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Trinidad and Tobago 2022 National Budget

Streaming Forward to Economic Recovery

October 4th, 2021

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ACKNOWLEDGEMENT

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

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.

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Our support staff: Antonio Green, Bernice Antoine, Catherine Perreira, Kevin Antoine.

We also wish to express a special thank you to our Alliance who provided a most enlightening overview.

Thank you all for supporting each other.

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MESSAGE FROM OUR CHAIR



We are pleased to present our overview of the fiscal measures proposed in the 2021/2022 Budget Statement entitled, “Resilience in the Face of a Global Pandemic”, presented by the Minister of Finance, the Honourable Colm Imbert, on October 4th, 2021.

The COVID-19 pandemic gave rise to an extended lock down which started with many unknowns and is being prolonged because of vaccine hesitancy, fueled by the many conspiracy theories. This has caused many Micro, Small and Medium Enterprises (MSMEs) to fold which resulted in increased unemployment.

On the other hand, this period of unprecedented unknowns has allowed others to innovate.

Manufacturers have seized the opportunity to review and rethink their processes, focusing on their faster selling products, extending shifts and investing in machinery. Additionally, there is increased research and development to target new markets for exports, and a redirection of production into items such as personal protective equipment (PPE), face masks and sanitizing liquids. Alongside this, there is also the creation of value-added products within the agricultural sector e.g., peeled cassava and other pre-packaged products for quick use.

Likewise, the Services Industry has capitalised on working in a virtual space. The old adage, “the world is our oyster” is now more applicable than ever before. There are no barriers, virtual services are being offered in a myriad of

areas, such as photography, financial services, meetings, training and on-line sales in the food and retail industries.

The Trinidad and Tobago Coalition of Services Industries (TTCSI) has taken steps to facilitate the development of the Services Sector. This has enabled increased capacity building to export their services, with tools to inculcate an exporter’s mindset such as, Services Go Global (SGG) Training Programme, Gateway to Trade (G2T) Programme and a National Services Exporters’ Registry.

We must all see this time as an opportunity to re-examine our businesses and see where we can innovate as we **Stream Forward to Economic Recovery**.

The Budget is based on an estimated revenue of TT\$ 43.33BN and expenditure of TT\$ 52.43BN, resulting in a deficit of TT\$ 9.10BN. Energy revenue is predicated on an oil price of US\$ 65 per barrel and a gas price of US\$ 3.75 per MMBtu.

Overall, the budget focused on support for the disadvantaged and emphasis on digitalisation. Little attention was given to the Orange and Blue Economies.

The major allocations of the budget are the usual areas accounting for 44.7% of our Revenue.

Education and Training TT\$ 6.89BN - The youths are our future.

Health TT\$ 6.40BN - Challenges of COVID-19 and maintaining health systems.

National Security - TT\$ 5.66BN – Mainly recurrent expenditure.

MESSAGE FROM OUR CHAIR

These are economically challenging times which are exacerbated by vaccine hesitancy delaying the full opening of the economy. The Government alone cannot solve all problems. As citizens of our beloved T&T we all have a part to play in moving our nation forward.

I make special mention of the members of my team who have worked from their homes and have committed themselves to delivering on-going excellent client service. This publication is an extension of their commitment.

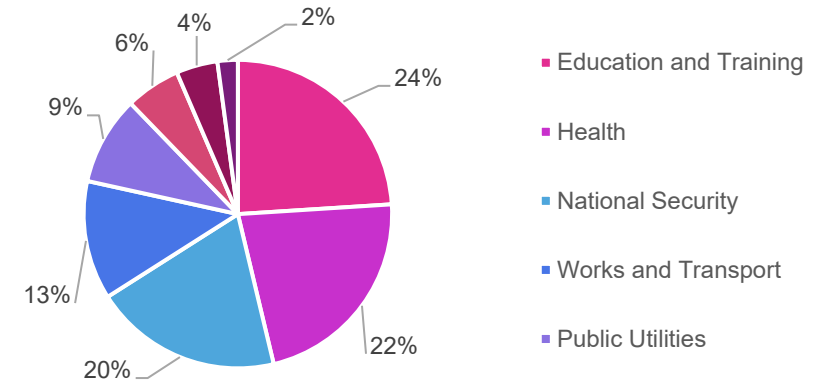
To you our readers, we would be happy to hear from you with any questions or if you need any further clarification on any matter.

I hope you find our newsletter helpful and informative.

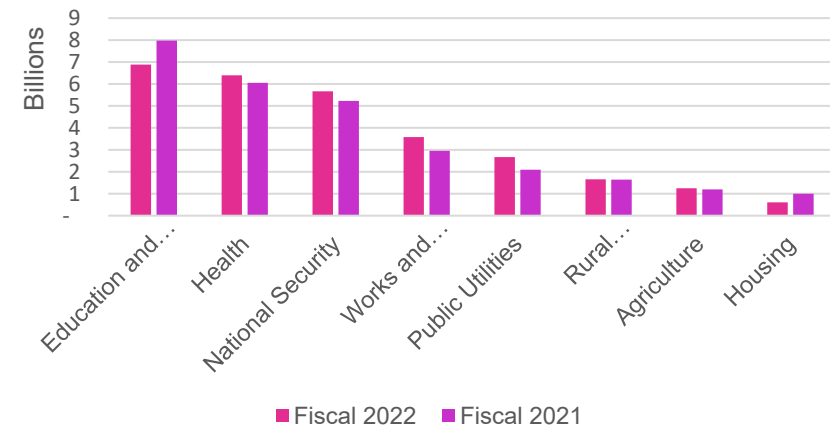
Sincerely,

Angela Lee Loy

Major Fiscal 2022 Allocations



Expenditure Allocation 2020/21 vs 2021/22



Executive Overview

In his 7th budget presentation and the second of both this current term and the pandemic, the Minister of Finance, the Honourable Colm Imbert stated that the Government's two primary objectives of economic stabilisation and economic recovery remains as relevant now as they were when the government first took office. This year's budget presentation was themed "**Resilience in the Face of a Global Pandemic**".

Novel Coronavirus "COVID-19"

After 18 protracted months, the COVID-19 pandemic is still the most urgent concern of the Government. After reviewing measures implemented both locally and internationally, such as border closures, lockdowns, restrictions, and other safety measures in response to both the economic and health crises, the Honourable Minister mentioned the significant efforts of the government to emerge from lockdowns and restrictions while living with the virus. He stated that the sourcing of COVID-19 vaccines through the COVAX initiative, donations from China and other Caribbean countries. Over TT\$ 5BN in COVID-19 related support for individuals and businesses have been spent since March 2020,

with the Central Bank providing monetary support through lower interest rates. The adjusted general government debt ratio is now at 84.80% as at September 2021, and this is estimated to reach 87.20% by 2022.

The Honourable Minister also stated that Trinidad and Tobago's credit rating has held up favourably when compared to several of its peers in the Latin American and Caribbean region.

Digitisation

New companies whose core businesses are digitisation and technology, will benefit from a tax exemption on the first TT\$ 100K of their chargeable income for the first year and for the first TT\$ 200K of chargeable income in the second year. These initiatives are geared at transforming the raw and untapped potential of Trinidad and Tobago to become a digital supplier of goods and services. Other initiatives include an E-legislative agenda, a National Digital Identity Programme, and a Digital Developer Hub. The Minister stated that its the Government's intention to work through public-private partnerships in this area.

Restructuring and Efficiency

The Honourable Minister noted the merger and restructuring of several state entities. The Trinidad and Tobago Mortgage Finance Company Limited and the Home Mortgage Bank will be merged into the Trinidad and Tobago Mortgage Bank. The Housing Development Corporation will be restructured to establish a clear demarcation between its two functions of ownership and management of rental accommodation and the development of affordable housing for sale to the public. InvesTT and ExporTT will also be merged in the initiation of a process for a single Trade and Investment Promotion Agency.

Taxation

The Minister notified the public that over TT\$ 1BN was raised to date through the latest tax amnesty, which is due to expire on October 15th, 2021.

He provided a few brief insights into the proposed structure of the Trinidad and Tobago Revenue Authority, which will be headed by a Director General who will enforce revenue laws by civil proceedings, and a Deputy Director General who will lead an Enforcement Division appointed by the

Executive Overview

Public Service Commission. The planned resumption of the collection of property tax will be a significant source of revenue for local government.

There will be a Research and Development Capital Allowance for up to 40.0% of expenditure (in calculating taxable profits) incurred by companies engaged in research and development and is estimated to benefit 1,000 companies. Tax credit will be provided to companies investing in carbon capture technology. Also, a full tax holiday up to 5 years for SMEs listed on the Trinidad and Tobago Stock Exchange accompanied by an SME Mentorship Programme will be introduced.

The government also estimates that the proposed tax collection from the gaming sector will be approximately TT\$ 500MN per annum, with initial gains starting this fiscal year and increasing thereafter.

The Energy Sector

While recognising the overdependency on the energy sector and the need for diversification, the Honourable Minister acknowledged the importance of a viable energy sector which is still

a significant foreign exchange earner. Encouragingly, he laid out the intention to incorporate renewable energy into the local energy supply grid, however a timeline was not mentioned. The energy sector is projected to grow 13.0% in 2022 on the back of major energy sector projects coming on stream.

Manufacturing

The Honourable Minister reiterated support for the Manufacturing sector to the tune of TT\$ 50MN. Reduction of the tax rate by 5.0% will be provided to significant exporters of local goods with an annual revenue of TT\$ 500K.

This is estimated to initially benefit 500 exporters.

Services

The Honourable Minister recognised that the tourism and culture sectors are sectors of great importance to the economy and were hardest hit from the COVID-19 pandemic.

TT\$ 50MN will be allocated for SMEs specifically in the areas of accounting, record keeping and training sectors to assist them in meeting their

statutory obligations. This arises from the lessons learned from the SME guarantee programme which will be managed by the Ministry of Finance.

There will be a 5% reduction in the tax rate for small and medium companies whose core businesses are technology services, digitisation, and construction. This is estimated to result in an average tax savings of TT\$ 41K per company. New companies in the ICT sector also stands to benefit from a 50.0% tax exemption.

Conclusion

The National Budget statement signalled movements in the right direction for the country. However, it is critical that details be provided on the roll out and implementation of the various initiatives identified.

HIGHLIGHTS

**Total projected revenue of
TT\$43.33BN**

**Revenue based on the
assumption of US\$65 per barrel
and gas US\$3.75 per MMBtu**

**Expenditure projected
TT\$0.57BN / 2.0% above 2020-21**

**Tax reduction for new technology
solution companies**

**Removal of VAT on basic food
items, effective November 1st,
2021**

**Increased tax allowance for first
time homeowners**

**New tax allowance on Corporate
Sponsorship to Heritage
Properties**

**Removal of VAT and custom
duties on specified therapy items**

**Increased tax allowance for
contributions to government
approved plans**

**Further budgetary allocations for
COVID-19 relief**

**New allowances for Research
and Development**

**TT WI-FI rollout free internet at all
schools, health centres,
transport hubs**

TOBAGO HIGHLIGHTS

The budgetary allocation of TT\$ 2.36BN represents an increase of 12.0% over 2020/2021 allocation of TT\$ 2.10BN. Representing 4.50% of the national budget, Tobago's allocations are summarised as follows:

- Recurrent Expenditure - TT\$ 2.08BN
- Capital Expenditure - TT\$ 0.26BN
- Unemployment Relief Programme - TT\$ 0.02BN

An additional TT\$ 788MN was allocated for expenditure in Tobago by various government Ministries and Statutory Authorities, under the Sixth Schedule of the Tobago House of Assembly (THA) Act.

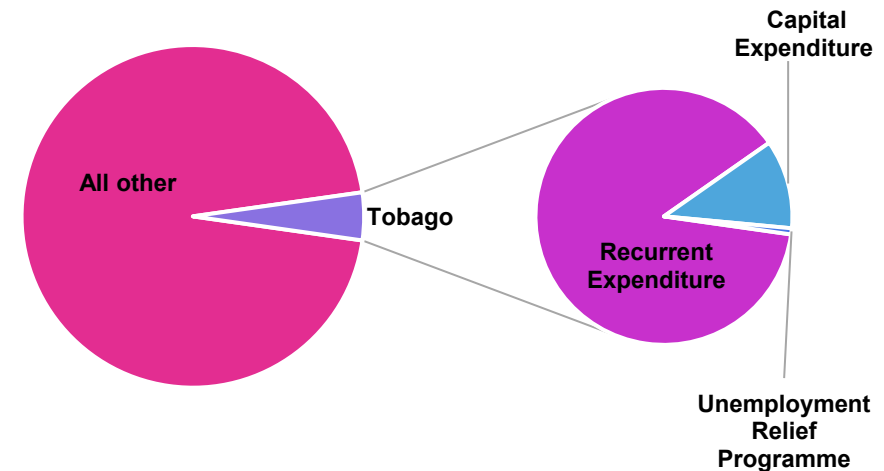
The Central Government and THA will continue collaboration on several developmental projects. These include the marina, hotel development, funding for coastal infrastructure, climate change adaptation, ICT infrastructure development and completion of the A.N.R Robinson International Airport.

Specific allocations for projects are as follows:

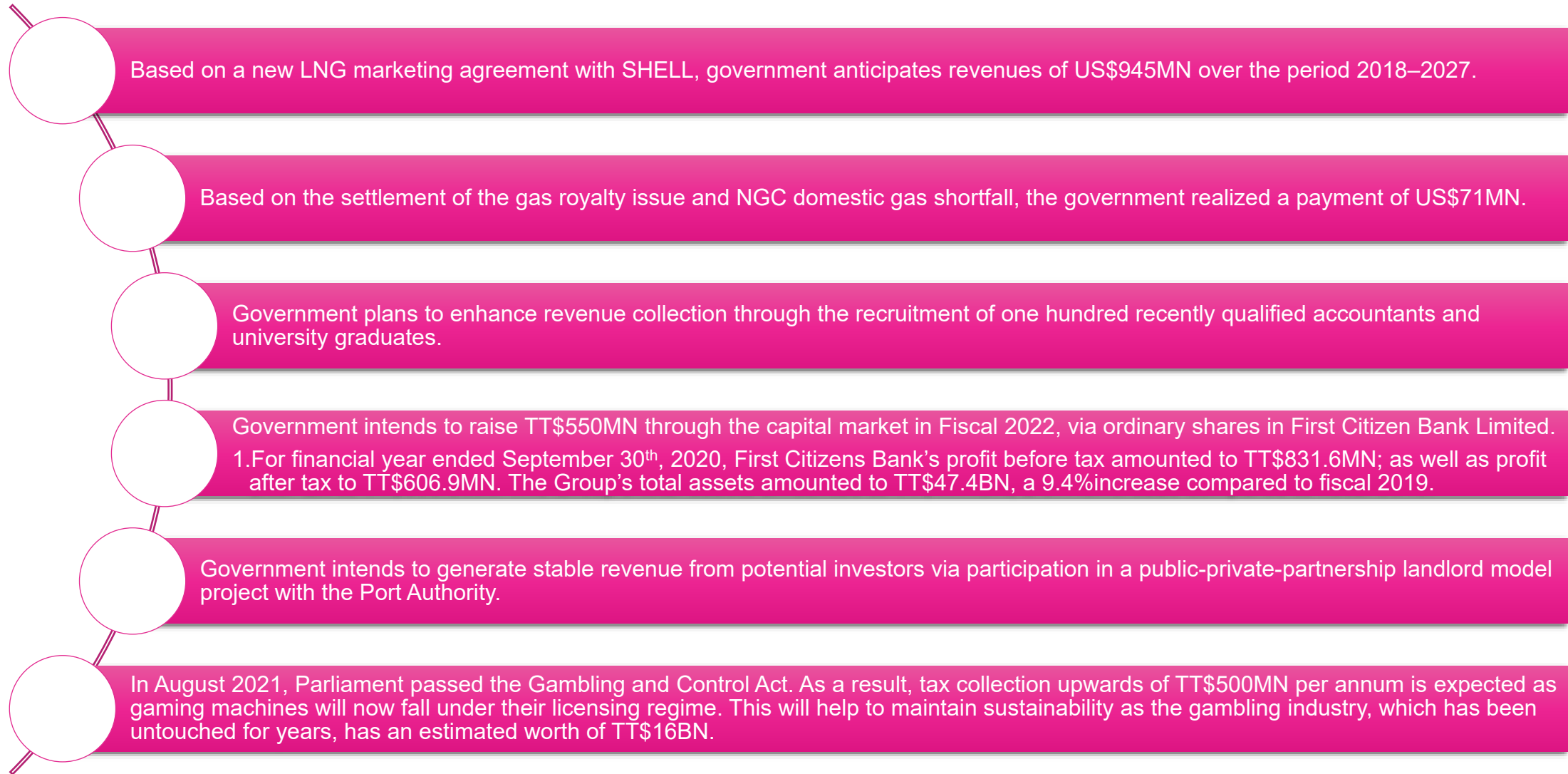
- Tobago Hotel and Tourism Support - TT\$ 50MN
- Farmland Development - TT\$ 30MN
- Green Spaces - TT\$ 20MN

The Constitution (Amendment) (Tobago Self-Government) Bill 2021 and the Tobago Island Government Bill 2021 are currently before Parliament. These offer significant possibilities for greater self-determination.

Budgetary Allocation - Tobago



REVENUE



FISCAL MEASURES

Personal Income Tax

- Personal tax allowance remains at TT\$ 84K.
- First time homeowners tax allowance has increased from TT\$ 25K – TT\$ 30K effective January 1st, 2022.
- Tax relief for approved pension fund, has increased from TT\$ 50K to TT\$ 60K effective January 1st, 2022.

Value Added Tax (VAT)

- The rate of Value Added Tax remains at 12.5%.
- The list of basic food items that are exempted from Value Added Tax has been expanded to include the zero-rating of basic food items, a full list of which will be published in due course. This is effective from November 1st, 2021.
- There will be a removal of all Import Duties and Value Added Tax on all technological equipment (hardware, software, peripherals, and specific therapy equipment) used in assisting differently abled individuals. This is effective from January 1st, 2022.

Changes in Penalties and Interest

- There will be an increase in penalties for overweight trucks from TT\$ 750 to TT\$ 8,000, effective January 1st, 2022.

COVID-19 Tax Relief

- There will be a reduction in the tax rate by 5% for small and medium companies whose core business relating to technology solution, digitisation and construction are more than 50% of annual revenue. This will take effect on January 1st, 2022 and will be reviewed in 3 years.

- There will be a 3-year cap on the reduction of the tax rate by 5% for significant exporters of local goods. This will take effect on January 1st, 2022 and will be reviewed in 3 years.

Foreign Investment Sector: Withholding Tax

- To encourage foreign investment the rate of withholding tax was reduced from 10% to 8% on any distribution made. Distributions to foreign parent companies will attract a reduced rate of 3%, down from 5% this is effective from January 1st, 2022.

Introduction To New Tax Policies

- Effective January 1st, 2022, there will be a tax credit at the rate of 30.0% of the cost of investment, with a maximum of TT\$ 500K to be given to companies investing in Carbon Capture and Storage and Enhanced Oil Recovery.
- New SMEs registering on Trinidad and Tobago Stock Exchange will be exempted from Green Fund Levy and Business Levy for their first 5-year period and will be taxed at half of the usual rate for Corporation Tax, Business Levy and Green Fund Levy in the second 5-year period. This is effective from January 1st, 2022.

Manufacturing Sector

- There will be a 5.0% reduction in the tax rate, capped at TT\$ 500K for 2-years for projects facilitating technological advancements, excluding any petrochemical industry, effective January 1st, 2022.

FISCAL MEASURES

Electric Vehicles

- Effective January 1st 2022, Custom Duties, Motor Vehicle Tax and VAT will be removed on the importation of battery-powered electric vehicles with an age limit of 2-years.

Heritage Conservation

- Effective January 1st, 2022 corporate sponsorship to Heritage Properties under the oversight of the National Trust will be given a 150% Tax Allowance of up to TT\$ 1MN.

Other

- No change in Corporation Tax. The rate remains at 30% of chargeable profit.
- No change in Business Levy. The rate remains at 0.6% of Gross Sales.
- No change in Green Fund Levy. The rate remains at 0.3% of Gross Sales.

TRADE, SOCIAL AND OTHER INITIATIVES

Computer Allowance

- Effective January 1st, 2022, all import duties and taxes, (VAT and online purchase taxes) will be removed from the remaining computer hardware, software and peripherals that are not yet tax free.

Utility Rebates (T&TEC and WASA)

- Effective January 1st, 2022, there will be an increase in the utility rebate from 25.0% to 35.0% on electricity bills that are TT\$300 or lower, inclusive of VAT. A WASA rebate will be announced in the Finance Bill of 2021.

New digital educational infrastructure and platforms

- The government will partner with local developers to create free apps for the public which will strengthen the security environment.
- Information and Communications Technology (ICT) access centers will be expanded in 2022 and will be increased from 6 to 50. There will be an introduction of value-added services in particular digital skills training which will be given to ten thousand persons, then a following two thousand.
- Broadband services will be provided in underserved communities in 2022; a minimum of twenty-five communities will be connected.
- The introduction of digital wallets will be used to increase transaction speed, improve security and identify fintech opportunities.
- In 2022, the National Digital ID will be introduced to improve the management and issuance of social services grants, and access to and provision of health services.

Tax allowance for first Homeowners

- Effective January 1st, 2022, first time homeowners will receive an increase from TT\$25K to TT\$30K on mortgage interest paid for five (5) years with effect from the date of acquisition.

Value Added Tax (VAT) and Duties

- Effective November 1st, 2021, VAT will be removed from a wide range of basic food items, the expanded list of which will be published in due course.
- Effective January 1st, 2022, VAT and custom duties will be removed from specific therapy equipment for hearing and visually impaired, physical mobility disabilities, disability safety peripherals and communication devices.
- The importation of battery powered electric vehicles with an age limit of no more than two (2) years.

TRADE, SOCIAL AND OTHER INITIATIVES

TRADE

Global trade is projected to expand and broaden by **9.7%** in 2021 and, thereafter, moderating to **7.0%** in 2022.

In compliance with the requirements of the Global Forum and the EU, the Free Zones Act will be repealed and, in its place, a Special Economic Zones Authority (SEZA) will be established. The roles of the SEZA will be:

- Review and assess the performance of all Special Economic Zones.
- Formulate standards and prescribe codes of practice to be observed by operators in the Special Economic Zones.
- Facilitate and foster development in areas designated as Special Economic Zones.
- Develop the modern infrastructure required to attract foreign direct investment and stimulate domestic investment.
- Promote economic development in local communities and advance further diversification of the economy.

Trade and Investment Promotion Agency

Prudent and transformative action is now needed to diversify the economy and reduce expenditure. The current economic climate provides a good opportunity for the restructuring of the country's trade and investment institutional arrangements.

The newly established Trade and Investment Promotion Agency will achieve these objectives, by reducing the need for multiple, overlapping agencies replicating the same functions. This new agency will also bring the country's trade and investment promotion institutional arrangements closer to international best practice.

The establishment of a Single Electronic Window, will reduce the need for multiple visits to various agencies which results in greater efficiency and customer satisfaction.

TOURISM AND HOSPITALITY

The proposed revitalisation and expansion of Tobago's tourism industry:

- Provision of financial assistance for property upgrades under an expanded Tourism Accommodation Upgrade Programme.
- Provision of upgrades to the many tourism sites.

- Innovative marketing strategies to boost visitor arrivals at tourist attractions
- New training initiatives to enhance customer service in Tobago.

An allocation of TT\$ 50MN in 2022, for the Tobago Hotel and Tourism Support programme, which will be jointly managed by the THA and eTeck. This programme is to provide working capital for the hotel and tourism industry in Tobago, which has been affected by the pandemic.

SOCIAL

The THA will provide support for the ongoing fight against COVID-19 through the Assembly's various Social Safety Net Programmes, granting relief for persons adversely impacted.

Provision is made for the Assembly's Human Capital Development Programme to assist students to pursue tertiary education and post-secondary training.

Provision is also included for the construction of the Scarborough Secondary School, which is expected to commence in fiscal year 2022.

TRADE, SOCIAL AND OTHER INITIATIVES

INFRASTRUCTURE

- The expansion of the airport terminal at Crown Point.
- Improvements to the road and drainage infrastructure.
- Upgrades to the coastal infrastructure on the island to mitigate against coastal erosion.
- The enhancement of ICT and the digital infrastructure of Tobago under the Intelligent Island Mandate.

AGRICULTURE

The budgetary allocation to Tobago will place a special focus on boosting food security and the expansion of the agriculture sector.

There is an allocation to the sum of TT\$ 30MN for Farmland Development in Tobago, designed to allow the rehabilitation of abandoned or under utilised agricultural estates. Tobago farmers will be assisted in the upgrade of existing farmland infrastructure, equipment and technology to bring new areas into production.

There is also a provision for the Agricultural Access Roads Programme which provides

farmers with greater access to farmlands to enhance agricultural production.

ENERGY AND THE ENVIRONMENT

The Infrastructure Committee has identified projects addressing the environment and energy efficiency centered around renewables and energy conservation, land use and planning and control.

In accordance with the theme, Preserving and Protecting the Environment, TT\$ 20MN has been allocated for the development of Green Spaces under the Clean, Green and Serene initiative.

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