The Honourable Minister of Finance continued to espouse a positive tone during the presentation of the Mid-Year review.

The Government’s perception of Trinidad and Tobago's indisputable economic recovery was supported by the Honourable Minister’s citation of various positive economic indicators and statistics.

In our commentary below, we present the salient aspects of the Honourable Minister’s review.
First Half Fiscal 2019 Analysis

The Minister of Finance noted the actual budget deficit for the first half of fiscal 2019 was $1.9b, compared to their forecasted deficit of $5.1b for the same period. Driving the improvement in actual results was an increase in tax revenue of $0.7b and a decrease in expenditure of $2.6b.

The increase in revenue of $706m in the first half of 2019 was mainly due to higher than anticipated receipts from: taxes on incomes and profits: $195m, taxes on international trade: $28m, non-tax revenue: $105m and capital revenue: $926m. These increases were partially offset by lower than anticipated receipts from taxes on goods and services of $578m.

The net decrease in expenditure of $2.6b was partially driven by a decrease in goods and services and interest payments expenditure of $1.5b.

Fiscal Year 2019 Revision

The fiscal 2019 National Budget was predicated on an oil price of US$65 per barrel and a gas price of US$2.75 per MMBtu. Based on these assumptions, total revenue and total expenditure were calculated to be $47.7b and $51.8b, respectively. This resulted in a fiscal deficit of $4.1b.

However, given the significant price volatility experienced during the first six months of the fiscal year, the Minister of Finance stated that the new prices on which the National Budget will be based are US$60 per barrel of oil and US$3.00 per MMBtu of gas.

Accordingly, the revised figures for revenue, expenditure and the fiscal deficit are $47.5b, $52.1b and $4.6b, respectively.

Revenues for fiscal 2019 was revised downward due to revisions in expected oil prices. While, expenditure for fiscal 2019 was revised upwards due to investments in areas of infrastructure.

<table>
<thead>
<tr>
<th></th>
<th>Budgeted</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Price per Barrel</td>
<td>US$65.00</td>
<td>US$60.00</td>
</tr>
<tr>
<td>Gas Price per MMBtu</td>
<td>US$2.75</td>
<td>US$3.00</td>
</tr>
<tr>
<td>Total Fiscal Revenue</td>
<td>$47.7b</td>
<td>$47.5b</td>
</tr>
<tr>
<td>Total Fiscal Expenditure</td>
<td>$51.8b</td>
<td>$52.1b</td>
</tr>
<tr>
<td>Fiscal Deficit</td>
<td>$4.1b</td>
<td>$4.6b</td>
</tr>
</tbody>
</table>
Macroeconomic Review

- The IMF estimates that the Trinidad and Tobago economy recorded 0.3% growth in 2018. In the mid year review, the Minister of Finance quoted a 1.9% growth from the Central Statistical Office for 2018. This discrepancy is not readily explained.
- It is estimated that the economy will continue to be propelled by the energy sector, despite the underlying uncertainties with energy prices and production. Additionally, the Government's increase in capital expenditure may have modest spillover effects on the non-energy sector.

<table>
<thead>
<tr>
<th>Annual economic highlights comparison</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (TT$b)</td>
<td>$156</td>
<td>$157</td>
</tr>
<tr>
<td>Net Official Reserves (US$b)</td>
<td>$8.4</td>
<td>$7.6</td>
</tr>
<tr>
<td>Overall Government Fiscal Deficit (TT$b)</td>
<td>$10.4</td>
<td>$4.2</td>
</tr>
<tr>
<td>Net Public Sector Debt Outstanding (TT$b)</td>
<td>$95.9</td>
<td>$98.9</td>
</tr>
<tr>
<td>Import Cover (months)</td>
<td>9.7</td>
<td>8.0</td>
</tr>
</tbody>
</table>

GDP Growth Rate (2018)

According to CSO, Real GDP grew by 1.9% versus the IMF estimating growth to be 0.3% during 2018.

Net Public Sector Debt to GDP (2018)

Net Public Sector Debt to GDP grew by 1.6% during 2018, from 61% in 2017 to 62% in 2018

Import Cover (months) (2018)

Import Cover (months) declined by 17.5% during 2018, from 9.7 months to 8 months

Heritage and Stabilization Fund (2018)

In the budget review, it was noted that the Heritage and Stabilization Fund reached an all time high of $6.1b as of May 2019
Foreign Exchange

The official exchange rate has remained stable for 2018 with the USD selling rate averaging $6.7813 in 2018, compared to $6.7795 in 2017. The Minister has committed not to devalue the Trinidad and Tobago Dollar.

Net Public Sector Debt

Net public sector debt increased to $98.9b in 2018, up from $95.9b in 2017. As a proportion of GDP, this represents 61% and 62% for 2017 and 2018, respectively. This is consistent with the Debt to GDP quoted by the Minister of Finance in the Mid Year Budget Review.
**Inflation Rate**

The headline inflation rate declined to 1.0% at the end of 2018, compared to the rate of 1.9% at the end of 2017. Core inflation was recorded at 1.0% while food inflation was 1.1%. These low inflation levels may reflect low rates of consumer spending and confidence in the economy. Furthermore, the economy is in the early stages of recovery and inflationary pressures should remain muted.

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**Unemployment Rate**

The unemployment rate increased marginally by 0.1% to 4.9% at the end of 2018, compared to 2017. The labor force participation rate remained relatively unchanged, moving from 59% to 60% at the end of 2018.
Fiscal Measures

**Tax Amnesty**

The Honourable Minister of Finance announced a further tax amnesty for a three-month period from mid-June 2019 to mid-September 2019. This is the sixth tax amnesty granted by the Government since the year 2000. The Government’s stated objective in granting the amnesty is to allow the soon to be established Trinidad and Tobago Revenue Authority (TTRA) to start operations with a clean slate.

The Honourable Minister indicated that the said amnesty would extend to all forms of taxation and that appropriate legislation to give effect to the measure would be introduced in Parliament within the next few weeks. In this regard, we note that while the last tax amnesty granted in 2016 included Petroleum Profits Tax, it did not extend to Supplemental Petroleum Tax or Unemployment Levy. It would also be interesting to see whether the proposed legislation addresses specific transaction taxes such as Insurance Premium Tax and Financial Services Tax.

Furthermore, we also note that the Honourable Minister made no mention of the specific income years that would be covered by the amnesty.

**Corporate Documents Amnesty**

The tax amnesty should be viewed in conjunction with the previously announced amnesty from penalties on the late filing of corporate documents with the Registrar of Companies which is currently in effect up to 30 August 2019.

**Revenue Authority**

The Honourable Minister announced that the Joint Select Committee on the TTRA legislation had concluded its meetings and the amended TTRA legislation would imminently be laid in Parliament for debate. The Honourable Minister of Finance did not clarify whether the amended legislation would still require a three-fifths majority for passage as was the case with the original Bill.

**Property Tax**

During the delivery of the 2019 Mid Year Budget Review no mention was made of Property Tax.

The Property Tax (Amendment) Act, 2018 extended the waiver for the payment of Property Tax to 30 September 2017 or such later date as the Minister of Finance may by Order prescribe. Having regard to the fact that the Property Tax was due and payable on or before 30 September in every year, the extension of the waiver to 30 September 2017 suggests that the Property Tax is technically payable from the year 2018 onwards.

Notwithstanding the above, the following should be noted:

1. In a Media Release dated 2 May 2018, the Ministry of Finance stated that “it is the policy of the Government that property tax will only be applicable from the year in which the actual collection commences.” This seems to suggest that the collection of Property Tax will not be retroactive.

2. Further, the Minister of Finance, the Honourable Colm Imbert, in responding to a query from the Opposition, stated in the House of Representatives on 17 September 2018 that: “Barring unforeseen circumstances, it’s anticipated that the property tax will be collected in 2019.”

However, the Property Tax Act stipulates that Notices of Assessments (NOAs) should be issued by 31 March and further that the payment deadline is 30 September of the same year. Based on discussions with our clients we are not aware of NOAs being issued on or before 31 March 2018 or 31 March 2019.

**Liquidation of VAT Refunds**

As a means to stimulate economic growth and development, the Honourable Minister of Finance announced that the Government of Trinidad & Tobago would be directing resources toward the liquidation of VAT refunds. Due to the significant amount of VAT refunds owed to various taxpayers in Trinidad and Tobago, the Minister previously indicated that the Government would be borrowing to finance projects and refund VAT due to taxpayers.
It is instructive to note that the VAT Act contains provisions for the payment of interest in respect of VAT refunds which remain outstanding for more than a period of 6 months after the date the VAT Return was due or the date which the Return was furnished to the Board, whichever is later.

Given the lengthy delays in issuing VAT refunds to taxpayers, any action taken by the Government to address this matter would be well embraced by taxpayers considering the impact such delays would have had on the cash flows of such entities. It would also be interesting to observe whether other tax refunds due to taxpayers (e.g. Income Tax and Corporation Tax) would also be addressed with alacrity by the Government going forward.

**EU Code of Conduct Group**

Notwithstanding its notable omission from the Honourable Minister’s Mid-Year Budget Review, the EU Code of Conduct Group’s (EUCoCG) agenda of curtailing harmful tax practices within the Caribbean region remains an issue of material importance to Trinidad and Tobago.

It is expected that at the EU Finance Ministers meeting of May 2019, Aruba, Bermuda and Barbados will be removed from the EUCoCG’s list of non-cooperative jurisdictions. Trinidad and Tobago, however, is expected to remain on the list due to non-compliance with the EUCoCG’s standards on transparency and exchange of information for tax purposes and for failing to address perceived harmful tax practices under the Free Zones Act.

The resulting impact of Trinidad and Tobago’s continued inclusion on the EUCoCG’s list of non-cooperative jurisdictions is that the country could be targeted with adverse tax measures by individual Member States, as well as diminished funding and guarantees from institutions within the European Union.

In the absence of a clear solution to adhering to the EUCoCG’s standards, Trinidad and Tobago’s continued noncompliance is expected to have a very real impact on the business climate in Trinidad and Tobago.

**No New Taxes/Tariffs**

No new taxes/tariffs or fuel increases were announced.
Economic Stimulus Initiatives

Various initiatives to stimulate economic growth were announced by the Honourable Minister of Finance of which the most notable were as follows:

- Restructure of Petrotrin in late 2018 – The Honourable Minister reported that this initiative is already creating value by improved performance of the newly established oil production company, Heritage Petroleum Company Limited, coupled with the expectation that the operations of the Pointe-a-Pierre refinery could resume by the end of this year.

- Housing Construction Programme – In order to meet the demand of over 175,000 applicants, the Honourable Minister discussed the Government’s objective to complete 6,000 units by end of 2020 and a further 3,000 units per annum thereafter.

- Infrastructure activity:
  - Hospital development – The Arima Hospital reported to be more than 75% completed; the Point Fortin Hospital reported to be more than 60% completed; and the proposed new Sangre Grande Hospital, Port of Spain General Hospital Central Block and Couva Hospital, all reported to be at early stages of commencement.
  - Major highway works – The completion of the San Fernando to Point Fortin Highway scheduled for December 2020; the Churchill Roosevelt Highway Extension to Sangre Grande with completion scheduled in 8 months; and the Valencia-Toco Highway and Moruga Main Road also stated to be at different work stages.
  - New Phoenix Park Industrial Estate in Couva – Expected to generate positive economic activity during its construction and operational phases.
  - New drydock and ship building/repair facility in La Brea – Market assessment and feasibility study completed with the intention of being implemented by way of a Public Private Partnership Arrangement.
### Status of Fiscal Measures Budget Statement 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>
<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>Proposed Measures</td>
<td>Implications</td>
<td>Status</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</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>
<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>
</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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**Caveat**

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