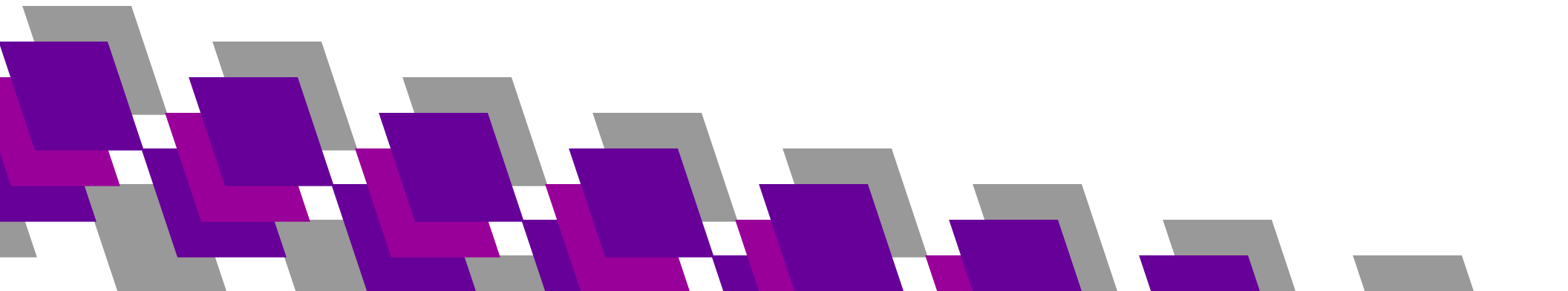




# A PARADIGM OF CHANGE?

Trinidad and Tobago's Budget Report 2016



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## Message from the Chairman



We are pleased to provide an overview of the fiscal measures announced in the 2016 Trinidad and Tobago National Budget presented by the Minister of Finance and Economy, the Honourable Colm Imbert on 5 October 2015.

The budget themed 'Restoring Confidence and Rebuilding Trust: Let's do this together' showcased more than ever that Trinidad and Tobago must now mobilize the service industry more vigorously. Compared to budgets of years gone by, this budget has only a small percentage of revenue attributable to oil. This may very well be ushering an era in Trinidad and Tobago where oil dependency cannot be taken for granted.

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**Angela Lee Loy**  
FCCA, CA.



Companies and individuals will have to prioritize their plans and implement sustainable business strategies. This means, stepping out of our comfort zone and encouraging those in our communities to join in the process. We must think differently, be innovative and collaborative as Trinidad and Tobago pushes forward into an intensely competitive global economy.

I thank our teams for their continued commitment to client service. We hope this brief provides you with further focus and reflection on how your business has to adapt to remain competitive in the global arena. We would be pleased to receive your call with any queries you may have pertaining to your business.

## Executive Overview

The new Minister of Finance and the Economy, Honourable Colm Imbert presented the 2016 budget with a theme that disembarked somewhat from the past three budgets presented by the former administration on “Growth and Prosperity”.

A central message in the 2016 budget statement was that the impact on the decline in oil prices and the need ‘for collective action from every citizen’. Thus, the budget included several changes geared toward generating growth from non-oil revenues. These include the reduction in the fuel subsidy, VAT reform, increases in Business and Green Fund Levy and the planned reintroduction of the Property Tax.

### The end of oil dependency?

Very noteworthy in the budget is the percentage of overall revenues attributable to oil being only 9%. An examination of revenue projections going back to budget year 2006 has this as the lowest percent budgeted for oil revenues for an entire decade; in no year was oil revenue ever budgeted to contribute less than 35% of total revenue.

However, in balancing the budget, the target for non-oil revenues has been increased by forty percent from \$39.1 bn in 2015 to \$54.8 bn in 2016. The attainability of this increase is imperative for the realization of the overall budget plans.

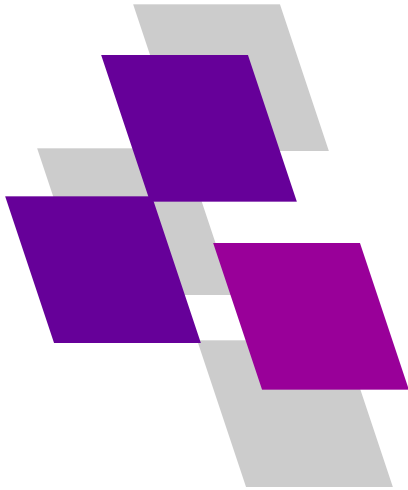


**Vijay Parabdeen**

FCCA, CA, CFA.

	2015/16 budgeted \$bn	2014/15 budgeted \$bn	Increase/(Decrease) \$bn	Increase/(Decrease) %
Total revenue	60.287	60.351	(0.064)	(0.1)
Oil revenue	5.449	21.223	(15.774)	(74.33)
Non-oil revenue	54.838	39.128	15.71	40.15
Total expenditure	63.048	64.664	(1.616)	(2.50)

Table 1: 2015/16 Estimates of Revenue and Expenditure; from Budget Speech



For fiscal year 2016, only three sectors shall receive increases. These are National Security, Health and Public Utilities, with National Security receiving the most substantial increase of \$3.82 bn or 55%.

This reduction in reliance is necessitated by the oil price shocks experienced over the last fiscal year. The 2015 budget was predicated on an oil price of USD 80.00 per barrel and, as all are now aware, the average price throughout the 2015 fiscal period was substantially lower than that mark with oil prices falling to less than USD 40.00 per barrel. In setting the oil revenue targets for 2016, the budget assumed an oil price of USD 45.00 per barrel. Aegis' research of international financial publications places this estimate within the median of the range of oil prices predicted for 2016.

However, in balancing the budget, the target for non-oil revenues has been increased by forty percent from \$39.1 bn in 2015 to \$54.8 bn in 2016. The attainability of this increase is imperative for the realization of the overall budget plans.

Table 2: Allocation of Expenditure 2016

Category	2015/16 \$bn	2014/15 \$bn
Education and Training	9.763	10.126
National Security	10.810	6.994
Health	6.088	5.545
Public Utilities	4.452	3.932
Housing	1.663	2.877
Local Government	2.272	2.649
Works and Infrastructure	1.915	2.542
Transport	1.563	1.984
Agriculture	0.831	1.328

## Specific Initiatives for 2016

In the budgets of the previous administration, public sector divestment featured regularly, with First Citizens issuing an IPO as well as offerings of Phoenix Park Gas Limited via TTNGL now in the process of finalization. In the budget presented for 2016 there were no divestments noted.

### CLICO

CLICO was very prominent in the budgets presented by the last administration. The Minister made a commitment to bring the matters in litigation with policyholders to an amicable conclusion but no financial details were outlined.

## Fiscal Measures and Allowances

Fiscal measures introduced for 2016 are elaborated in this document and include:

- Reintroduction of the Property Tax
- Value Added Tax Reform, including a reduced rate
- Reduction of the fuel subsidy
- Increase of the personal allowance
- Increase in Business and Green Fund Levy rates
- Revisions to the National Insurance System

## The Revenue Authority

The Minister announced his intention to re-establishing the platform for a Revenue Authority, with the Authority to be in place by the end of the fiscal year 2016.

## Foreign Exchange Market

The central bank will be requested to re-establish the foreign exchange system which existed prior to 2014.

## Public Sector Investment Programme

The Public Sector Investment Programme outlines the capital projects to be undertaken. The planned expenditure for 2016 is \$7.0 bn, compared to \$8.2 bn in 2015. The Minister did not identify which projects shall get priority but indicated that he will prioritize the ongoing projects expected to be significantly completed in 2016 and loan funded projects with contractual obligations. The Minister did identify the following transportation projects to be undertaken over the next few years:

- Completion of the San Fernando to Point Fortin Highway.
- Construction of the San Fernando to Mayaro Freeway.
- Construction of the Wallerfield to Manzanilla Highway.
- Construction of the Port of Spain to Chaguaramas Causeway/Highway.

In addition to the above, the Mass Transit System is to be revisited.

## Legislation

Legislation to be laid in Parliament include the Credit Union Bill and the Insurance Bill. Legislation governing the following institutions shall also be reviewed: the Securities Exchange Commission, the Financial Intelligence Unit and the Central Bank. As well, the passage of the Gambling (Gaming and Betting) Control Bill, 2015 is to be fast-tracked. There is also the need to work on the introduction of transfer pricing legislation.

In closing our overview, it must be stated again that this budget is one of the least oil-revenue dependent budgets ever presented. Whilst the measures are not austere, the realization of the non-oil revenues are of concern to both the business community and the individual taxpayer. Trinidad and Tobago may be embarking on an era we have only theoretically discussed for decades: an era not dependent on oil.

# Fiscal Measures

## Targeting Individuals

### Personal Allowance

Effective January 1st, 2016; this will be increased from \$60,000 to \$72,000.

	2015	2016
Personal Allowance	\$60,000	\$72,000
Gross Monthly Salary	\$9,000	\$9,000
Projected Annual Salary	\$108,000	\$108,000
Less: Personal Allowance plus 70% NIS	\$62,905	\$ 74,905
Taxable Income	\$ 45,095	\$ 33,095
Annual PAYE - 25%	\$ 11,274	\$8,274
Monthly PAYE	\$ 939	\$ 689

The above calculation is based on a monthly income of \$9,000 and NIS in the amount of \$2,905.

### National Insurance & Old Age Pension

Effective July 4<sup>th</sup>, 2016:

- Class limits to be increased by 13.5 percent with the maximum insurable limit increasing from \$12,000 to \$13,600.
- Contribution rates will be increased from 12.0 percent to 13.2 percent.

Effective December 1<sup>st</sup>, 2015:

- Increased cap on joint incomes received by retirees in respect of National Insurance and Old Age pensions from \$4,500 to \$5,000 per month.



All taxpayers earning emolument income of \$6,000 a month or less will now be exempt from tax and will not be required to file tax returns.

# Fiscal Measures

## Targeting Businesses

Corporation Taxes	2015	2016
Corporation Tax Rates (Petrochemical)	35%	35%
Corporation Tax Rates (Other Businesses)	25%	25%
Business Levy (On Gross Sales & Receipts)	0.20%	<b>0.60%</b>
Green Fund Levy (On Gross Sales & Receipts)	0.10%	<b>0.30%</b>
Initial Allowance (Manufacturing Industry)	90%	90%
Art and Culture/Sportsmen/Sporting Activities	3,000,000	3,000,000
Audio/Visual/Video Production Allowance	3,000,000	3,000,000
Fashion Allowance	3,000,000	3,000,000
Production Company Allowance	3,000,000	3,000,000
Covenanted Donation to Charity	up to 15% of Total Income	up to 15% of Total Income
Employee Training/Retraining	150% uplift	150% uplift

Petroleum Profit Taxes	2015	2016
Shallow Water (shelf/block)	50%	50%
Deep Water Block	35%	35%
Unemployment Levy	0.20%	0.60%

### Tax Rate Comparison

- The Penalties and Interest for the fiscal year 2016 remained unchanged.
- The Rates for Wear and Tear for the Fiscal Year 2016 remained unchanged.



Effective 1<sup>st</sup> January 2016  
Business Levy increased from  
0.2% - 0.6% and Green Fund  
Levy from 0.1 - 0.3%



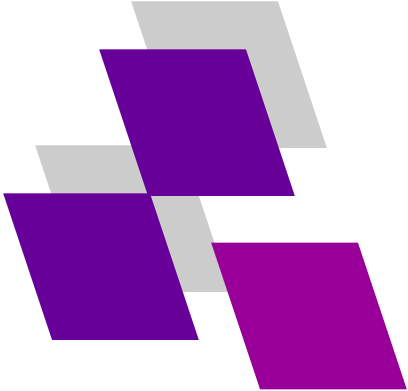
## Value Added Tax (VAT)

### Proposed Amendment

Exemptions and zero-rated items associated with non-essential or luxury items will be subsequently reviewed and adjusted.

The following measures will take effect on January 1, 2016:

	2015	2016
Decrease in VAT	15.0%	12.5%
Increase in Threshold	\$360,000	\$500,000



Reform of VAT system. Proposed efficiency in collection. Better administrative efficiency by increasing the threshold 360 - 500 thousand.

## Highlights of Tobago Initiatives

- Tobago's growth will be guided by the Tobago Comprehensive Development Plan prepared by the Tobago House of Assembly and will include;
- Public and private sector partnership to foster economic growth in the tourism sector.
- The construction of a new modern airport terminal at the A.N.R. Robinson International Airport.
- Economic diversification at the Cove Eco-Industrial and Business Park.
- An accelerated and adequately funded housing programme.
- Regularized land titles.
- An integrated water security and solid waste management programme.
- Upgrades to educational infrastructure.
- Strengthening Tobago's national security with two new police stations, a new fire station and new headquarters for the fire services.
- Allocation of \$2.772 billion of which \$2.345 billion will be for recurrent expenditure, \$404 million for capital expenditure and \$23 million for Unemployment Relief Programme.
- An additional \$1.13 billion towards direct expenditure through the Central Government.

## Summary of other initiatives

### Property Tax

According to the budget speech the existing Property Tax Act 2009 will be implemented and certain legislative provisions amended. The new property tax regime would take effect from 1<sup>st</sup> January, 2016, using the “old rates” and old levels.

The table below shows the rate stipulated in the Property Tax Act 2009.

Percentage for Annual Taxable Value	
Type of Property	Rate of Tax Payable (% ATV)
Residential	3
Commercial	5
Agricultural	1
<b>Industrial</b>	
• Plant and machinery housed in a building	6
• Plant and machinery not housed in a building	3

### Fuel Subsidy

Currently there is an approximate 100% and 200% subsidized cost on super and diesel gases, respectively.

An immediate increase is expected to take effect in super gasoline by 15%, from \$2.70 per litre to \$3.11 per litre and diesel by 15%, from \$1.50 per litre to \$1.72 per litre.

The annual fuel subsidy in 2016 is expected to exceed \$1 billion.

### Agriculture, Land and Fisheries

Exemptions will be granted on all duties and taxes relating to inputs into the agricultural sector, including approved chemicals, pest control, approved vehicles, approved fishing vessels and equipment. These exemptions will take effect from January 1<sup>st</sup>, 2016.

### Other Initiatives in the Agricultural Sector

- Establishment of Small Scale Packing Houses in Agricultural Production Clusters
- Introduction of the Food Basket Programme
- Water Management and Flood Control
- National Adaptation Strategy for the Sugar Industry
- Development of the Fish Processing Industry
- Implementation of Research and Development Programmes
- Private sector stakeholders will be encouraged to invest in agro-technology

## Infrastructure development

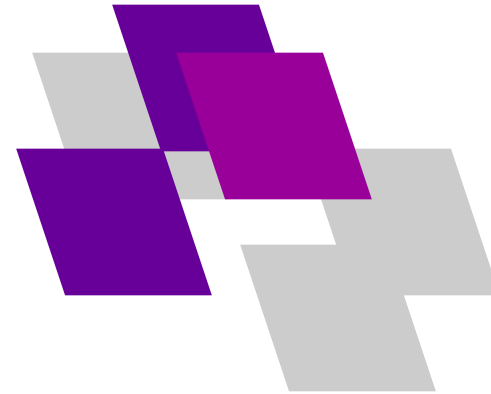
The Government plans to embark on infrastructure development projects over the next few years as follows:-

- A national highways grid to improve connectivity among the communities of Trinidad and Tobago which will include:-
- the completion of the San Fernando to Point Fortin Highway;
- the construction of the San Fernando to Mayaro Freeway
- the construction of the Wallerfield to Manzanilla Highway, and
- the construction of the Port of Spain to Chaguaramas Highway/Causeway.
- A new first-class road between Valencia and Toco which will link the new fast ferry port to be established in Toco.
- Construction of a first-class road from Princess Town to Moruga.
- Build a new and modern fishing port at Moruga.
- Improvements of sea and air transport facilities, including the modernization of the Piarco International Airport.

In addition, the government proposed a tax incentive framework for the private sector with respect to the construction of public facilities necessary for national development.

## On the Job Training (OJT) and Graduate Recruitment Programme

Stipends under the OJT Programme are proposed to be increased by 20% effective 1st December, 2015. In addition, a Graduate Recruitment Programme will be implemented to provide employment, across all 23 Ministries for a total of 500 graduates in 2016.



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