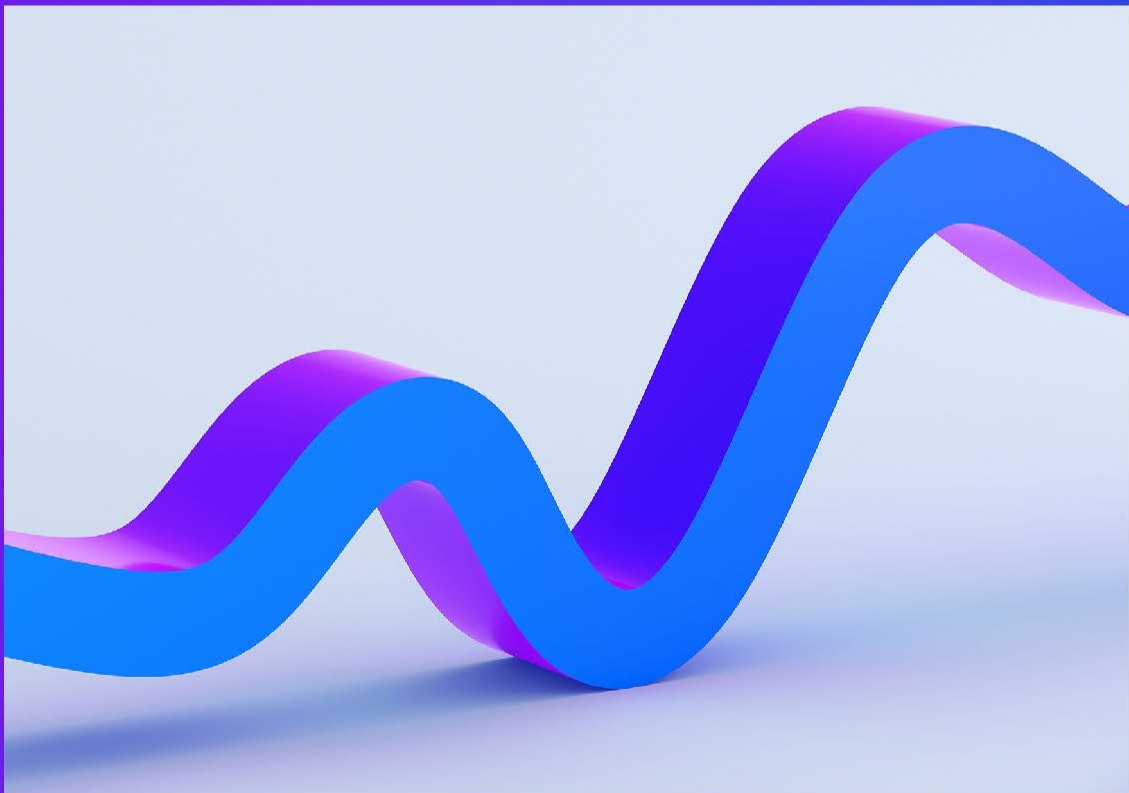




2023 Guyana Budget Commentary

"Improving Lives Today, Building Prosperity
Tomorrow"



January 2023

<https://home.kpmg.co.tt>

Contents

General Overview 3

Snapshot
Key Allocations of Projected Expenditure 4

Proposed Fiscal Measures 5

Noteworthy Developments in the Oil & Gas Industry 9

Environmental, Social & Governance
Embed ESG into your operations 10

About KPMG 11

Contact Us 22

Guyana Budget Financial Year 2023- General Overview

Guyana remains in the spotlight of the global economic stage, as the country outperforms the rest of the world in economic growth statistics, supported by its nascent energy industry. The already incredible estimated real growth rate for 2022 has been revised from 47.5% to an unprecedented 62.3%, with 7.7% attributable to the non-oil economic sector. It is under this impressive headline statistic that the Senior Minister in the Office of the President with Responsibility for Finance, Dr. Ashni Singh, presented the 2023 budget on January 16, 2023, with the theme “Improving Lives Today, Building Prosperity for Tomorrow”.

In the Minister’s own words during his fiscal presentation, the aim of the budget 2023 is to strike a balance “between addressing the pressing needs of today and the critical investments needed for tomorrow, ensuring that both are attended to”. It is a welcomed take on the management of the energy windfall as currently, the economic benefits are concentrated in the capital-intensive oil sector. For instance, while there was no announcement on employment statistics in the presentation, the most recent data recorded unemployment of over 16% in 2021 according to the World Bank, which is above the traditional targeted ‘natural’ unemployment rate of 5%. Therefore, a redistribution of the benefits of the oil windfall to other economic industries and meaningful social programs is key to ensuring wholistic economic and social development to be enjoyed by both current and future generations.

The GY \$781.9 Billion budget is 41.4% larger than that of the prior year and was composed to cater for investments in agriculture, green energy, infrastructure, health and education. Notable allocations include GY \$136.1 Billion for rehabilitation of roads and bridges, GY \$94 Billion for improvement in quality and access of education, GY \$54.5 Billion for construction and improvement of housing and acquisition of lands and GY \$40 Billion for human and social security.

The country could look forward to the added boost to economic growth from capital investments and it is hoped that projects are maintained in order to have benefits conferred onto citizens well into the future. Further, improvement in quality of life from added social support are also investments from a human and social capital perspective, and ought to pay dividends in increased productivity of the current and upcoming participants in the labour force. Although these developments are being financed by a deficit estimated at 11.5% of GDP, the country’s declining debt to GDP ratio overall growth outlook and access to developmental financing ought to translate to favourable debt terms externally.

At curtain call, Guyana’s plans to reallocate the windfall from its finite oil resources towards diversifying its economy and strengthening key institutions are commendable. The impact of these measures on key developmental statistics in the coming years, beyond headline economic growth, are eagerly anticipated. At current, at least, the forecast is positive for continued advancement and ultimate prosperity of Guyanese society.

Herein are further details on some of the tax measures discussed in the said budget presentation for your general information.



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Snapshot

All amounts are in GY\$ unless otherwise stated

(for context we have quoted below the US / GYD exchange rate at time of writing)

* 	*USD / GYD	Buy 207.98	Sell 210.45
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 **\$335.3 B**
Projected Revenue 2023

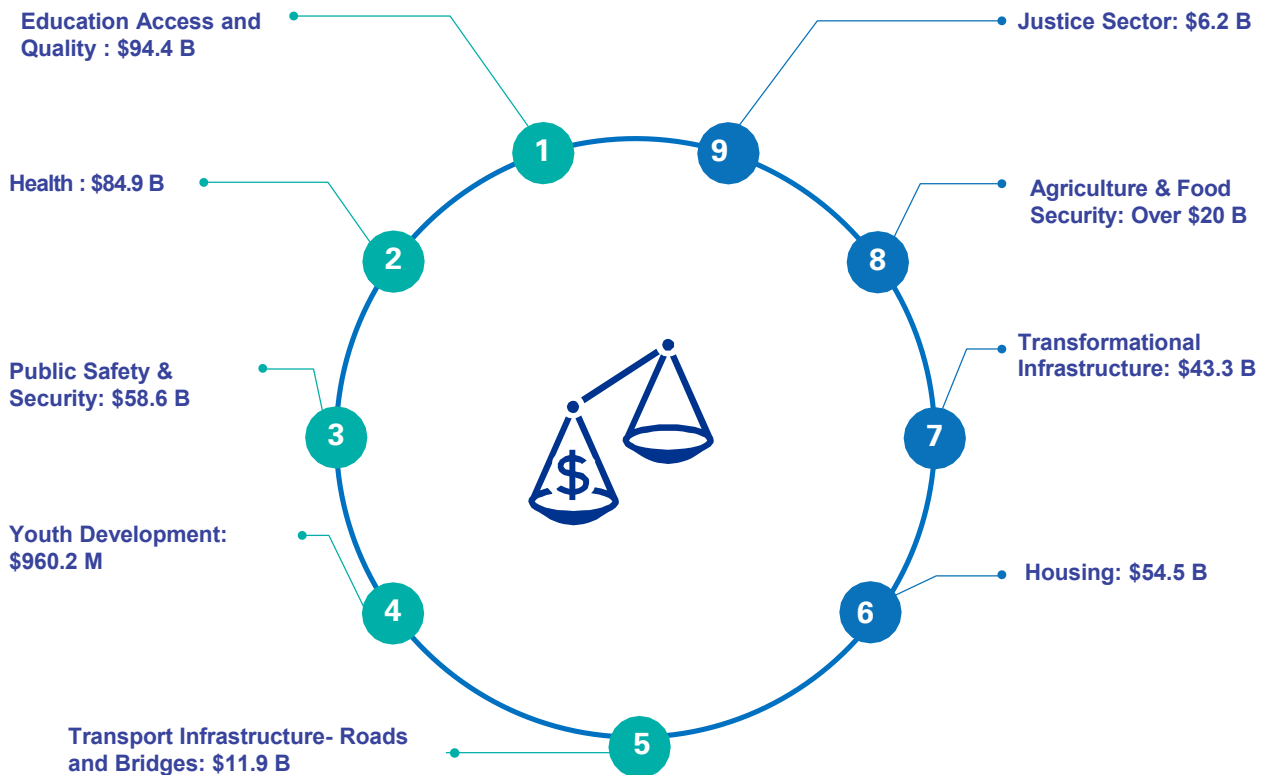
 **\$781.9B**
Projected Expenditure 2023

 **62.3%** Growth in 2022

 **43%** Debt to GDP Ratio in 2022

 **25.1%** Real GDP 2023

Key Allocations of Projected Expenditure:



*Source: Bank of Guyana Exchange rate as at 2023-01-18. Listed rate is buying and selling rates for wire transfer."




Proposed Fiscal Measures

Proposed Fiscal Measures

All amounts are in GY\$ unless otherwise stated

(for context we have quoted below the US / GYD exchange rate at time of writing)

* 	*USD / GYD	Buy 207.98	Sell 210.45
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Personal Income Tax Allowance	
Proposal	An increase in the personal income tax exemption from \$75,000 to \$85,000 per month
KPMG's view	<p>This represents a 2nd consecutive increase in the income tax threshold as it was increased in 2022. This will put additional disposable income into the pockets of individual taxpayers.</p> <p>A commendable measure which allows the citizens to share in the gains of the burgeoning oil economy and increase their spending power. Moreover, with the increases in the cost of living, this additional disposal income will be welcomed to reduce the impact of increases in prices of goods and services.</p>
Who are affected	Resident individuals
Timing	Effective January 2023

Removal of VAT on sale of Residential properties	
Proposal	Removal of 14% Value Added Tax (VAT) on the sale of residential properties
KPMG's view	This would facilitate greater access to residential housing especially when combined with reducing the cost of borrowing via the increase in the low-income mortgage ceiling to \$20 million.
Who are affected	Future Residential Homeowners
Timing	TBD

Import duties on motor vehicles below 1500 cc	
Proposal	<p>Import duties are to be reduced from 45% to 35% on the importation of vehicles less than four years old and below 1500 cc</p> <p>On the importation of vehicles 4 years and older below 1500cc, there would now be a flat rate of tax of \$800,000.</p>
KPMG's view	This would make vehicles more affordable and by extension improve the access to and from work, school etc.
Who are affected	Future car owners, Importers of vehicles
Timing	TBD

*Source: Bank of Guyana Exchange rate as at 2023-01-18. Listed rate is buying and selling rates for wire transfer."

Proposed Fiscal Measures (cont'd)

Removal of VAT on Electric Motor Vehicles	
Proposal	<p>The Government proposes to remove Value Added Tax of 14% on new electric motor vehicles (not hybrid) of any power rating (new for the purposes of this proposed measure refers to vehicles less than four years old).</p> <p>Also, the government proposes that where companies or businesses upgrade their vehicles to use more environmentally friendly electric motor vehicles, they will be entitled to a writing down allowance of 50% of the cost of the vehicle.</p>
KPMG's view	<p>These measures give preference to and incentivise the purchase of electric vehicles by businesses and the wider public.</p> <p>Further, the allowance incentivises businesses to make the switch to electric vehicles which is in keeping with the government commitment to a low carbon environment.</p>
Who are affected	Individuals, businesses and companies
Timing	TBD

'Because we Care' Student Grant	
Proposal	It is proposed to increase the student cash grant from \$25,000 to \$35,000 per child attending both public and private schools. .
KPMG's view	This proposal together with the uniform grant of \$5,000 will now give parents \$40,000 per child attending school. This increase in the cash grant for the 2nd consecutive year should be most welcome to offset the increases in prices in basic school supplies especially for lower income households.
Who are affected	Parents /Guardians of school age children
Timing	Effective January 01, 2023

Reduction of Excise Tax – Petroleum Products	
Proposal	A reduction of excise tax from 10% to 0% on petroleum products to be maintained once fuel prices remain elevated.
KPMG's view	It would be helpful to know what is considered as “elevated prices” before which the excise tax will apply. Having said that this is another commendable measure to ease the increases in cost of living.
Who are affected	All persons including companies and individuals
Timing	Effective January 2023

Proposed Fiscal Measures (cont'd)

Freight Costs	
Proposal	Customs duties, Excise tax and Value Added Tax to be calculated on pre-pandemic freight costs until 31 December 2023.
KPMG's view	This measure has been extended for another year and it is anticipated that it will soften the impact of increasing freight costs brought on by the pandemic
Who are affected	Consumers
Timing	Continuing until December 31, 2023

Increase in Old Age Pension	
Proposal	The Old Age Pension will be further increased from \$28,000 to \$33,000 per month.
KPMG's view	This is a welcomed initiative that will provide support to the aging population in Guyana.
Who are affected	Pensioners
Timing	Effective January 01, 2023

Increase in Public Assistance	
Proposal	An increase in the Public Assistance payment to \$16,000 monthly
KPMG's view	This consecutive increase in assistance for persons living with disabilities is commendable support which will alleviate the impact of the increasing costs attendant to living with a disability
Who are affected	Persons with disabilities
Timing	Effective January 01, 2023

Noteworthy Developments for the Oil & Gas Sector



Legal, Regulatory & Industrial Framework

- The Local Content Act has been brought into operation, the Local Content Secretariat established and the Local Content Register put in place
- Government's new fiscal framework which will form the basis of a draft new Production Sharing Agreement (PSA) model to be released in February 2023. The expectation is that the new model PSA will be applicable for awards by the end of the first half of 2023.
- Government to strengthen the articles related to work programme commitments by operators for each block and put in place an enhanced relinquishment mechanism



Production

Production on 3rd FPSO - Liza Prosperity is anticipated to commence by end of 2023

- Production capacity for all three FPSOs is forecasted to be 560,000 bpd
- Anticipated increase in production capacity to approximately 810,000 bpd by 2025 due to potential earlier start-up of the Yellowtail and Uaru projects
- Additional development platform – Uaru – will produce another 250m bpd following start-up in 2027
- By 2027 Guyana anticipates generating over 1m bpd



Exploration

According to the Honourable Minister

- The year 2022 was significant for exploration activities, with 11 exploration wells drilled
- Stabroek Block accounting for 10 wells, resulting in 10 new commercially viable discoveries
- Total of 40 blocks being explored, and a total of 35 discoveries made in Stabroek to date
- Estimated proven reserves now stand at over 11 billion oil-equivalent barrels
- 2022 Licensing Round will run to April 14, 2023 with successful bids to be awarded by the end of the first half of 2023.



Gas Reserves

- Budget 2023 allocates GY \$43.3 billion to advance construction of the Gas to Energy Project which will reduce the cost of electricity
- Government commenced work on the revision of the Liza Field Development Plan and Licence which will allow for the production of natural gas for commercial usage in Guyana
- Government's recoverable natural gas reserves is an estimated 17 trillion standard cubic feet up from 16 trillion standard cubic feet.
- Liza Destiny and Unity expect to export a minimum 50 million standard cubic feet of gas per day
- Government reviewing EEPGL's Gas Utilisation Study for Guyana's gas reserves.



Value- Added Production

- Nine (9) proposal bids were submitted for the design, finance and build of an Oil Refinery which the Government is expected to evaluate during this quarter
- Upon completion, the refinery will allow for local production of fuel and strengthen the nation's and region's energy security

Environmental, Social and Governance

Embed ESG into your operations and governance



What is ESG?

ESG is the broad group of issues - environmental, social and governance - that have been grouped and used in the capital markets and by investors to evaluate and measure a company's total impact on the planet and on society.

Why should you care about ESG?

By aiming to improve ESG performance, companies can enhance long term value creation and support the achievement of the UN's Sustainable Development Goals. We believe that sustainable growth is the only way to build a successful business and have a positive impact on our environment and society:

- Consumers are choosing brands for their ethical behaviour and their record on climate change
- Investors are favouring businesses with robust ESG frameworks
- Regulators are requiring organisations to increase transparency in areas such as diversity, equal pay, carbon emissions and modern slavery

This makes your ESG efforts crucial to long-term value creation, growth and remaining relevant in a fast changing world.

Our Journey

We've launched a \$1.5 bn investment programme globally, to drive expertise and solutions that support our clients with managing the risks and opportunities of ESG. This investment includes industry-leading training through joint ventures with the University of Cambridge and technology alliances with ServiceNow and Microsoft, to give our clients access to the unique insights they bring.

We're also leading by example. KPMG is driving ESG within our organization — striving to minimize the harm to the planet and making a positive contribution to society.

[Our Impact Plan](#) sets out the collective ESG commitments KPMG is making, and the actions that are being taken across the firm to fulfill them, thereby helping to make a more positive impact on the world. It's about our impact, the progress we're making and where we're holding ourselves accountable.

How we can help?

Our ESG team is leveraged across the KPMG Regional and Global network and comprises of specialists in **transformation, finance, climate risks and reporting**. We'll help you with:



Risks and opportunities



Transform your business

We've designed our services to put ESG at the core of your operations - where it should be.



ESG strategy



Measure and report

Our ESG service lines



ESG Advisory – Vision and Strategy



Sustainable finance and ESG Due Diligence



Climate risk and decarbonization - strategy and stress testing



Sustainable Tourism



ESG reporting and assurance



ESG in tax and legal services



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About KPMG

KPMG in Caricom

KPMG in Caricom forms part of the international network of member firms that operate in 145 countries and territories, with more than 236,000 partners and employees. These professionals collaborate across industry, service and national boundaries to deliver professional services for the benefit of their clients, KPMG people and the capital markets.

Member firms are located in Jamaica, Trinidad and Tobago, Barbados, and St. Lucia (also practicing in Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines).

Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, all of which have similar cultures and operating environments.

KPMG Caricom operates across the region with a specific understanding of the cultural, economic and political facets of each individual economy. In-depth industry knowledge is available through the global KPMG network which provides access to skilled member firm professionals, across a wide range of industry sectors.

KPMG Caricom at a glance



12 Countries

With **5** physical offices

Our people



39

Partners &
Directors

70% | 30%

Gender Split F|M



100+

Years of service excellence

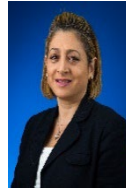
1,000+
Professionals

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Caveat

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