



Trinidad and Tobago

Budget Overview 2015

**OPPORTUNITIES FOR  
GROWING ECONOMY**

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# FROM THE CHAIRMAN



We are pleased to provide our overview of the 2015 Trinidad & Tobago Budget presented by the Minister of Finance and Economy, the Honourable Larry Howai on 8 September 2014. We highlight our executive overview and the fiscal measures announced in the National Budget.

I also take this opportunity to share with you our enhanced branding. At Aegis, we continue to improve our service offerings to better meet your needs and shape our vision for outsourcing services in Trinidad & Tobago.

In keeping with this vision, I am happy to announce our new office opened in Chase Village to further enhance our service to you, our clients in Central and South Trinidad and to better provide for our growing Aegis community.

Chase Village is located on the outskirts of Chaguanas and is one of the fastest growing cities in Trinidad & Tobago. As a result, Chase Village will be the next big developing center along the Central catchment area. It is close enough to the expanding business community in Chaguanas but away from the traffic and just off from the highway for your convenience.

I invite you to come visit us and contact our service leaders to discuss any matters pertinent to your business. I would also like to thank our professional outsourcing teams for their continued commitment to client service and sharing our Aegis vision.

We highlight our executive overview and the fiscal measures announced in the National Budget.

**Angela Lee Loy**

FCCA, CA.



# EXECUTIVE OVERVIEW

The national budget for the year 2014/2015 fiscal year was presented with a theme entitled “Empowering Our People through Sustained Economic Growth and Prosperity”. This is the third consecutive national budget themed on growth and prosperity. It has become almost necessary to emphasize growth and prosperity in the economy following the pessimism in the aftermath of the 2008 economic downturn, globally, and the downfall of CLICO and the HCU locally.

It is common, not only in this jurisdiction, that pre-election years present us with ‘sweetheart’ budgets. As such, finance ministers have the unenviable tasks of balancing growth initiatives with election year distributions. This overview does not attempt to place the fiscal measures into either category.

From our observations some of the more attractive incentives include a reintroduction of amnesty and waivers of interest and penalties on various unpaid taxes, including VAT, an introduction of assistance of \$500 per month for under-privileged parents, increase in the pensions to senior citizens, disability allowance and public assistance grant.

Additionally, personal allowances for persons over sixty years old are to be increased as well as increased allowances for annuities and mortgage interest paid by first time home owners.



## Vijay Parabdeen

FCCA, CA, CFA.



## Summarized Projections for 2014/15

Below shows the projections of revenues and expenditure compared to the 2013/14 budget.

	2014/15 budgeted \$bn	2013/14 budgeted \$bn	Increase/(Decrease) \$bn	Increase/(Decrease) %
Total revenue	60.351	55.014	5.337	9.7
Oil revenue	21.223	23.374	(2.151)	(9.2)
Non-oil revenue	39.128	32.667	6.461	19.78
Total expenditure net of capital repayments and sinking fund contributions	64.664	61.398	3.266	5.32

The budgeted revenues were estimated utilizing assumed oil prices of US\$80.00 per barrel of oil, consistent with the estimate used in 2013 and a gas price of US\$2.75 per mm Btu (also consistent with 2013) . Aegis research on the West Texas Intermediate (WTI) index of oil prices did not indicate that oil prices fell below this level in the last twelve month period, and we have not encountered any indicators that the price set for the next budget period is unreasonable.

The prediction does, however, indicate that oil revenues will fall by approximately 9.2% yet the growth in overall revenue is expected to be 9.7%.

This additional growth is as a result of projected increase in the non-oil revenue by 19.78%. A precise itemization of the contributors of growth in the non-oil revenue was not presented.

## Expenditure Allocation

Below shows the expenditure allocations to the various sectors, with comparisons.

From the table, the ranking of expenditure remained the same as the prior year, with all functions receiving additional allocations with the exception of Transport.



Category	2014/15 \$bn	2013/14 \$bn
Education and Training	10.126	9.820
National Security	6.994	6.497
Health	5.545	5.096
Public Utilities	3.932	3.786
Housing	2.877	2.708
Local Government	2.649	2.448
Works and Infrastructure	2.542	2.431
Transport	1.984	2.324
Agriculture	1.328	1.324



## Specific Initiatives for 2014/15

One year ago, government divestment was very topical, with First Citizens Bank Limited having recently completed its initial public offering (IPO). There was also an intention for a public offering of a company to be formed by National Gas Company of Trinidad and Tobago Limited (NGC) to hold its shareholding acquired in Phoenix Park Gas Processors Company Limited. Additionally, there were plans to divest other public entities. None of the entities listed underwent any form of divestment process. The Minister mentioned the inordinate purchase amount by one staff member of First Citizens but described the IPO as a success with 3.12 times oversubscription. He went on to state that as soon as it is appropriate the NGC will be offering 49.0% of the shareholding of the Trinidad and Tobago NGL Limited which holds 39% of the shareholding of the NGC in Phoenix Park Gas Processors Limited. The other divestment plans articulated in the 2013/14 budget speech were rolled forward in 2014/15.

## With respect to financial stability, the issues pertaining to CLICO and the HCU were “largely resolved”.

The Minister went on to state that the Government is taking steps to recover the outlay provided in the CLICO bailout. Basic parameters have been set for a comprehensive Shareholders' Agreement, a key component being restructuring of companies with proper governance practices left in the Group. Government is awaiting the outcome of the Methanol Holdings Trinidad Limited arbitration before issuing a more detailed report. A high level task force on integrated financial regulation and supervision has undertaken research and consultation to determine the most feasible model for integrated regulation and supervision of large and complex institutions. There will also be a tabling of a revised Insurance Act, modelled on Canadian Law, including strengthening of regulatory capital.

Incentives for manufacturing included subsidies for testing services for the food and beverage industry in order to assist manufacturers in covering such costs for meeting the quality requirements of international markets.

The creative arts is proposed to receive an increased rebate for the use of local labour in the film, fashion and music sub-sectors.

In the energy sector, the Minister said that the proposed US\$850m Mitsubishi-Massy Methanol to Di-Methyl Ether plant is in an advanced stage of technical conceptualization. With respect to the fuel subsidy, no removals were stated but the overall burden is intended to be reduced via providing alternatives. A new company, NGC CNG Company Limited will be spearheading the roll-out of CNG-equipped filling stations. No new taxes for the oil and gas sector were stated.

Major infrastructure work will amount to approximately \$8.2bn in 2014/15. Stated projects include the completion of the Beetham Waste Water Project, flooding alleviation and drainage improvement. Highway improvement and opening economic space shall continue with the overpass at Southern Main Road and the Churchill Roosevelt Highway.

Designs have also been completed for three new highways:

- Princes Town to Mayaro
- San Fernando to Princes Town
- Wallerfield to Manzanilla.

Public procurement improvement is to continue with the proposed Office of Procurement Regulation with a Procurement Regulator and efforts are being made to expedite the preparation of regulations once the Public Procurement and Disposal of Public Property Bill 2014 is approved by the House.

There were proposed amendments to the Unit Trust Corporation Act of Trinidad and Tobago Act 1981 to allow the Corporation to act more consistently with other issuers of security in Trinidad and Tobago including powers to close, reopen, suspend and cease to sell units in or otherwise wind-up a unit scheme.

The Minister thus presented a fifth successive budget with record levels of expenditure aimed at growth and prosperity. These increased levels of spending have all been presented with commitments to ultimately balance the budget and only use deficits as short term stimuli. For the most part economic indicators have presented a stable picture of the Trinidad and Tobago economy and the cautious optimism is expected to continue over the next fiscal period.

# FISCAL MEASURES

## Targeting Individuals

- Registered annuities maximum exemption from \$30,000 to \$50,000 effective 1st January 2015.
- Increased Pension to senior citizens from \$3,000 to \$3,500 with the receipt of other pensions with a cap of \$4,500 effective October 1st 2014.
- Retired public workers pension increased by \$500 with a minimum benefit of \$3,500 effective October 1st 2014.
- First Time home owner tax relief from \$18,000 to \$25,000 for five (5) years on mortgage interest paid.
- Tax deductible bonds available to smaller investors and pensioners - up to \$5,000 per annum for five (5) years.
- Tax Amnesty - Penalties and Interest waived for unfiled returns and unpaid taxes for years of income up to 2013 if complied with by March 31st 2015.
- Disability Grant increase from \$1,500 to \$1,800 effective October 1st 2014.
- Public Assistance Grant – Increased by \$300 across all bands effective October 1st 2014.
- Personal Allowance for persons aged 60 and over increased from \$60,000 to \$72,000. Effective January 1st 2015.
- National Insurance Act to be amended to include self-employed persons. Effective January 1st 2015.
  - Persons ages 57 and over to receive a one-off payment for three times their contributions.
  - Persons aged 50 – 56 will receive monthly pension payments once all contributions were made prior to becoming self-employed.
  - The subsidization for the payment of contributions by low income self-employed persons, defined as persons who earn less than \$3000 per month by the National Insurance Board of Trinidad and Tobago, in any amount equivalent to two thirds of the contributions due from eligible low-income self-employed persons.



- Home Ownership 2% interest rate extended to properties with a maximum value of \$850,000 and the qualifying monthly income increased from \$8,000 to 10,000. An additional 5% interest rate class has been added to cater for households or persons earning monthly more than \$10,000 but less than \$30,000. Property values surpassing \$850,000 but with a maximum value cap of \$1.2m.
- Minimum wage Increased from \$12.50 to \$15.00 per hour effective January 1st, 2015.
- A new programme will provide financial assistance in an amount of \$500 per month for one (1) year only for any child born to under privileged parents during the course of the next fiscal year. Effective October 1st 2014.

### Personal Allowance for Citizens 60 years and Over from 60,000 to 72,000

Personal Allowance at:	2014	2015
		\$60,000
Gross Monthly Salary	8,000	8,000
Projected Annual Salary	96,000	96,000
Less Personal Allowance & 70% NIS*	62,606	74,606
Taxable Income	33,394	21,394
Annual PAYE	8,349	5,349
Monthly PAYE	<b>696</b>	<b>446</b>

\* (Personal allowance 60,000 + 2,606 = 62,606 and 72,000 + 2,606 = 74,606 respectively)



### First Time Home Ownership Tax Relief

Allowance at:	2014	2015
	\$18,000	\$25,000
Gross Monthly Salary	8,000	8,000
Projected Annual Salary	96,000	96,000
Less Personal Allowance & 70% NIS*	80,606	87,606
Taxable Income	15,394	8,394
Annual PAYE	3,849	2,099
Monthly PAYE	<b>321</b>	<b>175</b>

\* (Personal allowance 60,000 + 2,606 + 18,000 = 80,606 and 60,000 + 2,606 + 25,000 = 87,606 respectively)

### Registered Annuities Tax Relief

Allowance at:	2014	2015
	\$30,000	\$50,000
Gross Monthly Salary	10,000	10,000
Projected Annual Salary	120,000	120,000
Less Personal Allowance & 70% NIS	90,000	110,000
Taxable Income	30,000	8,394
Annual PAYE	7,500	2,500
Monthly PAYE	<b>625</b>	<b>208</b>

\* (Personal allowance 60,000 + 30,000 = 90,000 and 60,000 + 50,000 = 110,000 respectively)



# FISCAL MEASURES

## Targeting Businesses



	2015	2014
<b>Corporation Taxes</b>		
Corporation Tax Rates (Petrochemical)	35%	35%
Corporation Tax Rates (Other Businesses)	25%	25%
Business Levy (On Gross Sales & Receipts)	0.20%	0.20%
Green Fund Levy (On Gross Sales & Receipts)	0.10%	0.10%
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

	2015	2014
<b>Petroleum Taxes</b>		
Petroleum Profit Taxes		
- Shallow Water (shelf/block)	50%	50%
- Deep Water Block	35%	35%
- Unemployment Levy	5%	5%

### Tax Rate Comparison

The Tax Rates, Penalties and Interest for fiscal year 2015 remained unchanged.

## New Taxes Introduced: Gaming Taxes

The central government intends to bring all forms of betting and gaming activities in Trinidad and Tobago within a dedicated regulatory framework. The legislation and related regulations have now been developed and will be laid in Parliament in the next fiscal year. As an interim arrangement, a new taxation and regulatory framework involving the tagging and taxation of gaming machines will be effective January 1st 2015.

Minister Howai did not state specific taxes but the following data is obtained from our research of the “Gambling and Betting Act, and “Registrar of Clubs Act”.

In a published newspaper article in April 2014 the following provisions were stated as the first step in ensuring that the industry meets international standards:

- An increase from \$100k to \$200k of the fee payable annually for a betting office licence
- Mandatory deposit of \$500k kept by Private Members’ Clubs to protect consumers seeking to enforce winnings

## Hybrid and Electric-powered Vehicles

With effect from January 1 2015, an exemption of motor vehicle tax on new or used hybrid and electric-powered vehicles, not older than 2 years for a period of 5 years for private or commercial use, will be introduced.

## Double Tax Agreements

“We are continuing to negotiate Double Tax treaty agreements, the latest one being with the Federal Republic of Germany.

This treaty will be mutually beneficial to both countries, especially since Trinidad and Tobago is the third largest destination for German investment in Latin America.

We have put a new team in place to address these matters and over the next fiscal year we have placed on the agenda negotiations for Double Tax Treaty Agreements with several countries including: Japan, United Kingdom, Luxemburg, South Korea, and the Netherlands.” – Senator, The Honourable Larry Howai.

Regulations to be laid in Parliament in the next fiscal year.



### TAXES PAYABLE ON GAMING TABLES AND OTHER DEVICES

1.	For every Baccarat Table	40,000.00	per annum
2.	For every Black Jack Table	50,000.00	
3.	For every Caribbean Stud Poker Table	\$75,000.00	
4.	For every Dice Table	\$25,000.00	
5.	For every Regular Poker Table	20,000.00	
6.	For every Pool Table	\$2,000.00	
7.	For every Roulette Table	50,000.00	
8.	For every Rum 32 Table	\$75,000.00	
9.	For every Sip San Table	\$75,000.00	
10.	For every Slot Machine	\$10,000.00	
11.	For every other table or device not mentioned above	\$10,000.00	

*Extracted from the “Registration of Clubs Act”*

# TAX ADMINISTRATION



## Amnesty

With immediate effect the central government introduced an amnesty for the late filing and payment of Taxation. This is summarised as follows:

1. Filing of VAT returns
2. Filing of Corporation Tax returns
3. Payment of VAT, Corporation Taxes, Business Levy and Green Fund Levy

Additionally an amnesty was also introduced for the late filing of Annual Returns with the company registrar.

*The deadline for all submissions is March 2015.*

# VALUE ADDED TAX (VAT)

## Threshold and Rate of Value Added Tax

Suppliers to be registered must have commercial supplies that are valued at more than three hundred and sixty thousand dollars (\$360,000) during the period of twelve months commencing with the month in which the supply is made. This threshold of three hundred and sixty thousand dollars (\$360,000) and the rate of value added tax of fifteen per cent (15%) were unmodified.

All items attracting VAT of 15% and zero-rated and exempt items were unchanged.

## Amnesty

An amnesty waiving outstanding penalties and interest for late payments for unpaid taxes for years of income through 2013 is proposed. The amnesty effective immediately will end on March 2015.

## Non-Financial Assets

Further options for revenue generation and more effective asset management is being brought about through an ongoing process to map and value fixed assets such as buildings, machinery and equipment, land, roads, and sub-soil assets as well as contracts, leases and licenses.

## Hybrid and Electric-powered Vehicles

Effective January 1, 2015 motor vehicle tax and VAT will be exempt on new or used hybrid and electronic-powered vehicles, not older than two years, for a period of five (5) years for private or commercial use.

## Maxi-taxi Owners

Outstanding reimbursements owing since 2005 will be granted to registered maxi-taxi owners for their payments of Motor Vehicle Taxes and Value Added Tax.

## Backlog of VAT Refunds

The backlog of VAT refunds owed to companies is expected to be settled by the end of the fiscal year.

# INVESTMENTS & DIVESTMENTS



## Investment

The State Enterprise Sector is comprised of 59 companies. These entities operate in varied industries such as gas and oil, and infrastructure development. The number of government wholly owned companies increased by 4 in 2014 with the incorporation of:

1. Caroni GREEN Limited
2. Cocoa Development Company of Trinidad and Tobago
3. Human Capital Development Facilitation Company Limited
4. National Health Services Company Limited

There is no planned expansion of the State Enterprise Sector in 2015.

## Divestment

The Vehicle Management Corporation of Trinidad and Tobago (VMCOTT), National Flour Mills (NFM), National Helicopter Services Limited (NHSL), and Point Lisas Industrial Port Development Corporation Limited (PLIPDECO) were identified for divestment in 2014. These divestment were not completed and have been reproduced in the 2015 budget.

Going forward each entity will be independently credit rated and will access debt markets based on individual credit worthiness.

The Initial Public Offering (IPO) for First Citizens Bank Limited (FCBL) was successfully offered to private investors, there was no mention of an extension to this IPO in 2015.

In the 2015 fiscal year the National Gas Company will offer 49% of the shareholdings of Trinidad and Tobago LNG NGL Limited to the national community. (Trinidad and Tobago LNG NGL Limited was incorporated in September 2013 to acquire 39% of the shareholding in Phoenix Park Gas Processors Limited (PPGPL). Trinidad and Tobago LNG NGL Limited is a wholly owned subsidiary of The National Gas Company).

# SUMMARY OF OTHER INITIATIVES

## Agriculture

- Fines related to praedial larceny are increased by 50%
- A 50% rebate up to a maximum of \$100,000 for establishing facilities for agro-processing of approved commodities
- A 50% rebate up to a maximum \$50,000 for refurbishing facilities for agro-processing commodities.
- A 40% rebate up to a maximum of \$150,000 to offset the cost of hazard analysis and critical control points for agro processors

## Manufacturing

- A subsidy for testing services to assist manufacturers to meet International Standards
- An increase in the rebate on use of labour in film, fashion and music sub-sectors from 15% to 20%
- UTT to offer training for yacht building and maintenance

## Tourism

- A 25% reimbursement up to a maximum of \$750,000 of the cost of guest room upgrades up to a maximum of \$12,000 per room in Trinidad and \$15,000 per room in Tobago.
- Effective 31 July 2014 a rebate to encourage upgrade work both interior and exterior has been expanded for 3 years for properties between 6-150 rooms with a maximum limit increased to \$750,000
- Commencing July 31 2014, there is another 3 year incentive programme for upgrade work in small tourism properties between 1-5 rooms. Reimbursement of 20% of the cost of this upgrade up to a maximum of \$75,000
- To further develop the sector investments in new 4 and 5 star hotels, Government is proposing to provide guarantees to financing institutions for lending to investors



## Housing and infrastructure

- 3000 new housing units are being constructed
- High-rise apartments buildings will be refurbished and retro fitted in 2015
- 110 new home improvement and construction matching subsidies eligible to low income families, are provided under the Neighbourhood Upgrading Programme
- Regularization of 30 squatter sites
- The Land for the Landless is extended
- A proposed expansion of the existing 2% mortgage and a new supplemental 5% mortgage based on monthly income and value of property

## Education

- The tertiary education system is being enhanced. The following programmes will be added:
  - Dentistry at UWI
  - Nursing at COSTATT
  - Automotive Training
  - Cosmetology
  - Aviation

## Transportation

- 35 new CNG fuelling stations will be operational by March 31, 2016
- 3 new highways will be built:
  - Princess Town to Mayaro
  - San Fernando to Princess Town
  - Wallerfield to Manzanilla
- The Motor Vehicle Authority will be relocated to Frederick Settlement, Caroni, by March 31, 2015

## Fines

- Fines for speeding, driving over the allowed alcohol limit, and driving without a valid driver's permit will be increased by 50%

## Other

- A Revised Insurance Act modelled on Canadian law
- A new Credit Union Bill to transfer supervision from the Commissioner of Corporative Development to the Central Bank of T&T
- The projected investment in oil and gas companies will total US\$3.2 bn in 2015 and US\$3.0 bn in 2016
- Starting October 2014 the natural gas production will commence from the BG Starfish Development
- The projected investment in water and wastewater services will total \$8.2 bn in 2015
- A proposed fund from which can be drawn the sum of \$1 m payable to the estate of a deceased member of the protective services killed in the line of duty is to be established
- \$2.2 bn will be invested in the new economic zone – Tamana InTech Park
- The building of the second phase of the Galeota Port will commence in 2015

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