

EN ROUTE TO ECONOMIC RECOVERY

BUDGET NEWSLETTER 2018/2019



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Aegis Business Solutions is pleased to share with you our brief overview of the **2019 Trinidad and Tobago Budget** presentation by the Minister of Finance and Economy, The Honourable Colm Imbert yesterday, 1st October 2018

Feel free to contact us with any questions for your business or schedule a free consultation with us at info@aegistt.com.

CAVEAT

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ACKNOWLEDGEMENTS

We would like to express our thanks and appreciation to our Aegis team for their contributions towards producing this National Budget brief.

We wish to mention the following team members who have demonstrated team spirit, leadership and commitment to delivering responsive information to our colleagues and clients in Trinidad and Tobago.

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We also wish to express a special thank you to Stephan K Williams (Aegis Alumni) for the photograph used on our cover.

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MESSAGE FROM OUR CHAIRMAN

We are pleased to present our overview of the fiscal measures announced in the 2019 Budget Statement, themed ***“Turnaround”***, presented by the Minister of Finance, the Honourable Colm Imbert, on October 1, 2018.

The country, and indeed the world, has experienced turbulent times as a result of the global recession and the consequential energy crisis evidenced by plummeting oil prices. The decline of income together with the deficit due to non-collection of revenues and the continued subsidies, coupled with a high demand for and shortage of foreign currency, created an excessive strain on the public purse.

Both the Energy Sector and Non - Energy Sector are showing signs of recovery. The manufacturing industry sector has grown by 7.3 percent, whilst the energy sector grew by 2.2 percent.

The main focus of the budget was predicated on 6 major game changers, namely, strengthening the Gas Economy, the resurgence of the Capital Market, the restructuring of Petrotrin to curtail losses and return to profitability, the building of Sandals Hotel in Tobago to increase the much needed room stock and create employment, establishing the new dry dock and ship building facility in La Brea which will create 2,700 direct jobs and 1,300 indirect jobs, and finally purchasing 2 new ferries to lessen the burden of trade between the sister islands.

On the social side, the Government has considered improving the quality of life for its senior citizens through increasing the cap for National Insurance and the Old Age Pension, increasing disability grants for individuals below and over 18 years, and increasing the value of food cards. To encourage first time home owners, the stamp duty exemption has increased to \$1.5m. The Government also intends to further stimulate housing construction through Public Private Partnerships.

Focus on the collection of revenue will, amongst other things, centre on the workings of the Revenue Authority, staffing of which will be substantially beefed up in numbers and by training, increased activities from the major Oil and Gas companies that have many projects already in train, and legislation for accountability for Gambling and Betting Levies.

A major concern of the Government is crime, as this not only directly impacts the safety of every citizen, but is a major deterrent to much needed foreign investment. Measures are being put in place to abate the crime statistics. There will also be an emphasis on improving Hospitals and Health Centres, a number of which in rural areas will remain open 24 hours a day. Police stations are also being upgraded.

The over-arching theme of the budget is to contain cost, and where savings are made in some areas, the money will be directed to social welfare.

We all have our part to play by embracing the changes that are necessary if we want to be EN ROUTE TO ECONOMIC RECOVERY. It is apparent that whilst the government is trying to lead the way, we the citizens of this beloved country of ours, must make the necessary adjustments and sacrifices to

ensure that the country not only survives but prospers for the benefit of our current and future generations.

Once more, it is our hard-working team and their commitment to excellent client services which makes me very proud and which makes this publication possible. We would all be happy to hear from you with any questions you may wish to ask as the budget impacts you, your family and your business.

Angela Lee Loy

EXECUTIVE OVERVIEW

There were many speculations leading up to the Fiscal Budget 2018|19. With the general election approaching, many shared the view that 2018|19 would be an “election budget”, whilst others hoped for strategies that would continue to stabilize and grow the economy.

All presumptions and expectations ended on October 1st, 2018 when the Finance Minister presented the Fiscal Budget 2018|19 themed “**TURNAROUND**”. In his words, the intention was to reflect the unfolding economic scenario and the projected growth of the country, in real terms, by 1.9 percent. According to the Minister, as at August 2018, inflation was at its lowest level at 1 percent and growth had resumed in the energy sector at a rate of 2.2 percent. With the plea to move away from the reliance on the revenue earned from the energy sector and the further removal of the subsidy on super unleaded gasoline, one can equally argue that these results do or do not represent an upward turn to the economy.

It is worth noting, however, that the upward trend in oil prices is somewhat encouraging to citizens. This year’s budget was based on an oil price of US\$65 per barrel, thirty percent more than the projected figure of 2018. Additionally, revenues amounting to \$47.7 bn are projected (\$5.1 bn greater than 2018) and a fiscal deficit of \$4.05 bn (\$2.21 bn less than 2018) is also anticipated.

Similar to preceding years, the majority of the country’s revenue is projected to derive from tax collection. For 2019, the property tax is again included in the estimates. The property tax is expected to be fully implemented by January 2019. Encouragingly, revenues are also expected to derive from non-core revenues via the capital markets.

The Finance Minister expressed that the substantial inflow of \$4bn in capital revenue, injected via the National Investment Fund (NIF) Bond Issue, has assisted with closing the gap between revenue and expenditure. There is intention to seize the opportunity of earning more revenue via this medium. The Finance Minister hinted that another National Investment Fund bond may be offered in 2019 as well as a Housing Bond. This initiative is intended to assist with overcoming the financial constraints which are impacting the expansion of the housing construction programme.

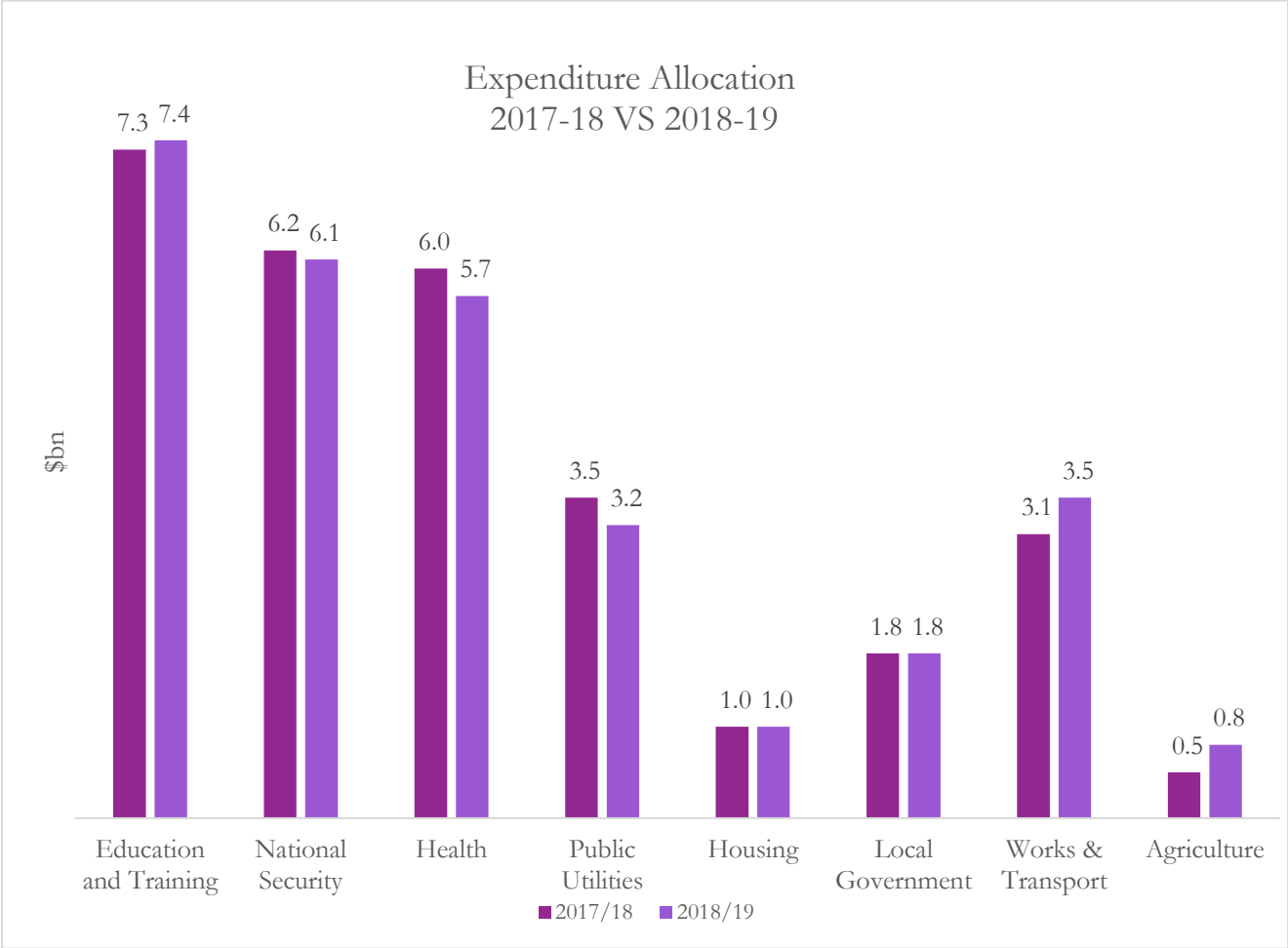
The presentation focused less on fiscal measures and more on capital and social developments. Given the country’s social status, the three largest allocations were made to security, health and education. (see allocation of expenditure on page 9). Expenditure relating to capital included: construction of hospitals, police stations, bridges and investments in technology. The removal of stamp duty on residential properties (capped at \$1.5m), the restructuring of the senior citizens, public assistance and disability grants and the increase of the tax allowance for tertiary education were some of the social allowances presented.

The clarification of the outcome of Petrotrin was high on the agenda for the Finance Minister. It is intended that the refinery activities of Petrotrin will terminate and the company will mainly be repurposed to focus on exploration. The Minister discussed, at great length, the savings to be made from the change in operations of the refinery.

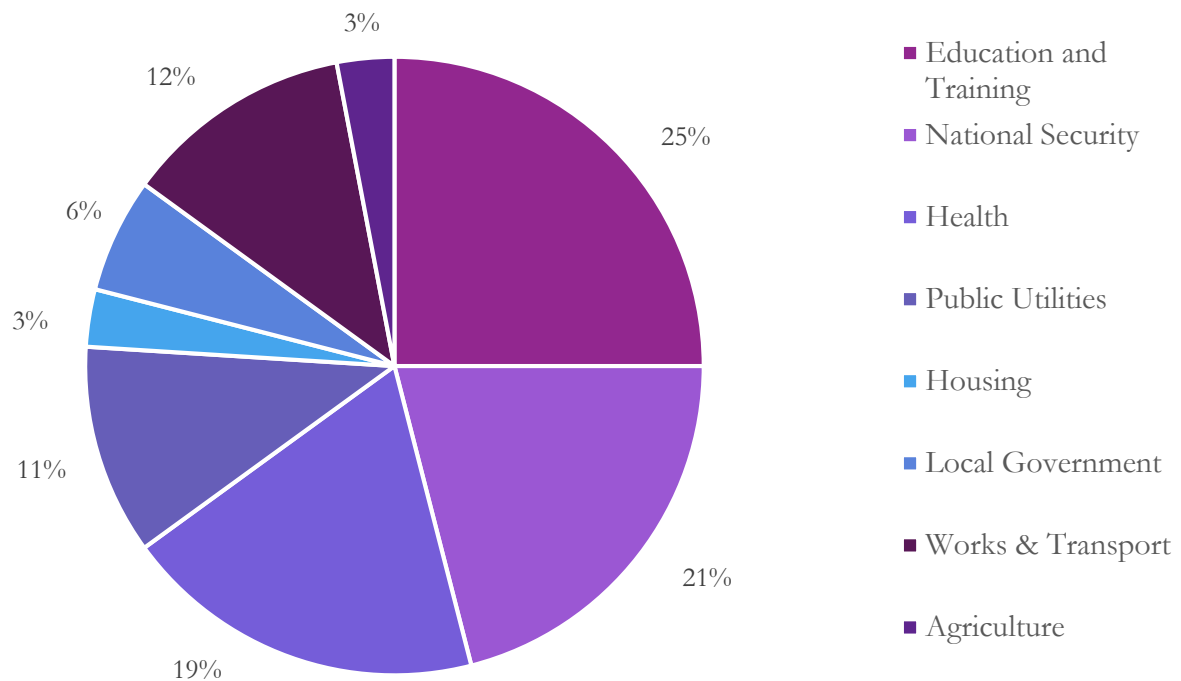
Whether the national economy has or is turning around is appropriately judged in retrospect. Some efforts to reduce dependency on the energy sector via investment in agriculture, agro-processing and the development of a light industrial park presently in construction phase. There will also be investments in tourism, through the development of the Sandals Resort in Tobago, the planned upgrade of the Tobago International Airport and improvements to the air and sea bridge between Trinidad and Tobago. There are also attempts to follow best tax practices via the establishment of the Revenue Authority and the increase in penalties and fines. Indeed, the economy has seen subtle improvements but, however, all hands must remain on deck as we further travel “En Route To Economic Recovery”.

We invite you to read our brief summary of the 2018- 19 Fiscal Budget themed “TURNAROUND”.

ALLOCATION OF EXPENDITURE



ALLOCATION OF EXPENDITURE 2019



EXPENDITURE ALLOCATED TO TOBAGO

An amount of \$2.2bn (4.34%) of the national budget has been allocated to Tobago. The allocations are as follows:

- \$1.98bn will be for recurring expenditure
- \$231.63m for capital expenditure and;
- \$18m to assist with unemployment relief

Additionally, a further injection of \$1.055bn will be implemented towards the facilitation of work in Tobago by various government Ministries, under the Sixth Schedule of the THA Act.

FISCAL MEASURES



30% &
35%



25%



12.5%

CORPORATION TAX

The corporation tax rate remains flat at 30% for companies in all industries other than the banking industry which has a rate of 35%

INCOME TAX

There were no changes to the income tax rate. The existing structure remains at 25% on the first \$1m and 30% thereafter.

VALUE ADDED TAX

The VAT regime remains unchanged, with the threshold of \$0.5m being maintained and the rate of VAT at 12.5%.

There are no changes to zero rated and exempt supplies.

With regards to Petroleum Tax, the rate remains the same and the existing structure for royalties was unchanged.

OTHER MEASURES

The increase in penalties and fines under the Income Tax and Registration of Clubs Acts will take effect from 1st January 2019.

- There will be an increase in penalty from **\$3,000** to **\$10,000** due to submission of fraudulent documents to support claims when submitting TD1s.
- For sole proprietor's the threshold for business levy increase from **\$200,000** to **\$360,000**
- The rate of interest for late payment of taxes will increase from **15%** to **20%** per annum.
- The penalty for fraudulent offences will increase from **\$50,000** to **\$250,000**
- Children's Act – Increase of 100% on all fines as detailed in the Children's Act
- Litter Act – Increase of 100% on all fines as detailed in the Litter Act

Additionally, the tax allowance for tertiary education will increase from **\$60,000** to **\$72,000** per annum.

SOCIAL INITIATIVES FOR 2019

- The threshold on **stamp duties for residential properties** to be increased from \$850,000 to \$1.5m. This is effective 1st January, 2019
- The Board of Inland Revenue will issue notices to property owners for payment of **Property Tax for the year 2019. This Tax will not be retroactive but will commence from the year 2019.**
- **Crime Stoppers** initiative will offer an **increased reward** from \$10,000 to \$100,000 for information regarding the countries 25 most wanted criminals as identified by TTPS.
- **Agricultural Fires Act** – An increased fine from \$1,500 to \$5,000 for individuals who act as major contributors for the occurrence of bush fires.
- Commencement of **24/7 opening hours for remote health centres.** These mentioned as being: Grand Riviere, Blanchisseuse and Cedros.
- In light of delays in the payment of **public servant pensions** the government will pay, immediately following retirement, a monthly amount of \$3,500 until such time that their final gratuity and pension is determined.
- Within the **food card programme**, a verification project disqualified 18,000 persons resulting in income savings of \$150m. This savings will aid in an increase in food card allowances as follows:
 - 1-3 persons \$410-\$510
 - 4-5 persons \$550-\$650
 - 6+ persons \$700 - \$800

The food card programme will be reviewed on a short-term basis with 6-month re-assessments.

- **Senior citizens' grants** - cap increased to \$6,000 (\$3,000 from NIB and \$3,000 old age pension)

- **Disability grant initiatives** commencing 1st January 2019
 - Removal of the threshold of grant ages from above 18 years to all ages.
 - Current grants to be removed
 - Special child grant \$800.00 per month
 - Public assistance grants \$1,150.00 per month
 - Disability grant to replace the special child and public assistance grants with an increase monthly grant of \$1,500.00 for all disabled children under the age of 18 years
 - Under this new grant recipients 18 years and over will obtain an increased benefit of \$200 from \$1,800 to \$2,000 per month.
 - Public assistance grant offered to the poor and vulnerable to be increased as follows:
 - 1 person, from \$1,150 to \$1,300
 - 2 persons, from \$1,400 to \$1,550
 - 3 persons, from \$1,600 to \$1,750
 - 4 or more persons, from \$1,750 to \$1,900

INVESTMENT INITIATIVES

PROPOSED PROJECTS IN THE ENERGY SECTOR

Increase in upstream activities in addition to repurposing of Petrotrin set to generate revenue and sustain growth and development. These activities include;

- Investment from BP Trinidad & Tobago of USD \$8.0 billion over the next 10 years and 9 projects.
- Exploration and development drilling programme undertaken by EOG Resources Inc.
- Shell Trinidad & Tobago Limited has 3 major projects, two of which are active; Starfish and Dolphin, development drilling in Block 5c expected by 2021.
- BHP Billiton Limited development programme; development of Block 3a expected to begin production in 2023 and gas supply to be maintained by NGC.
- Conclusion of negotiations for sale of gas from Dragon Field in Venezuela.
- The DME complex in La Brea which in its advanced stages of completion will begin operations in 2019 and generate substantial foreign exchange.
- Downstream projects for the south-west peninsular in aluminum production.
- Increasing the use of renewable energy sources by 10% in 2021.

NEW INCENTIVES AND STRATEGIES FOR DIVERSIFICATION INCLUDING TAX ALLOWANCES FOR NON-ENERGY SECTOR

- Incremental foreign exchange earnings tax credit for the manufacturing sector, for which the appropriate legislation will be introduced in Parliament during this fiscal year.
- One-off grants of up to \$100,000 for approved agricultural producers with investment opportunities including; modern farming technology, research and product development, brand building and food safety compliance.

OTHER REVENUE GENERATING ACTIVITIES

- Sandals Golden Grove Tobago project – expected to generate income to the government of USD \$80 million in taxes and other payments.
- La Brea Dry-Docking facility expected to generate substantial business activities.
- EXIM Bank facility – established in 2018 to promote expansion and competitiveness of our non-energy base industries.

INCENTIVES TO PROMOTE THE EASE OF DOING BUSINESS IN TRINIDAD

- Establish Toco Port to provide a faster alternate sea route from East Trinidad to Tobago

CONTACT US

Aegis is the leading business outsourcing and advisory services provider in Accounting, Tax, Audit, Payroll, Human Resources and Financial Advisory services in Trinidad and Tobago. Serving international and local clients across industries, Aegis' services enables operational effectiveness to back-end office functions and help clients free their time in order to better manage and focus on their core service or product. Aegis has empowered clients with high performance solutions across several regional jurisdictions and through partnerships with our global affiliates. Aegis is a member firm of Kudos International Network and exclusive representative for Trinidad and Tobago.

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