



# TT BUDGET

2020/2021

IN A SNAPSHOT

Diversity & Digitization  
Pillars of Reconstruction

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# CAVEAT

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

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We also express a special thank you to our Alumni who assisted us with this newsletter.

Thank you all for supporting each other.





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# MESSAGE FROM THE CHAIR



We are pleased to present our overview of the fiscal measures announced in the 2020/2021 Budget Statement entitled, **'Resetting the Economy for Growth and Innovation'**, presented by the Minister of Finance, the Honourable Colm Imbert, on October 5<sup>th</sup>, 2020.

The Covid-19 pandemic has forced both the government and the private sector to change gears and push digital efforts, together with strategic thinking, to ensure that the country can keep pace with the "new" virtual world. The pandemic also highlighted the urgent need for the food security of the nation.

The current uncertain global environment creates volatility in energy prices which, in turn, heavily impacts our economy – which for the foreseeable future will be energy-based. Despite this, however, 75% of our revenue is derived from non-oil sources.

The budget is based on an estimated revenue of \$41.4BN and expenditure of \$49.6BN. This will result in a deficit of \$8.2BN and is predicated on an oil price of US\$45 per barrel and a gas price of US\$3 per MMBtu.

The budget is inclusive and covers several areas which require a positive push, including online education, affordable housing (with support being given to smaller contractors); the development of agriculture as a tax-free industry, making the agricultural industry attractive to the youth; facilitating the ease of doing business; major incentives for creative and sporting activities and incentives for the development of a Small and Medium – Enterprises Stock Market.

In spite of the incentives to boost the economy, coupled with compassionate support for the vulnerable within our society, yet again there is little mention of the tourism industry - an industry that impacts every facet of business activity in our country and our human resources.

The major allocations for budget 2021 are:

**Education and Training:** \$7.9BN focusing on the education of our youth who are our future.

**Health:** \$6BN to deal with, amongst other things, the demands of Covid-19.

**National Security:** \$5.2BN, as criminal activity is likely to increase due to social needs.

Given the numerous challenges the government is faced with, it was encouraging to hear of the diverse plans and intended pillars of reconstruction. This is just the beginning. There is much

strategic work ahead for us to steer our country out of debt, get us back on track and online. We must ensure we get results as we P.U.S.H. (Persist Until Something Happens).

I thank my hard-working staff who, in keeping with Covid-19 restrictions, worked from their homes to deliver our annual Budget Newsletter.

To you our readers, I hope you find our newsletter helpful and informative. Keep safe and adapt to the "new normal".

Feel free to call us for any further clarification.

Sincerely,

Angela Lee Loy

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# EXECUTIVE OVERVIEW

In his new budget of his current term as Minister of Finance, the Honourable Colm Imbert's presentation was themed "Resetting the Economy for Growth and Innovation". The Minister highlighted the inherited levels of expenditure and efforts taken to reduce this to sustainable levels.

## Covid-19

Having been declared a global pandemic on March 11<sup>th</sup>, 2020 by the World Health Organisation, Covid-19 was officially detected on our shores on March 13<sup>th</sup>, 2020. In response to this, the Government adopted many of the strategies pursued in other nations that experienced Covid-19 outbreaks. These included closure of borders, restrictions on gatherings, mandatory closures of businesses deemed non-essential and general curtailment of human movement. As a result of these restrictive measures, almost all global economies were decimated, with governments needing to provide interventionist support. According to the Honourable Minister, the impact of Covid-19, coupled with the decline in energy prices, caused the deficit for 2020 to amount to \$16BN, compared to the \$5.3BN originally budgeted.

Trinidad and Tobago financed the deficit through a combination of withdrawals from the Heritage and Stabilisation Fund (HSF) and borrowings. The withdrawal from the HSF totalled US\$900MN and, according to the Minister, leaves the balance at US\$5.8BN, which is higher than the balance encountered in 2015. The Minister stated that over \$4BN was spent on Covid-19 related expenditures; this is subject to a full accounting of this cost. He did, however, itemise with some enumeration for many of the initiatives that were spent on during the last six months. These included numerous grants, namely, salary relief, micro-enterprises, food support and monies given directly to religious bodies. Notably, a few items that were not directly related to Covid-19 – payments were included, such as monies owed to contractors in the amount of \$2BN, VAT and income tax refunds and making forex available through EXIMBANK for importers.

Acknowledging the protracted impact of Covid-19 on the economy, the Minister is proposing another significant deficit for fiscal 2021, of \$8.2BN. However, what was not articulated was the strategy for easing of restrictions, or how any return to normal - reopening of borders, schools, entertainment etc. - would be phased. This is an unfortunate omission, as such decisions should underpin the assumptions that go into the formulation of a fiscal plan. A strategy would help with questions that many in labour and entrepreneurship would need to have answered to make directional decisions in their lives.



## The Debt Burden

Perhaps the most pertinent macro-economic indicator to pay attention to at the outset of a new fiscal year is our debt to Gross Domestic Product (GDP) ratio. Prolonged periods of fiscal deficits have seen debt to GDP ratios increase from 35% in 2010 to 69% in 2019. The Covid-19 impact would have resulted in additional borrowing and reduced GDP and most recent estimates of debt to GDP are currently at 81%. This pattern, coupled with the fall in energy prices in an undiversified economy, creates questions of our ability to meet our debt obligations. For now the HSF presents a buffer, however, should the initiatives outlined in the national budget not bear fruit, there would be further erosion of our fiscal room. This in turn leads to a weakened borrowing capacity, which can infect the rest of the economy through increased interest rates, current account imbalances, unemployment, etc.

## Petroleum Company of Trinidad and Tobago Limited (Petrotrin)

Two years ago, the closure of Petrotrin was announced. In his budget delivery for 2019, the Minister outlined, in considerable detail, the burden Petrotrin placed on the state and his plans for reform. In his 2020 presentation, the Minister presented details of the procurement process that led to the refinery being awarded to Patriotic Energies and Technologies Company Limited. In justifying the purchase, the Minister said they presented the best terms, with an upfront injection of US\$700MN.

In presenting his budget statement, the Honourable Minister has announced an ultimatum of October 31<sup>st</sup>, 2020 and, if the agreement cannot be contractually closed by that time, other options will be explored.

## National Petroleum and the Fuel Subsidy

Midway into his presentation, the Honourable Minister announced a combination of total liberalisation of the liquid petroleum fuel market and the offering for sale of all gas stations owned by the Trinidad and Tobago National Petroleum Marketing Company Limited (NP) to private owners. The Minister outlined a mechanism for price adjustments, but this would need some more details to present a clear understanding of how it will be operationalised.

## Education

The Honourable Minister outlined numerous initiatives geared towards outfitting children with laptops/devices, including an allocation of \$50MN to assist the needy. He also provided assurance that MiFi will be made available, as far as possible, to those in need. There was considerable articulation of how Information and Communication Technology (ICT) will be used to transform

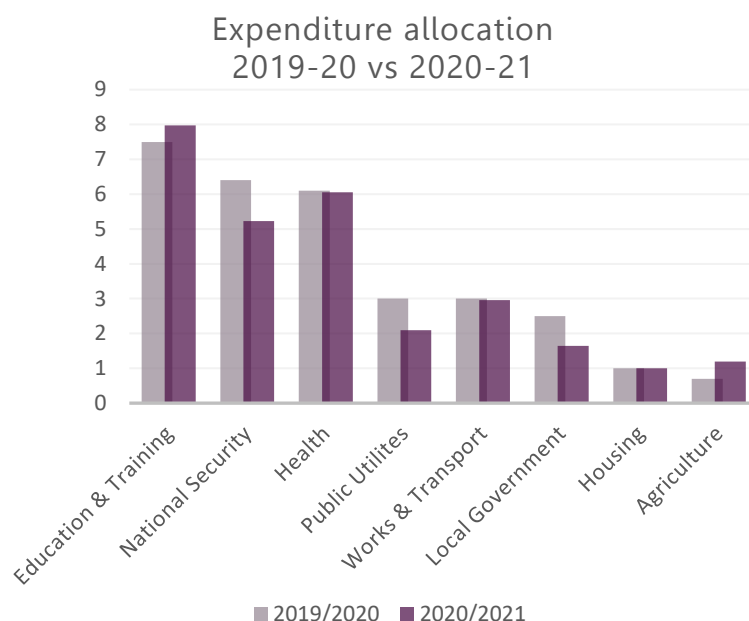
education in the future, as well as meet the current need, since physical schools have been barred. Whilst the digitisation is commendable, there needs to be clear articulation as to when physical, face to face schooling will recommence.

### Conclusion

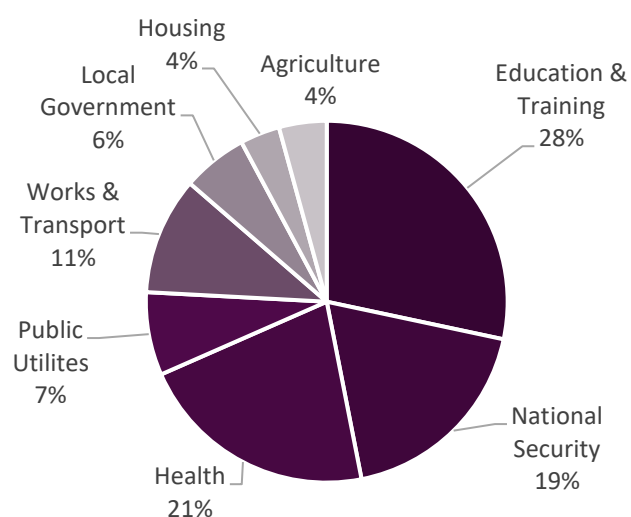
The impact of Covid-19 did not spare our national economy. A strategy that balances public safety with economic transformation and recovery is needed. In presenting his budget, the Honourable Minister attempted to demonstrate incentives for sectors such as Agriculture and Construction. However, the opportunities for those affected in retail, entertainment, creative industries etc., to either catch up on lost income or redeploy to other profitable sectors need better clarity. All told, it is not an enviable task to deliver a budget in a time of global uncertainty and diminished resources. There have been welcomed incentives without too much introduction of new fiscal burdens.

# HIGHLIGHTS

- Total projected revenue of \$41.4BN.
- Expenditure \$1.3BN lower than last year.
- Increase in personal allowance.
- Removal of all tax concessions on new private vehicles.
- Removal of all taxes on mobile phones and software.
- Freeze on filling of all vacant posts in the public sector.
- Increase in tax allowances for corporations that sponsor the creative and sporting industry.
- Reduction in the permissible age of imported foreign used cars.
- VAT to be reinstated on luxury imported foods.
- Liquid petroleum fuel market will be liberalised. NP Gas Stations will be privatised and sold.
- Disincentives to constrain the population's smoking habit.
- Government plans to create an electronic funds transfer window to allow payments.
- Tax allowances for businesses that invest and create employment in the technology industry.
- Increase in wear and tear on plant and machinery.
- Increase in waiver of stamp duty for first time homeowners.
- Agriculture is now a tax-free industry.



## Allocation of expenditure 2021



## TOBAGO

The amount of \$2.1BN, representing 4.3% of the national budget, has been allocated to Tobago. The allocations are as follows:

- \$1.9BN for recurring expenditure.
- \$200MN for capital expenditure.
- \$18MN to assist with unemployment relief.

An additional \$754.5MN was allocated for expenditure in Tobago by various government Ministries, under the Sixth Schedule of the Tobago House of Assemblies (THA) Act. THA will be able to enhance Tobago's national economic activity, through the Cabinet approved bond facility and support for the Assembly's Alternative Financing Mechanism. This will allow Tobago to increase its contribution to national economic development and national economic diversification, thereby facilitating further improvement in the standard of living and quality of life of Tobagonians.

As of January 1<sup>st</sup>, 2021, construction to the new A.N.R. Robinson International Airport Terminal will begin. One of Tobago's two ferries, the APT James, will arrive by October 31<sup>st</sup>, 2020 and is expected to begin sea travels by December 31<sup>st</sup>, 2020. While the other ferry, the Buccoo Reef, is expected to arrive shortly after.

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# FISCAL CHANGES

## Technological Transformation and Innovation

To assist with accelerating access to equipment, training and funding for the youths, the following measures will be implemented:

The removal of all taxes on mobile and digital equipment, mobile phones, software, computer accessories and peripherals.

Effective January 1<sup>st</sup>, 2021, a tax allowance set at 150% with a cap of \$3MN, will be given to businesses which:

- Invest in tech start-up and new tech business.
- Engage in technology solutions and digitalisation.
- Create employment in the technology industry, particularly among young people.

## Internet MiFi for Students

Effective in the 1<sup>st</sup> quarter of 2021, 45K students will be provided with MiFi devices, as needed.

## Existing Wi-Fi Hotspots and Internet Cafes

There will be an expansion of existing Wi-Fi hotspots and the establishment of internet cafes, specifically targeting students who reside in remote areas. This is due to take effect in fiscal 2021.

## Tax Waiver on Imported Construction Material for Approved Building Projects

Effective January 1<sup>st</sup>, 2021 Value Added Tax will be removed on the importation of building materials exclusively for approved projects commencing on or before December 31<sup>st</sup>, 2022, specific to housing, commercial and industrial development. However, this will exclude items such as road paving and aggregate material.

## Waiver of Stamp Duty for First-Time Homeowners

First-time homeowners will save up to \$28K in stamp duty on residential properties with values from \$1.5 MN to \$2MN.



### Property Development Allowance

Property development companies will be able to claim 20% for capital expenditure incurred in the construction of commercial, industrial, or multifamily residential buildings completed by December 31<sup>st</sup>, 2024.

### Tourism Accommodation Upgrade Project

An extension between October 2021 and September 2023 will be granted to facilitate a tourism incentive, providing a reimbursable grant for eligible tourism accommodation facilities.

### Wear and Tear for Plant and Equipment

Effective January 1<sup>st</sup>, 2021, the allowable rate of wear and tear for plant and equipment will increase from 25% to 30%.

### Illegal Quarrying

Effective January 1<sup>st</sup>, 2021 an increase in penalties by 200% will be imposed on the following:-

- Illegal quarrying on private lands.
- Illegal quarrying of asphalt or other materials on state lands.

In addition, companies knowingly trading in illegally sourced quarry material will be disqualified from participating in government construction projects.

### Praedial Larceny

Effective January 1<sup>st</sup>, 2021, there will be a 200% increase in Praedial Larceny Fines and Custodial Sentences.

### Supplemental Petroleum Tax for Small Onshore Oil Producers

Effective January 1<sup>st</sup>, 2021, the threshold for the imposition of the Supplementary Petroleum Tax (SPT) for small onshore oil producers will increase from \$50 to \$75 per barrel for fiscal 2021 and 2022, in the first instance, subject to a review in 2022.

### Statutory Penalties

Effective January 1<sup>st</sup>, 2021, all penalties for selling alcohol and tobacco to minors, as well as all other penalties under the Liquor Licenses Act, and the Tobacco Control Act, will be increased by 200%.

### Value Added Tax

Effective January 1<sup>st</sup>, 2021, VAT of 12.5% will now be applied to a wide range of imported luxury food items, to which a full list will be published in due course.

### Small- and Medium-Enterprises Stock Market

Effective January 1<sup>st</sup>, 2021, a market to promote access to equity funding for the small and medium enterprises will be provided on the Trinidad and Tobago Stock Exchange (TTSE), which will allow for the following:

- An increase in the incentive period from five (5) years to ten (10) years.
- A full tax holiday for the first five (5) years following listing on the TTSE.
- A 50% tax holiday for the second five (5) years following listing on the TTSE.

### Cigarette Usage

Effective October 20<sup>th</sup>, 2020, several disincentives to constrain smoking habits will be introduced.

- An increase in excise duty by 20% on locally manufactured tobacco products.
- An increase in customs duty by 20% on imported tobacco from the Common Market Origin.
- An adjustment to the customs duty payable on tobacco products imported into Trinidad and Tobago from extra-regional sources to have it receive equal treatment to that of the Common Market.

### Creative and Sporting Activities

Effective January 1<sup>st</sup>, 2021, there will be an increase in the allowance from \$6MN to \$12MN for corporate sponsorship of nationals in the creative productions, as well as sporting events or art and culture.

### Personal Income Tax Allowance

Effective January 1<sup>st</sup>, 2021, the personal income tax exemption limit will increase from \$72K to \$84K per year. Individuals earning \$7K a month or less will now be exempt from income tax.

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# TRADE, SOCIAL AND OTHER INITIATIVES

## TRADE

New export strategies are to be explored for the sale of ammonia, methanol and urea in the regional market, after local markets were negatively impacted by the closure of plants at the Point Lisas Industrial Estate.

A public service e-Governance ecosystem is proposed. This initiative includes:

- a) The “National Single Electronic Window”, which will reduce the overall processing time for business-related services.
- b) The “DevelopTT Automated Construction System”, which will reduce the time taken to receive planning approvals from the Town and Country Planning Division, and building permits from other agencies.
- c) A service delivery model which will facilitate:
  - i. Registration for tax, tax returns, tax clearance and payments.
  - ii. Issuance of all licensing arrangements.
  - iii. Registration of companies.

The transformation of the current freezone regime to a modern “Special Economic Zone” framework will increase the economic and social impact of free zones and promote international appeal. This new regime will effectively manage the economic zone by, improving existing, and implementing new mechanisms and procedures.

With effect from October 20<sup>th</sup>, 2020, the government will introduce impediments to restrict the country’s smoking habit. These include:

- a) Increase of excise duty by 20% on locally manufactured tobacco products.
- b) Increase of customs duty by 20% on imported tobacco from the Common Market Origin.

- c) Customs duty due on tobacco products imported from extra-regional sources will be adjusted to align with treatment to that of the Common Market.

#### **Motor Vehicles: Used and New**

Effective October 20<sup>th</sup>, 2020, all tax concessions will be removed on the importation of private motor cars, which includes customs duty, motor vehicle tax and value added tax. Hybrid, electric, CNG, and small engine cars below 1,500cc, will attract the lowest rates.

Tax concessions will remain in place for commercial, industrial, and public transport vehicles.

Effective January 2021, the quota for the importation of used cars will be reduced by 30% and the permissible age of imported foreign used cars can be no more than three (3) years. Additionally, a quota system for the importation of new cars will also be introduced.

## **OTHER**

#### **Workforce Recovery Programme**

Effective January 2021 to September 2021, advertisements will be placed in newspapers and the Youth Training Employment Partnership Programme (YTEPP) Limited social media platforms, regarding re-training programmes which will enable young people to have free and unlimited access to over 4K courses and 400 specialisations to develop skills required to re-enter the labour market.

#### **Public Sector**

Effective October 6<sup>th</sup>, 2020, no vacancies will be filled in the public sector for a period of one (1) year.





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**VAEGIS** DEADLINE REMINDER

# BENEFICIAL OWNERSHIP

**31ST DECEMBER 2020**

Businesses are now required to show who are the natural owners of their companies in Trinidad and Tobago. The Companies Amendment Act 2019 (which was assented 4th April 2019) requires business owners to declare all beneficial owners in their company.

Beneficial owners could be those who are registered as a shareholder, but not the beneficial holder. It also refers to those companies who are shareholders of the business. Another example is if a beneficial owner dies, the shares are in their estate – the government now requires businesses to declare who are the beneficial owners. These efforts are aligned to the government's strategic efforts to build the legal infrastructure in Trinidad and Tobago. [Book a meeting with us at info@aegistt.com](mailto:info@aegistt.com)



# Chat with us

Book a free consultation to learn how to pivot your business for 2021 and beyond.



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