excessive debt, poor infrastructure and high unemployment with little or no resources to respond adequately to these external events. The implications for our regional governments, the business community and citizens are vast with risks that large segments of the population could be left behind in this new transformational age.
Trinidad & Tobago is not immune to these external pressures and, while the economics of oil and gas and the need for diversification are critical to the nation’s future, we need to move quickly to embrace technology as an enabler of services, and also take aggressive steps to upskill the workforce so that our human resources will have relevant skills for the future.

Our readers would appreciate that a budget is an important financial management tool and discipline used to measure annual performance against specific targets. However, financial disciplines by itself will not suffice, and failure by any government or business to achieve broader transformational goals in today’s fast paced world will ultimately lead to a decline in competitiveness.

The critical dialogue should rotate around how we can collectively work together to transform Trinidad & Tobago with limited resources, inefficient and outdated systems and inadequately trained personnel against a backdrop of increasing national expectations. We believe that the number one goal is to transform Trinidad & Tobago and the biggest task facing any government is to get all sectors and constituents aligned to this goal. With information being transmitted instantaneously across the world, citizens will continue to demand better services, better government and greater transparency, trends that will not abate in the future.

At EYC, we are committed to do our part in Building a Better Business World working with government, the private sector and our communities to transform our country and region. We have created a regional professional services firm employing about 700 people across eight countries. But our ambitions go beyond these simple metrics. EYC is also working hard to transform itself and we are committed to driving digital initiatives into our business model and to hire and train our people in new technologies. We develop outstanding leaders who deliver on our promises to all of our stakeholders.
On this note, I want to take this opportunity to indicate that I will be retiring in June 2020 and announce that Wade George has been identified as the Chairman Elect of EYC. Wade will assume office on November 1st, 2019 and I will support Wade during the transition, while leading the advisory practice until my retirement in June 2020. Personally, I have every confidence in Wade’s capabilities and values, and I am comfortable handing over knowing that he will take the firm forward with passion and with the commitment to serve you, our clients, with excellence.

I also want to thank our people and my colleagues who have made a huge contribution to the development of this firm. Your support has been truly amazing. It has been an interesting journey and one that I thoroughly enjoyed. As I look towards the future, I thank you for the opportunity to serve.

Colin Soo Ping Chow
Executive Chairman
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The better the question. The better the answer. The better the world works.
This year, we have deliberately decided to depart from our tradition of using the editorial to summarize the salient measures announced in the Budget. Instead, we have chosen to take a more reflective approach and provide our views on some perennial economic issues that continue to plague the nation.

We enumerate some of these matters for consideration below:

1. **Deterioration in debt profile since 2008**: A historical review of the country's debt profile demonstrates that the country's Central Government Debt to GDP ratio increased measurably to 62% in September 2019.

2. **The Non-Energy Fiscal Deficit remains a persistent feature of our economic landscape**: In the first ten months of the year this has risen to circa $15B as an overall increase in spending surpassed the increase in non-energy revenue.

3. **Transfers and subsidies continue to dominate expenditure**: Statistically, these payments represent most of the Government's expenditure over the last five years averaging over 50% over the period.

4. **Foreign Currency Reserves are continuing their decline**: Net official reserves have fallen from a peak of circa US$11.5B to US$7B in August 2019.

5. **Deterioration in the Nation's Ease of Doing Business Rankings**: The country's Ease of Doing Business Ranking has fallen to 105 out of 190 countries in 2018.

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**Plus ça change, plus c’est la même chose.**
The more things change, the more they stay the same.

*Jean-Baptiste Alphonse Karr*
Executive overview

Based upon the above statistics, certain worrisome trends appear evident:

- We continue our dependence on the energy sector.
- We are spending more than we are earning.
- We are depleting our reserves of foreign currency.
- Our global competitiveness is being eroded.

We do not doubt that successive governments have approached these difficult issues with noble intent; nor do we deny that some progress has been made by the present administration. By way of illustration, austerity measures have been put in place, the National Investment Fund (NIF) and the Tax Amnesty were both successful and the Government took the laudable decision to shutter Petroleum Company of Trinidad and Tobago Limited (Petrotrin) and reorganize its operations. Rather, we believe, that the pace of transformation has been too slow, and Trinidad & Tobago risks relinquishing its advantage even over our equally challenged regional trade partners.

It is easy to sit from the pulpit and identify problems. The challenge, of course, is to identify solutions and then, even more importantly, embark upon a plan of implementation.

In this regard, we are hopeful that this Budget can help to catalyze renewed national dialogue on the long-term considerations that are vital to the future financial well-being of our country. These include:

- The development of a plan to reduce the fiscal deficit and rising debt with clearly defined and measurable targets.
- A national discussion and response to the paradigm shift in hydrocarbon prices resulting from the shale revolution, and increased adoption of renewable energy, including the impact that the depletion of our natural gas production has had on the competitiveness of Trinidad & Tobago’s downstream energy sector.
- A diversification strategy that is underpinned by a commitment to slowly but surely wean the country away from its dependence on hydrocarbons and to promote alternative energy, manufacturing, export services, and other avenues of economic growth.
Executive overview

- A plan to address the overvalued dollar, which continues to subsidize imports and penalize exports, thereby eroding our national competitiveness and our foreign currency reserves.

- A concerted effort to reduce the size of government and the country’s reliance on transfers and subsidies by embarking upon a planned program of competitive and transparent sales of state assets and the adoption of the PPP model for vital capital works.

- Leadership of the nation to not only embrace but to take advantage of the digital age to increase efficiency and productivity.

This year, Jamaica will end a six and half year long IMF program that resulted in the island achieving the number one performing global stock market over the past five years; the lowest unemployment rate in its history; a reduction in its Debt to GDP ratio by 50%; a stabilization of its inflation rate; and the accumulation of precious foreign currency reserves. This remarkable outcome could not have occurred without the collaboration of two different political parties with all stakeholders, resulting in the formation of tripartite groups, such as the Economic Growth Council, the Economic Program Oversight Committee and the Public Sector Transformation Oversight Committee, among others. Whilst Jamaica is not completely out of danger, there are many important lessons to be learnt from its successful journey thus far.

Irrespective of political perspective, we ought to plan in anticipation of need and not simply react to need only when we arrive at the edge of perdition. We wish the country a renewed sense of commitment to discussions between the Public/Private sector and labour to eliminate the trust deficit, so that we may work together for a better future.
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The matter of long outstanding VAT refunds has been a growing impediment to the business community in Trinidad & Tobago, who have frequently voiced their concerns over the last few years.

Addressing these concerns, the Minister has proposed the issuance of interest-bearing government bonds to eligible VAT registered entities in the tune of $3B, in the first instance, to meet VAT arrears.

The proposed “VAT bonds” will have a tenor of five years and bear interest at a rate of 1.5% per annum. It is worth noting that the bonds will be tradeable/transferable to provide much needed liquidity to businesses which have had cash locked up in the VAT refund process.

Whilst the VAT Act of Trinidad & Tobago currently provides for interest at the rate of 1% per month or part thereof on VAT refunds owed for greater than six months (from the VAT filing due date of the relevant VAT period, or the date the VAT return for the said VAT period was filed, whichever later), the bond will theoretically provide faster cash flow relief to those in constraint.

This stopgap measure is welcomed, however, no further details were given as to the criteria for being eligible to access these bonds, or whether there would be any purchasing/issuance limits in place per VAT registrant. Moreover, the taxability of the interest earned on these bonds is also a matter that needs to be addressed. In this regard, the Minister indicated that further details regarding the issuance of the bonds would be provided in December 2019.

In addition, the Minister gave the assurance that post the issuing of the bonds, VAT refunds would be satisfied on a current basis to aid business growth and to reduce instances of VAT evasion.
The Minister in his 2020 budget speech is proposing to amend the Fourth Schedule to the Corporation Tax Act to include a new methodology to replace the existing basis for the taxation of life insurance companies. The Minister believes that the new methodology will have minimal marginal impact on the tax position of insurance companies. Further, he stated that the new basis will be simple and quickly implementable.

The Insurance Act, 1980 requires companies which carry on long-term life insurance business (life insurance, pension, personal accidents, annuities and other classes of life insurance business as defined under the Insurance Act) to maintain assets in their Statutory Fund to cover liabilities and protect the policyholders.

Based on the current taxation legislation, the long-term life insurance business of a life insurance company is currently taxed as follows:

- Gains or profits derived from investments in the Statutory Fund - 15%.
- Profits of the Statutory Fund Transferred to Shareholder’s Account - 25% after making allowance for taxes previously paid.
The Insurance Act, 2018 replaced the current concept of the Statutory Fund with risk related capital adequacy requirements which adjust the capital held by insurance companies in order to protect the interests of policyholders.

We understand that the proposed new methodology upon which the profits of the long-term insurance business of a life insurance company will be subject to Corporation Tax, will be the profits on the assets supporting liabilities to Trinidad and Tobago policyholders. These include, in the case of a resident company, profits from the investment of any foreign long-term insurance fund.

Albeit the proposed methodology addresses the issue of the replacement of the Statutory Fund, we understand that the amendment does seek to address the following long outstanding contentious matters that plague the taxation of long-term insurance business of life insurance companies. These include:

- The provision of a definition for the term “Shareholder’s Account.”
- What constitutes a “Transfer to Shareholder’s Account.”
- The treatment of tax exempt and non-investment income upon Transfer to the Shareholder’s Account.
The Minister indicated that a revised SEZ regime is to be implemented to replace the existing Free Zones regime. He stated that the new SEZ regime would include an incentive framework that will be in compliance with international standards as set out by the OECD's Base Erosion and Profit Shifting (BEPS) Inclusive Framework and the European Union's (EU) Code of Conduct Group. He further indicated that the new attractive investment legislation will diversify the number and type of industries and more importantly, locate these zones strategically in specific areas across the country.

By way of background, the EU has developed a list of non-cooperative jurisdictions for tax purposes that includes T&T. Among the reasons given was the fact that the country has a harmful preferential tax regime, namely, the Free Zones Regime. A major reason why the Free Zones Regime was considered harmful by the EU was the fact that its benefits are “ring-fenced” from the domestic economy in that they are accorded only to transactions with non-residents i.e. the exemption from Corporation Tax, Business Levy and Green Fund Levy generally apply to profits and receipts arising from the exportation of goods and services.

Essentially, an SEZ is a specifically delineated location whereby the businesses located therein are provided with targeted incentives in order to encourage investment in particular sectors.
As noted above, it is crucial that the proposed SEZ regime be structured in such a way that its benefits are not “ring-fenced” from the domestic economy. In this regard, we would note that, to date, the EU and OECD are primarily concerned with direct taxes (i.e. Corporation Tax) so that it may be possible to include generous indirect tax benefits (such as VAT and Customs Duties) in the proposed SEZ regime.

Notwithstanding the focus of the EU and OECD on direct taxes, it is permissible for a SEZ Regime to have preferential rates of Corporation Tax and still be compliant with the EU and OECD standards. In this regard, we note that Jamaica recently implemented an SEZ regime in 2017 that has been found to be compliant by the EU and OECD even though it has a maximum Corporation Tax rate of 12.5% which is half the standard rate of Corporation Tax in Jamaica of 25%.
The Minister of Finance proposes to extend the promotional expenses allowance of 150% of the amount actually incurred in creating or promoting the expansion of foreign markets for the export of certain goods and services to first time exporters into the CARICOM market.

Promotional expenditure in the CARICOM market was previously excluded from this allowance and this measure now seeks to grant the allowance to first time exporters to the CARICOM, the criteria of which has not been defined.

We welcome the implementation of this measure as well as the re-establishment of measures to promote exports which was proposed in the 2018 Budget by the Minister of Finance and not yet enacted.
The Minister of Finance proposes to increase the Investment Tax Credit (ITC) for energy companies from 20% to 25% with a view to stimulating further exploration and development-related investments in the energy sector. This measure will take effect from 1 January 2020.

Presently, in computing Supplemental Petroleum Tax (SPT), energy companies are eligible to claim as a deduction against the SPT liability, a tax credit of 20% of the qualifying capital expenditure incurred in respect of –

- Approved development activity in mature marine oil fields;
- Approved development activity in mature land oil fields; or
- The acquisition of machinery and plant for use in approved enhanced oil recovery projects.

“Mature marine oil field” or “mature land oil field” means an oil field that is 25 years or older from the date of its first commercial production.

“Qualifying capital expenditure” means:

a. Direct tangible and intangible costs (exclusive of all dry holes) incurred in field development activity in a mature marine oil field or a mature land oil field; or

b. Capital expenditure incurred in the acquisition of machinery and plant as specified in the Fourth Schedule of the Petroleum Taxes Act for use in enhanced oil recovery projects.

Whilst the proposal is welcomed, mandatory approvals from the Ministry of Energy have proved challenging. Additionally, the industry has been calling for wider reform of the SPT regime. As such, this minor change may not be viewed as sufficient.
The Minister of Finance has proposed that the capital allowances for energy companies involved in Exploration & Development be amended.

The current rates of capital allowances for Tangible Costs and Intangible Drilling and Development Costs are as follows:

- Initial Allowance - 50% of cost (Year 1)
- Annual Allowance - 30% of cost (Year 2)
- Annual Allowance - 20% of cost (Year 3)

The current regime of capital allowances mentioned above (50%, 30%, 20%) was introduced by the previous administration and took effect from 1 January 2014. In addition to this, an allowance of 100% of exploration costs was implemented for the period 1 January 2014 to 31 December 2017. This regime of accelerated capital allowances was introduced with a view to improve the competitiveness of the tax regime applicable to petroleum companies and foster investment.

The proposed regime provides for a capital allowance for both Tangible Costs and Intangible Drilling and Development Costs to be computed on a straight-line basis over five years, that is, 20% of costs per year. This measure will be effective from 1 January 2020.

The proposed change to reduce the capital allowances available to Exploration & Development companies is being implemented to increase tax revenue for the Government. It remains to be seen how the reduction in capital allowances available to Exploration & Development companies would impact investment decisions in the energy sector and exploration activity.
With a view to increasing revenue derived from companies specifically engaged in the upstream energy sector, the Minister of Finance proposes a reduction in the rate at which such companies can claim loss relief from 100% to 75% of taxable profits.

The Petroleum Taxes Act currently provides that accumulated tax losses can be wholly offset (i.e. without restriction) against the taxable profits in computing a company’s Petroleum Profits Tax (PPT) liability. Carried-forward tax losses cannot be utilized for Unemployment Levy purposes.

It should be noted that the Minister of Finance has only made mention of the intention to restrict the amount of losses which can be used to offset taxable profits and has not sought to impose a time limit on the carrying forward of such tax losses.

Based on the new proposal, the general calculation of an upstream company’s taxable profits for a year of income, as well as the tax losses to be carried forward for subsequent income years will entail the following:

1. Determine the current year taxable profits of the company.
2. Allow up to 75% of the current year taxable profits to be sheltered by brought forward losses.
3. Any remaining tax losses should be carried forward indefinitely.

This new proposal will come into effect on 1 January 2020 and will have a significant impact on the utilization of losses, both from a cashflow and a profitability perspective. Not only will these changes impact the timing of PPT payments by such companies, the impact on the recognition of deferred taxation assets in respect of tax losses will also need consideration as such losses will be utilized at a slower rate than before.
Consistent with prior years, the Minister of Finance, placed emphasis on the need for diversification in the economy. Within this context, he indicated the Government’s intention to establish the agricultural industry as a “tax-free industry.”

Currently, T&T has a suite of incentives in place to stimulate investment in the agricultural industry, including the following:

- 10-year tax holiday on approved agricultural holdings.
- The zero-rating, for VAT purposes, of numerous supplies pertaining to the agricultural industry (e.g. seeds and certain agricultural machines).

Within his budget presentation, the Minister of Finance indicated his intention to incentivize the industry further by removing all taxes and duties on all inputs and resources for farmers that are registered for agricultural purposes.

At its most immediate level, this would certainly indicate that the Government intends to remove Customs Duties and VAT in relation to supplies consumed by farmers that are registered for agricultural purposes.

Furthermore, in stating that these incentives will make “agriculture in all its facets, including the processing of local agricultural products, a tax-free industry,” it would appear that it is also the intention of the Government to apply these benefits to each stage of the agricultural supply chain.
What remains unclear, however, is the extent to which agriculture truly will become a “tax-free industry.” Specifically, the Minister’s choice of wording, by stating that the removal of taxes and duties is in relation to “all inputs and resources for farmers,” seems to suggest that the new incentives offered will be limited to indirect taxes. Should this be the case, the existing tax regime shall continue to apply. That is to say, farmers with approved agricultural holdings will continue to have access to the ten-year tax exemption on their gains and profits in relation to their business of commercial farming but will also continue to be subject to Green Fund Levy in respect of their gross sales and receipts.

As a result, whilst it is expected that the incentives offered may provide stimulus to the sector, it remains, at this point, unclear how far-reaching the benefits shall be.
Under the Co-operative Societies Act of Trinidad & Tobago, a society shall, subject to certain conditions and unless prevented by a Court of competent jurisdiction, pay to a nominee or legal personal representative of a member, a sum not exceeding $5,000 due to the deceased member from the society. All other moneys due to the deceased member from the society shall fall into his estate and be subject to the laws relating to inheritance including the requirement to pay estate duty.

The Minister of Finance has proposed to increase the current limit of $5,000 imposed on the transfer of shares or interest payable to a nominated beneficiary upon death of a member to $50,000 effective 1 January 2020.

Since there is currently no estate duty in T&T, it would appear this measure seeks to simplify the administrative process faced by nominees or personal legal representatives of deceased members of credit unions to receive money owed to such deceased members up to a limit of $50,000.

It is also noteworthy that the following additional measures were announced by the Finance Minister in relation to cooperative societies:

1. To put in place appropriate machinery to provide for the payment of utility bills by co-operative societies and credit unions.
2. The creation of a new independent authority to govern the co-operative sector.

The new independent authority to be established would be the regulator of financial co-operatives and would report to the Ministry of Finance. After the new entity is established, financial credit unions will now be able to offer banking or quasi-banking services, such as encashment of cheques and teller services. The Deposit Insurance Corporation will be required to maintain a fund to meet any emerging liabilities of the sector.
The Minister of Finance proposes to increase the tax allowance for the corporate sponsorship of nationals in the local fashion industry; audio, visual or video productions for the purpose of local education or local entertainment; and local production companies in respect of their own productions, as well as for companies that sponsor sporting activities or events or sportsmen and art and culture, from $3M to $6M.

The Minister proposes to eliminate arrival forms at Trinidad & Tobago airports to improve the efficiency of Immigration and Customs. The new system will rely on advance passenger information using machine readable passports and other appropriate technology. This will take effect in 2020.
Fiscal measures 2020

► Personal Allowance at Airports

The Minister proposes to increase the value of personal goods that can be imported without incurring customs duties from $3,000 to $5,000. This will take effect from 1 January 2020.

► Minimum Wage

The Minister proposes to increase the minimum wage from the current $15 to $17.50 per hour. It is estimated that this measure will benefit approximately 194,000 persons in the workforce. This measure will take effect on 1 December 2019.

► On-the-Job-Training (OJT)

The Minster proposes to make the following changes to the OJT Program:

- Increase the OJT stipend by 10%.
- Increase the intake for the program to 8,000 trainees.

The above measures will come into effect on 1 December 2019.
The Minister has proposed the following measures to eliminate the use of non-biodegradable products within the economy:

• A Styrofoam Importation Ban for use in the food service industry.
• Require food container manufacturers to introduce additives to their products to make them biodegradable.
• Terminate the use of plastic water bottles in Government offices.

These measures take effect on 1 January 2020.

Light Bulbs: Tariffs
The Minister proposes to remove all taxes and duties on LED bulbs and appurtenances in order to support the transition to LED lighting. The proposal is intended to achieve energy reduction in the residential sector and boost national energy conservation.

Solar Water Heating Equipment
The Minister proposes to increase solar water heating equipment tax credit from 25% to 100% of the cost up to a maximum of $10,000 effective 1 January 2020.

This initiative is estimated to benefit approximately 12,000 households.
The Minister indicated that 60,000 valuation forms had been completed representing some 15% of residential households. He stated that there was a 50% threshold for the creation of the Assessment Roll which was required for the commencement of residential property taxation. He further indicated that it was not feasible to expect that the Assessment Roll for residential properties will be completed before the year 2020. The assessments for other categories of property will only commence after the completion of the Assessment Roll for residential properties. As such, a legislative waiver for 2019 ought to be forthcoming.

The Minister identified a tax gap of approximately $5B per year representing around 10% of public revenue. He also referred to the approximately $2.4B collected during the recent Tax Amnesty as an illustration of the dire need for an improved revenue collection agency. In this regard, he indicated that the Trinidad & Tobago Revenue Authority Bill will soon be re-laid in Parliament. The said Bill, however, requires a three-fifths majority in Parliament for passage and it appears that Opposition support for the legislation is, at best, uncertain.
Capital raising initiatives

• National Investment Fund
On the back of the successful National Investment Fund (NIF I) corporate bond issue in 2018 raising $4B, the Government of Trinidad & Tobago is again considering a second National Investment Bond issue in fiscal 2020 (NIF II). Whilst the details of the composition of NIF II are unknown at this time, the Minister indicated that it will comprise of certain shares currently valued at $2.6B. Using an asset value to bond issue ratio of 2 to 1, as was the case with NIF I, the issue will likely raise $1.3B. As the Minister said in his budgetary speech, the NIF I launch in 2018 was oversubscribed by 1.8 times the original target raise. In order to achieve the highest level of success, the composition of the assets comprising the fund along with the correct tenors will be critical to its success.

• Housing Bond
The Minister has proposed to fund the Housing Development Corporation (HDC) through the issuance of a $1B 4.50% fixed rate bond to assist with the development, construction and sale of houses. This is contemplated as a tax free government savings bond targeting the 175,000 low to middle income applicants for HDC housing who remain to be satisfied. The target raise may be achieved if each person on the list invests approximately $5,000. The Minister can be lauded for encouraging low to middle income citizens to save and for also encouraging them to access affordable housing.

• THA Bonds
The Minister also announced that for the first time since the formation of the Tobago House of Assembly (THA), approval has been granted to the THA to utilize bond financing in the amount of $300M to fund critical development projects in Tobago.
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Petrotrin update

The Minister went to great lengths to provide a comprehensive update on the status of the reform of Petrotrin. The following is a summary of the assertions made by the Minister in respect thereof:

- The first phase of the reform encompassed the establishment of a holding company, namely Trinidad Petroleum Holdings Limited, with three functional divisions and together with one legacy subsidiary (Petrotrin):
  - Heritage Petroleum Company Limited (Heritage) - an exploration and production company.
  - Paria Fuel Trading Company Limited (Paria) - a fuel import and distribution company.
  - Guaracara Refining Company Limited (Guaracara) - a company holding the refining assets.

- Heritage generated revenues of $3.287B in the first three quarters of operation with an associated net profit of $543.5M.

  The company proposes to increase average annual production from 35,000 barrels of crude oil per day (bpd) in 2019 to 40,000 bpd in 2022. These advances would be facilitated, in part, through a Memorandum of Understanding with Shell TT which sets the framework for a partnership between the entities for technical and cash investments in undeveloped offshore acreage.

- Paria is charged with the responsibility of importing and distributing fuel to meet domestic and regional demand. The Minister offered no insights into the financial performance of this company.

- Guaracara, as the owner of the refining assets, is now in the advanced sale process with the preferred bidder Patriotic Energies and Technologies Company Limited (Patriotic), a wholly owned subsidiary of the Oilfield Workers’ Trade Union (OWTU).
As the successful bidder, Patriotic was selected from a field that included 77 entities issuing Expressions of Interest, 25 signing Non-Disclosure Agreements and eight submitting Non-Binding Offers. Following a technical and financial evaluation process, five bidders were identified for further consideration and subsequently, three were determined to have submitted binding offers for purchase or lease:

- Beowulf Energy – Lease payment US$42,000 per month over 15-year initial term and future 50:50 profit share, post the recovery of the capital investment and achieving 15% internal rate of return.
- Klesch – Payment of taxes to the Government only.
- Patriotic – Upfront offer of US$700M to acquire the refining assets.

According to the Minister, the Government took the decision to deem Patriotic the preferred bidder for the refining assets and those of Paria.

Moreover, the Minister stated that the Government has “made a conscious decision to initially forego the upfront payment and substitute a payment structure which entails granting the company [Patriotic] a three-year moratorium on all payment of principal and interest towards the purchase of the refinery and a further 10 years at a fair market rate of interest.”
The Minister made it clear that the aforementioned sale was contingent on:

- Confirmation of Patriotic’s ability to finance the purchase and operate the refinery.
- Establishment of a draft Sales and Purchase Agreement, inclusive of crude handling, domestic fuel supply, natural gas supply, product offtake and transition support.
- Finalization of a business plan addressing key deliverables, including the provision of a guaranteed reliable and seamless supply of refined products to Trinidad & Tobago.
- Requirement of fiscal incentives or tax concessions.
- Adoption of an approach to historical environment liabilities.
- Establishment of a refinery start-up plan.
- Design of a suitable staffing plan, inclusive of senior management.

As stated in the Executive Overview, the decision by the Government in the second half of 2018 to tackle the issues associated with Petrotrin was a bold one and the success of Heritage, in the short term, appear to provide some level of vindication. The more recent decisions around Guaracara and its refinery assets, together with the inclusion of those of Paria, are perhaps even more daring and will require a clinical and shrewd approach by all involved.
EY Suriname is open for business

EY Suriname – Cornelis Jongbawstraat 17, Paramaribo, Suriname

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## Provisional income tax schedule 2020

### Individual Rate (based on chargeable income)
- Every dollar up to $1,000,000 of chargeable income: 25%
- Every dollar that exceeds $1,000,000 of chargeable income: 30%

### Allowances & Deductible Expenses

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Allowance</td>
<td>$72,000</td>
</tr>
<tr>
<td>Contribution to Approved Pension/Retirement Fund/Deferred Annuity/70% NIS Contribution</td>
<td>$50,000</td>
</tr>
<tr>
<td>Tertiary Education Expenses (Note 1)</td>
<td>$72,000</td>
</tr>
<tr>
<td>First Time Home Owner Allowance (Note 2)</td>
<td>$25,000</td>
</tr>
<tr>
<td>Maintenance or Alimony (under Court Order)</td>
<td>Amount Paid (unlimited)</td>
</tr>
<tr>
<td>Donations under Deed of Covenant (Note 3)</td>
<td>Up to 15% of Total Income</td>
</tr>
<tr>
<td>Purchase &amp; Installation of CNG Kit (Note 4)</td>
<td>Tax Credit of 25%</td>
</tr>
<tr>
<td>Purchase of Solar Water Heating Equipment</td>
<td>Tax Credit of 25%</td>
</tr>
<tr>
<td>Purchase of Bonds (National Tax Free Savings Bonds Regulations) (Note 4)</td>
<td>Tax Credit of 25%</td>
</tr>
</tbody>
</table>

### Benefits In Kind

<table>
<thead>
<tr>
<th>Benefits In Kind</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles/Equipment</td>
<td>50% of Wear &amp; Tear/ 50% of Lease Rental</td>
</tr>
<tr>
<td>Company Owned Housing</td>
<td>Fair Rental Value</td>
</tr>
<tr>
<td>Staff Loans</td>
<td>Difference in CBTT Repo Rate &amp; Rate Charged</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>Cost to Employer</td>
</tr>
</tbody>
</table>

### Exemptions (with special conditions)

- Initial sale of a residential house site
- Newly Constructed Commercial Buildings and Multi-Storey Car Parks
- Income and dividends distributed by the CLICO Investment Fund
- Multi-Family Dwelling
- Other Prescribed Exemptions are available

### Other

- Health Surcharge: $4.80/$8.25 per week
- National Insurance: Based on scale rates

---

**Note 1:** The increase took effect from 1 January 2019 and does not apply to local and regional public tertiary institutions.

**Note 2:** Applies to residences constructed or purchased on or after 1 January 2011. Allowance may be claimed for each of the first five years commencing from the date of acquisition.

**Note 3:** Total income is the aggregate income after any deductions are made forexpenses, allowances or loss relief.

**Note 4:** Credit applies to bonds with a maturity period of 5, 7 or 10 years with a face value not exceeding $5,000. Any unclaimed tax credit may be claimed in the succeeding years of income.
## Budget economics

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$47.749B</td>
</tr>
<tr>
<td>Oil revenue</td>
<td>$11.004B</td>
</tr>
<tr>
<td>Non-oil revenue</td>
<td>$35.795B</td>
</tr>
<tr>
<td>Capital revenue</td>
<td>$0.950B</td>
</tr>
<tr>
<td>Fiscal deficit</td>
<td>$5.287B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil price per barrel</td>
<td>US$60.00</td>
</tr>
<tr>
<td>Gas price per MMBtu</td>
<td>US$3.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure</td>
<td>$53.036B</td>
</tr>
<tr>
<td>Education and training allocation</td>
<td>$7.548B</td>
</tr>
<tr>
<td>National security allocation</td>
<td>$6.440B</td>
</tr>
<tr>
<td>Health allocation</td>
<td>$6.084B</td>
</tr>
<tr>
<td>Public utilities allocation</td>
<td>$3.047B</td>
</tr>
<tr>
<td>Works and transport allocation</td>
<td>$2.956B</td>
</tr>
<tr>
<td>Rural development and local government allocation</td>
<td>$2.469B</td>
</tr>
<tr>
<td>Housing allocation</td>
<td>$1.007B</td>
</tr>
<tr>
<td>Agriculture allocation</td>
<td>$0.708B</td>
</tr>
</tbody>
</table>

**Total Revenue**: $5.287B

**Total Expenditure**: $5.287B
When doing business in Guyana, count on us.

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## Status of fiscal measures 2019

<table>
<thead>
<tr>
<th>Proposed Measures</th>
<th>Implications</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary Education Allowance</td>
<td>Increase in the allowance for tertiary education expenses from $60,000 to $72,000.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Stamp Duty – First-Time Homeowners</td>
<td>Increase in the Stamp Duty exemption from $850,000 to $1,500,000 in respect of residential properties for first-time homeowners.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Fuel Subsidy – Super Gasoline</td>
<td>Increase in the retail price of super gasoline from $3.97 per litre to $4.97 per litre.</td>
<td>Enacted in Legal Notice No. 137 of 2018</td>
</tr>
<tr>
<td>Business Levy – Self-Employed Individuals</td>
<td>Increase in the threshold for self-employed individuals required to pay Business Levy from $200,000 to $360,000</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Property Tax</td>
<td>Implementation of the Property Tax in calendar year 2019.</td>
<td>Not Implemented</td>
</tr>
</tbody>
</table>
## Status of fiscal measures 2019

<table>
<thead>
<tr>
<th>Proposed Measures</th>
<th>Implications</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Fines</td>
<td>Increase in the fines for various tax offences.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Members Clubs – Interest on Late Payment of Taxes</td>
<td>Increase in the interest on the late payment of taxes by Members Clubs from 15% to 20%.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Penalties under the Children’s Act</td>
<td>100% increase in fines under the Children’s Act.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Penalties under the Litter Act</td>
<td>100% increase in fines under the Litter Act.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Penalties for Bush/Forest Fires</td>
<td>Increase in the fine from $1,500 to $5,000 under the Agricultural Fires Act.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Interim Pensions to Public Servants</td>
<td>Payment of an interim minimum pension of $3,500 immediately upon the compulsory retirement of public servants pending the completion of administrative requirements for payment of the pension.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
</tbody>
</table>
## Status of fiscal measures 2019

<table>
<thead>
<tr>
<th>Proposed Measures</th>
<th>Implications</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Citizens’ Pension</td>
<td>Increasing the cap on the Senior Citizens’ Pension to $6,000 thereby allowing persons in receipt of a NIS pension of $3,000 to receive up to a further $3,000 in Senior Citizens’ Pension.</td>
<td>Enacted in Legal Notice No. 173 of 2018</td>
</tr>
<tr>
<td>Disability Grant</td>
<td>Disabled persons under the age of 18 to receive a Disability Grant of $1,500 per month while the Disability Grant for persons over the age of 18 to be increased to $2,000 per month.</td>
<td>Enacted in the Finance Act, 2018</td>
</tr>
<tr>
<td>Public Assistance Grant</td>
<td>$150 increase in Public Assistance Grants.</td>
<td>Implemented by the Ministry of Social Development</td>
</tr>
<tr>
<td>Food Card</td>
<td>$100 increase in the value of existing food cards.</td>
<td>Implemented by the Ministry of Social Development</td>
</tr>
<tr>
<td>Housing Bonds</td>
<td>Issuing of interest-bearing housing bonds to fund the need for accelerated housing construction as well as financing the subsidy for preferential interest rates for low income mortgages. Holders of such bonds will be given preference in the allocation of new HDC houses.</td>
<td>Enacted in the Government Savings Bonds (Amendment) Act, 2019</td>
</tr>
</tbody>
</table>
Tax services

**Business Tax Services**
- Business tax compliance and advisory
- Tax planning
- Tax controversy/disputes
- Tax accounting

**Accounting Compliance Reporting**
- Bookkeeping
- Financial Statement Close Process support
- Statutory reporting (including compilation)
- Payroll
- Financial advisory support

**Indirect Tax Services**
- VAT compliance and advisory
- Property tax
- Insurance premium tax
- Hotel accommodation tax
- Stamp duty
- Financial services tax
- Credits and incentives

**People Advisory Services**
- Expatriate tax compliance and advisory
- Global employment tax services
- Global business immigration services
- Personal tax services

**International Tax Services**
- Cross-border corporate income tax advisory
- Double tax treaty analysis
- Tax-effective supply chain management
- Withholding tax

**Transaction Tax Services**
- Evaluation of significant tax exposures
- VAT and other indirect assessments
- International tax
- Tax structuring
- Identification of post-transactional tax reduction options
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