2018 Budget Commentary

"Changing the Paradigm:
Putting the economy on a sustainable path"

October 02, 2017

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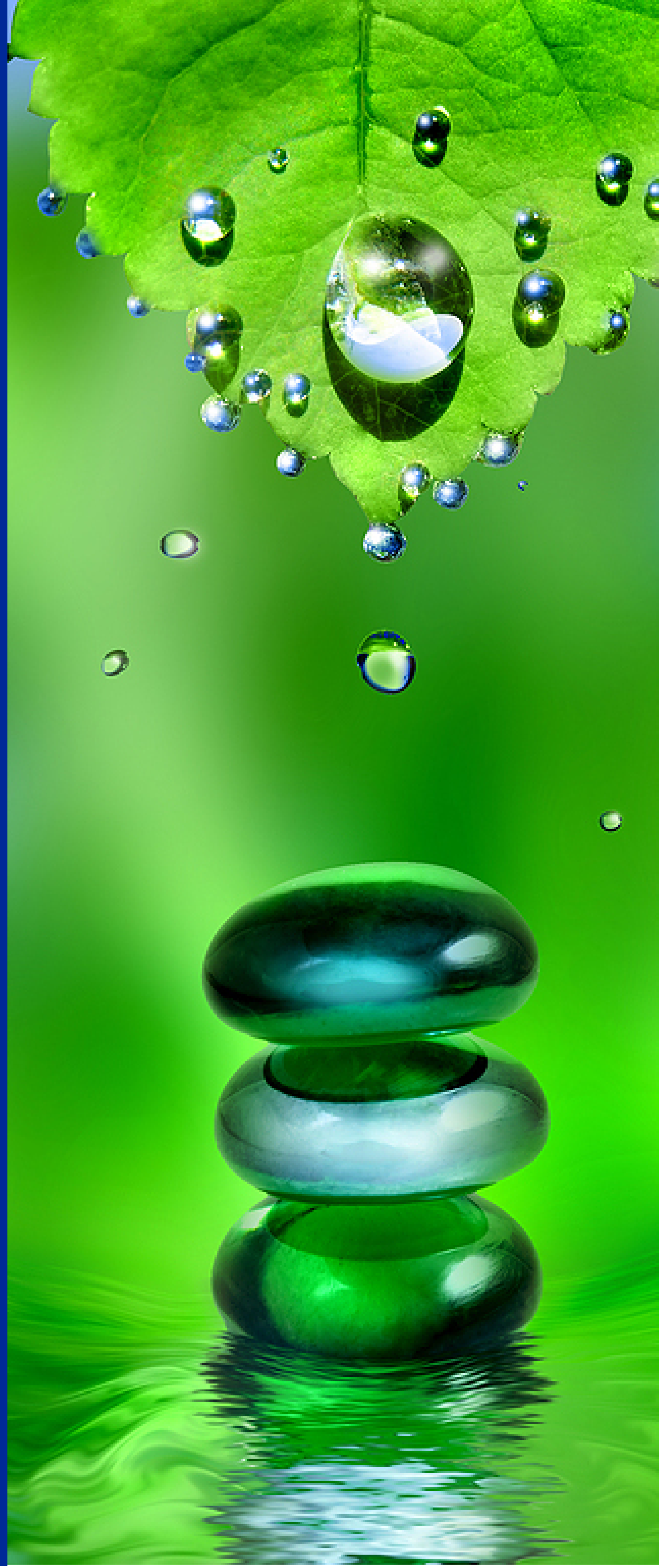

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This is our Promise

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Managing Partner's Message

Dushyant Sookram
Managing Partner
KPMG

On behalf of KPMG, it is with pleasure that we present our annual post-budget commentary on Trinidad and Tobago's (T&T) 2018 National Budget Statement, which was presented by The Honourable Minister of Finance, Mr Colm Imbert, on Monday October 2, 2017.

As the Government enters its third year in office, the challenge of making difficult choices in the midst of less than favourable oil and gas prices persists.

The Honourable Minister in his 2018 Budget Presentation has shifted his focus to restarting the engine of T&T's economy, in an effort to restore economic prosperity.

As such, a themed budget of "Changing the Paradigm" was presented, which called for re-examination of government policies and more so introspection by the citizenry of T&T.

In light of the 90% decrease in petroleum revenues over the past three years, it is evident that it cannot be and is not business as usual. Having said that the Honourable Minister predicated his budgeted revenue on an oil price of US$52 per barrel and gas price of US$2.75 per MMBtu compared to US$48 and US$2.25 for fiscal 2017.

To address the revenue decline from the oil & gas sector, proposals included a review of the energy tax regime to encourage investment and increase government's revenue. This review of the energy tax regime has been mentioned before, but the only change proposed to be implemented this year is the 12.5% royalty rate across the board on the extraction of all gas, condensate and oil. This royalty would be predicated on fair market value for oil and gas fixed by the Petroleum Pricing Committee.

No amendments to the Supplemental Petroleum Tax (SPT) were proposed but it was again recognized that it needs to be responsive not to price but to underlying profitability. Furthermore, the Honourable Minister proposed as part of its tax compliance and administration efforts, to extend the SPT to gas.

Foreign exchange continues to be a challenge for the Government caused primarily by the severe decrease in foreign revenue inflows from oil and gas by over 84% and continuous demand for forex by all of the economy.

This has resulted in the Central Bank of Trinidad and Tobago (CBTT) injecting substantial quantities of foreign exchange into the economy over the past year.

The Government in recognizing the limited foreign exchange resources has decided to focus on exports in the medium term to earn foreign exchange. To facilitate this effort, the CBTT will license the EximBank as a dealer of foreign exchange, with an initial capitalization of US$100 million, and give this bank the responsibility to allocate foreign exchange to exporters.

It should be noted that the qualifying criteria for local manufacturers accessing foreign exchange is that 30% of products must be exported. Also, existing manufacturers will be required to repatriate a substantial portion of their foreign earnings in reciprocity for accessing foreign exchange facilities. In our view, this initiative not only stimulates local market investment, but also encourages economic returns and foreign exchange inflows into T&T.

As in previous years, a continued emphasis remains on improving tax administration and plugging revenue leakages. It is the intention of the Government that the Trinidad and Tobago Revenue Authority (TTRA) will address several of the inefficiencies and tax leakages currently existing.

Expenditure for 2017 was commendably $50.5 billion. This was $3 billion lower than projected expenditure of $53.4 billion. However the overall deficit for fiscal 2017 was $12.6 billion – twice the budgeted amount. It is noted that much of the deficit for 2017 was as a result of unrecovered debt from CL Financial, which the Government expects to recover in the fiscal year 2018.

Also, in an effort to become more self-sufficient and manage expenditure on imported food, new incentives in the form of grants up to $100,000 will be provided to suitably qualified farmers, meeting a specified criteria.

Further, creative initiatives to capitalize on T&T's thriving yachting sector are in progress, with the objective to make T&T a premier yachting repair destination in the Caribbean, especially having regard to our location outside of the hurricane belt.

With regard to the Housing sector it cannot be over-emphasized that affordable housing is a constant need of the population.

Managing Partner's Message (cont'd)

The Housing Development Corporation (HDC) has in recent times drifted away from its original moorings, as coined by the Honourable Minister, of lower income housing to the middle and upper income market.

As such the Governments' focus will now be on lower income rental accommodation and will seek the engagement of private developers to assist with the overwhelming backlog in HDC.

Several fiscal measures pronounced in the Honourable Minister's Speech are also worth mentioning.

The current exemption of taxes and duties on hybrid cars will be extended to CNG vehicles with engine sizes under 1599cc. However, these incentives will be removed on hybrid passenger vehicles with engines sizes over 1599cc.

Private passenger vehicles with engine sizes over 1599cc but less than 1999 cc will now be subject to an increased 25% motor vehicle tax and customs duty. However, a grace period until December 31, 2017 for private passenger vehicles already en route or landed in T&T will be granted.

Motor vehicle inspection fees will also be increased from $165 to $300 in an attempt to update untouched fees since 2003.

Import duties on new and foreign used tyres will now be 30% across the board with the rate remaining at 15% for new tyres to be utilized for lorries and buses.

An environmental tax of $20 per tyre imported to T&T as compensation for the added challenge of disposing of used tyres.

The fuel subsidy has once again been adjusted: super gasoline being increased by around 11% adding 39 cents per litre at the pumps, whilst the price of diesel will increase by 48% adding $1.11 per litre– both with immediate effect.

The base Corporation Tax for companies will now be standardized to 30% thus removing the previously enacted dual rates of tax of 25% and 30%. Though not a significant increase overall, given the current economic climate with increases in levies; NIS etc., this will simply exacerbate the reduced returns for investors.

Commercial banks, seen by the Minister as wealthy corporations, will bear the burden of a higher corporate tax rate of 35% on chargeable profits – apparently in an effort to spread the economic burden evenly. The obvious thought is whether this tax increase will trickle down to the customer, by way of higher bank fees and wider interest margins.

Duties on gaming machines will be increased to 40% from 20% and a 10% tax imposed on all cash winnings from the National Lotteries Control Board. This is not surprising given that the Gaming industry has been on the Government's radar for some time. Compliance levels have been reported to be less than 10% with respect to remittance of taxes.

Gaming devices and merchandise being subject to levies depending on their categorization.

As maintained by the Honourable Minister we must all adjust and 'cut our cloth to suit our coat.'

Difficult economic times call for prudence and austere measures in a period riddled by unsustainable deficits.

The major concern arising out of the Minister's presentation lies in the ability of the Government to deliver on the revenue projections of $45.8 billion for 2018.

Having regard to the challenging future ahead, before a hopeful rebound, this year's budget sought to update old levies; and in a "delicate" way continued to increase taxes. Maybe this is what is needed to curb spending and alter changes in habits given the new paradigm in which we must exist and to put the economy on a sustainable path.

Dushyant Sookram
Managing Partner
KPMG in Trinidad and Tobago

Economic Overview

Economic Overview

The Minister commended the country's current strong economic fundamentals namely low inflation, low unemployment, comfortable external reserves and a relatively low external debt burden in the 2018 budget presentation.

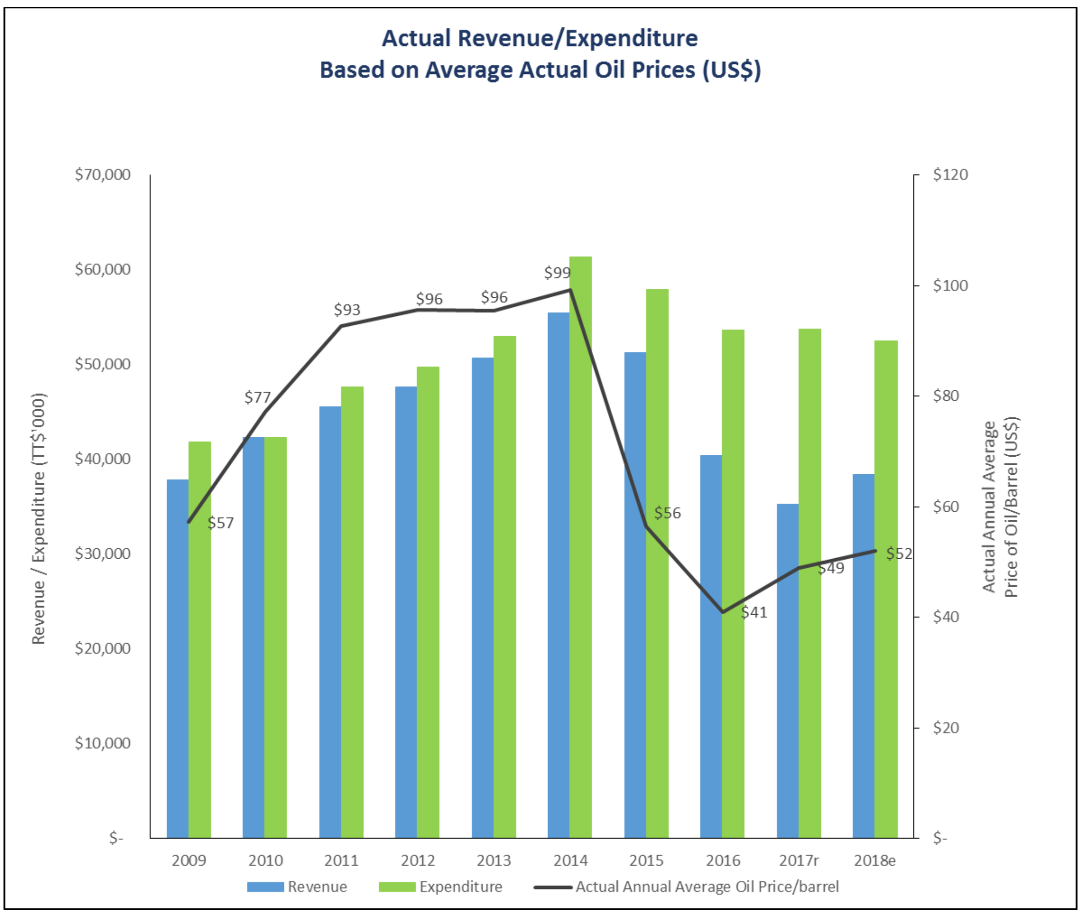
Notwithstanding the above, one must consider the major unresolved economic challenges, which continue to pose significant obstacles and cause further delays in the recovery of the Trinidad and Tobago economy. Some of these challenges include:

- Low oil and gas prices and production volumes
- Declining natural gas reserves
- Declining foreign exchange reserves accompanied by foreign exchange shortages
- Downgrades of the country's credit ratings

Furthermore, the economy's fiscal accounts remain unbalanced as evidenced by the estimated budgeted fiscal deficit for 2018, which amounts to $4.76 billion or 3.1% of Gross Domestic Product (GDP).

According to the Central Bank of Trinidad and Tobago, the real GDP growth rate has steadily decreased since 2012 from 3.3% to -2.3% in 2016 and, for 2017 was projected by the International Monetary Fund (IMF) to be 0.3%. This gradual reduction in real GDP growth rates indicates a significant reduction of the value of total economic output. The latest projections of global real GDP growth for 2017 stand at 3.5%.

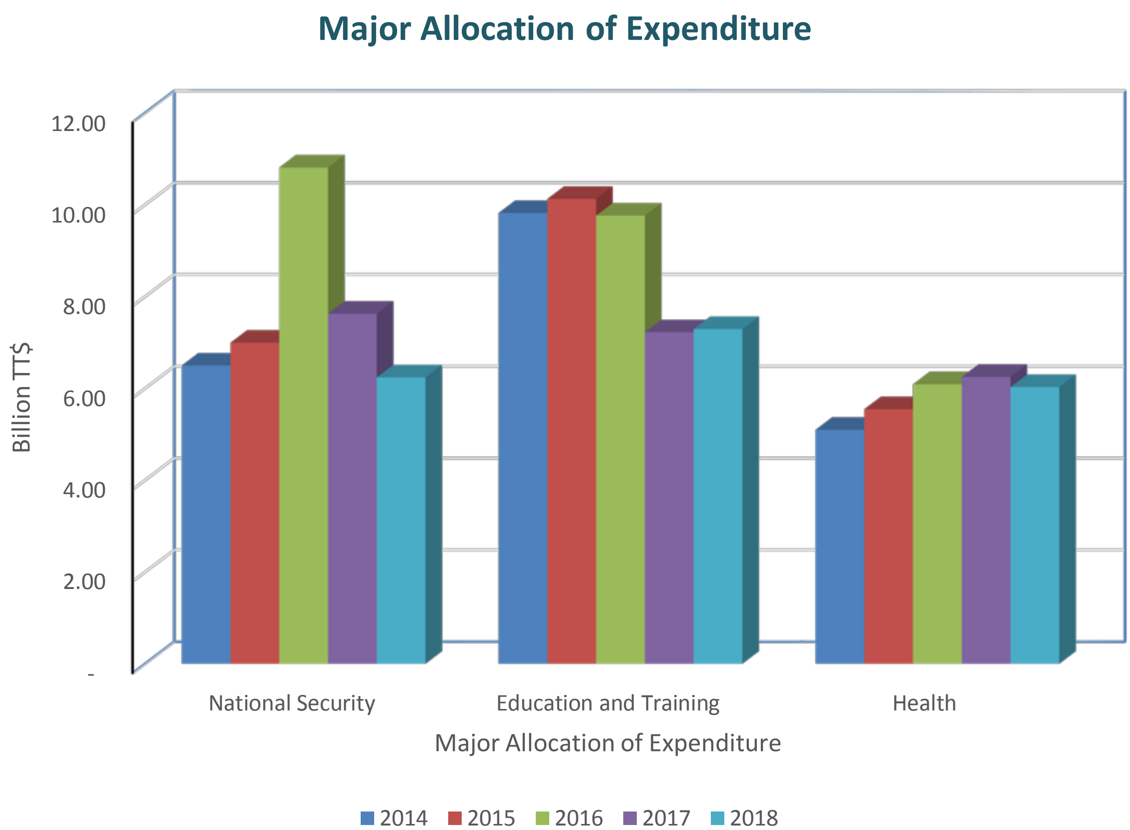
The Minister has assumed an oil price of US$52 per barrel for fiscal year 2018 and has estimated 2018 revenues at $45.74 billion, in comparison to the 2017 revised revenue estimate of $49 billion.



r – revised and e – estimated

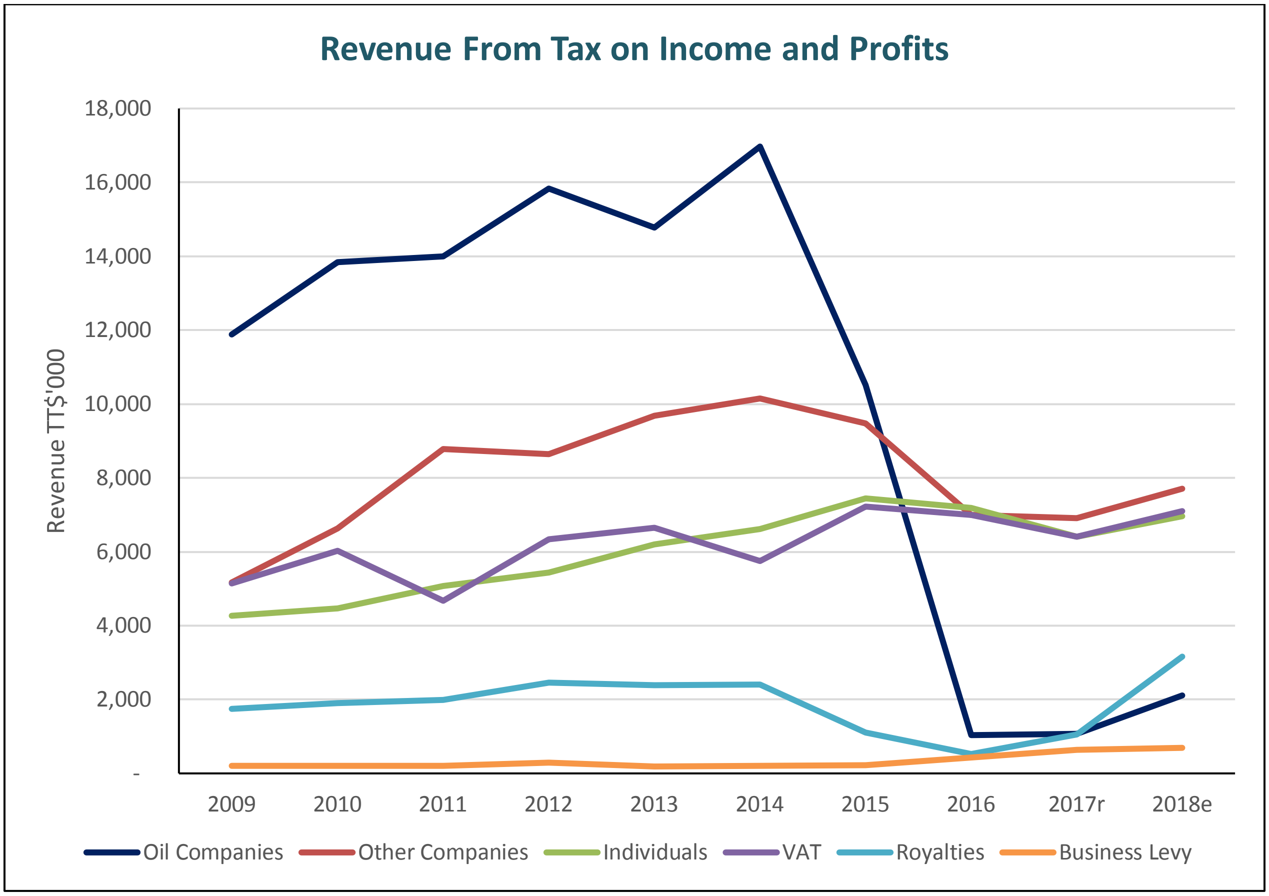
Economic Overview (cont'd)

The 2017 revised expenditure estimate totals $ 50.5 billion, which is equivalent to the budgeted estimate expenditure for fiscal year 2018 – that is, no change in total government expenditures for 2018. The major allocations of expenditure were to National Security, Education and Training and Health for fiscal 2018.



According to the Minister, over the last 3 years, revenues from the petroleum sector have plummeted from $20.9 billion in 2014 to $2.8 billion in 2017 and the government is estimating to collect $6.4 billion from the sector in fiscal 2018. The Minister also highlighted the fact that the government is owed $400 million in royalties from land and marine extraction. Non-oil revenue is expected to contribute approximately 72% ($32.9 billion) of estimated revenues for 2018.

Economic Overview (cont'd)



r – revised e – estimated

It is noteworthy to mention, that T&T, a country abundant in natural resources, continues to depend on the oil and gas industry, which ultimately leads to the underdevelopment of other sectors, commonly referred to as the "Dutch Disease". Sustained emphasis should be placed on economic diversification particularly in areas of agriculture, financial services and distribution and manufacturing.

Prior Year's Promises

Prior Year's Promises

PROPOSALS - (2017 BUDGET)	STATUS UPDATE
ESTABLISHMENT OF STATISTICAL INSTITUTE	
To lay in Parliament in FY 2017, the legislation to establish an independent statistical institute - the National Statistical Institute of Trinidad & Tobago (NSITT) to provide up to date and accurate statistical data. (Ref. pgs. 10 & 27 Budget Statement 2017)	A Task Force was established in 2016, with a mandate to complete within 12 months the establishment of the Institute. Despite, not meeting the initial deadline set by the Minister, efforts are underway to establish the NSITT by 2019. Additionally, on September 15, 2017, staff of the Central Statistical Office were briefed about their role in the NSITT.
FUEL PRICING	
To continue the incremental removal of the fuel subsidy on gasoline and diesel such that the price will vary in accordance with changes in world oil prices and the ex-refinery price of petroleum products. (Ref. pg. 13 Mid-year Budget Statement 2017)	Requires the design of an appropriate pricing structure – still in progress. Further increases in super gasoline and diesel process, to reduce the subsidy, were announced in the 2018 budget. Monthly prices for the 5 categories of fuel to be published later in 2018 but no date set for the implementation of the varying prices for fuel based on changes in prices of oil and refined products.
INSURANCE LEGISLATION	
To enact the Insurance Bill 2016, which would repeal the existing Insurance Act, provide a new regulatory framework for the insurance industry and to continue providing for the regulation of privately administered pension fund plans. (Ref. pg. 28 Budget Statement 2017)	The Insurance Bill 2016 has not been enacted to date, however, it has been laid in the House of Representatives on September 8, 2017. The Bill as introduced requires a special majority (three-fifths) in order to be passed by the House of Representatives.

Prior Year's Promises (cont'd)

PROPOSALS - (2017 BUDGET)	STATUS UPDATE
TAX INFORMATION & EXCHANGE AGREEMENT (TIEA)	
To enact the TIEA Bill 2016, designed to make T&T FATCA compliant & to ensure that local banks & insurance companies will not be subject to a 30% withholding tax on US$ flowing from the United States into the local banking system and vice versa. (Ref. pgs. 39-40 Budget Statement 2017)	The Tax Information Exchange Agreements (United States of America) Act was assented to on March 20, 2017.
PUBLIC PROCUREMENT LEGISLATION	
To appoint the Procurement Regulator & the Board of Procurement Regulation by March 31, 2017. To fully operationalize the new public procurement system by March 2017, so that all public bodies will be required to carry out public procurement in a manner that is consistent with the Public Procurement Act. (Ref. pg. 7 Budget Statement 2017)	The Public Procurement & Disposal of Public Property (Amendment) Bill, 2016 was assented to March 13, 2017, to amend the 2015 Act, to reduce the term of office for the Regulator and other members of the Board - appointed to govern the Office of Procurement Regulation. No further actions have taken place.
INTEGRATED REVENUE AUTHORITY	
To complete legislative requirements and establish the Revenue Authority in fiscal year 2017, to further strengthen the administrative processes at the Board of Inland Revenue & the Customs & Excise Division. (Ref. pg. 27 Budget Statement 2017)	To date no legislation has been introduced to Parliament. In his 2018 Budget Statement, the Honourable Minister commented that the legislative requirements for establishment of the Revenue Authority will soon be completed. Further it is proposed that the Revenue Authority will be operational in 2018.

Prior Year's Promises (cont'd)

PROPOSALS - (2017 BUDGET)	STATUS UPDATE
THE HERITAGE & STABILISATION FUND	
To present a revised bill to Parliament in fiscal year 2017 to provide for the separation of the Heritage and Stabilisation Fund into (1) a Heritage Fund and (2) a Stabilisation Fund, each with its own rules with the design of the latter being informed by the Medium Term Fiscal Consolidation Plan. (Ref. pg. 27 Budget Statement 2017)	To date, no legislation has been introduced to Parliament
GAMING & BETTING	
To enact the Gaming & Betting Bill 2016 in 2017 - to bring order & stability to this largely unregulated industry, by bringing all forms of betting & gaming activities under a comprehensive, robust and stringent regulatory framework. (Ref. pgs. 15, 28 &44 Budget Statement 2017) Joint Select Committee to submit a final report to parliament on its review of the Gaming & Betting Bill 2016 before end of current parliamentary session. (Ref. pg. 19 - 2017 Mid-Year Review)	The Bill is still being debated in the House of Representatives.
PROPERTY TAX	
Collection of the Property Tax Act will commence in fiscal year 2017 based on the Property Tax Act 2009, with minor amendments to the Valuation of Land Act. New tax invoices were to be issued in 2017, subsequent to the completion of the valuation roll prepared by the Commissioner of Valuations & the assessment roll prepared by the Inland Revenue Division. (Ref. pg. 11,13, 15 & 43 Budget Statement 2017)	Property owners were requested to complete & submit the Valuation Return Form & submit to the Valuation Division. In May 2017, a High Court judge ruled that there was no need to file property tax declaration forms and an injunction was temporarily enforced, preventing the Commissioner of Valuations from receiving forms from members of the public.

Prior Year's Promises (cont'd)

PROPOSALS - (2017 BUDGET)	STATUS UPDATE
PROPERTY TAX (cont'd)	
Two Hundred and Forty-Eight (248) personnel to be recruited to assist with the preparation of the Valuation Rolls and collect the Property Tax (Ref. 2017 Mid-Year Review).	Collection of valuation forms has resumed with no stipulated submission deadline. However, the Board of Inland Revenue has not issued notices of assessment identifying the tax payable & the time when & where such tax is to be paid by property owners.

Proposed Fiscal Measures for 2018

Proposed Fiscal Measures for 2018

Key
- Positive
- Negative
- Neutral

Item	Commentary	Impact on Tax Payer
Alternative Fuel Vehicles	Summary of Proposals • Exemption from all taxes & duties extended to CNG passenger vehicles with engine sizes under 1599cc. • Tax concessions on hybrid passenger vehicles amended to only apply to vehicles with engine sizes under 1599cc. • To increase the motor vehicle tax & customs duty on private passenger vehicles with engine sizes exceeding 1599cc and not exceeding 1999c by 25%. • Exemptions on motorcycles with engine sizes under 300cc from all duties and taxes.	
	KPMG's view • Supports and encourages the use of fuel efficient and clean energy vehicles. • Additional revenues from increased motor vehicle tax & customs duty and possible deterrent to purchase vehicles with engine sizes exceeding 1599cc as a result of the increased taxes – by extension savings in outflows of foreign exchange. • With respect to increased utilisation of motorcycles, this may be slow to materialise due to the lack of discipline on the roads and highways.	
	Who is affected? This will negatively affect consumers of: • CNG and Hybrid vehicles with engine sizes exceeding 1599cc • Private passenger vehicles with engine sizes ranging from 1599cc to 1999cc However, it is a positive incentive for future users of motorcycles with engine sizes less than 300cc.	
	Timing • To take effect October 20, 2017 with a moratorium to December 31, 2017 for vehicles in transit or already landed.	

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Key: Positive / Negative / Neutral

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Fuel Subsidy	Summary of Proposals • Increase in margins for Liquid Petroleum Fuel Industry. • In continuing with the gradual reduction of the fuel subsidy, the price of super gasoline will increase from \$3.58 to \$3.97 per litre while diesel will increase from \$2.30 to \$3.41 per litre. KPMG's view • This increase in margins will be welcomed by the dealers given the increases in levies and cost of operating. • May encourage persons to be more wary of making unnecessary trips due to the increased costs of fuel. • Reduction in the cost of subsidies for government. • Increases in the price of fuel could consequently result in inflationary effects, predominantly due to increased transport cost transferred onto consumers in the form of higher prices. Who is affected? • Negative for owners of vehicles using diesel & super gasoline • Transportation companies • Positive for wholesalers, retailers of liquid petroleum products. Timing • To be implemented with immediate effect.	Neutral

Item	Commentary	Impact on Tax Payer
Oil & Gas Fiscal Regime	Summary of Proposals • Amendments to the laws governing the oil and gas sector to maximise revenue for the country and encourage investment. • Implementation of a 12.5% royalty rate on the extraction of all gas, condensate & oil to be computed using the fair market values which will be set by the Petroleum Pricing Committee. KPMG's view • With respect to the proposed amendments to the fiscal regime, this has been proposed and discussed in prior years. In the 2016 mid-year review, the Honourable Minister indicated that discussions were in advanced stages with the energy companies on a suitable fiscal regime that would work for all parties by continuing to provide sufficient incentives for investment and exploration whilst recognising his Government's need for revenue. Also a review of the oil and gas fiscal regime was to be undertaken in the context of encouraging production in marginal fields and finally a review of the SPT regime.	Negative

Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Oil & Gas Fiscal Regime (cont'd)	KPMG's view (cont'd) • We understand that such changes require time to understand the consequences such that the errors of previous incentives are not repeated, so in the interim the Minister has announced a 12.5% royalty rate across the board on the extraction of all oil and gas. • This appears to be implemented in the absence of the much talked about reform of the oil and gas fiscal regime – almost a "quick-fix". • Energy companies may be expecting changes based on previous discussions with the Ministry especially with the proposed changes to the SPT. Who is affected? • Oil & gas sector participants • Future investors to his sector Timing • To be effective from December 1, 2017.	Negative

Item	Commentary	Impact on Tax Payer
Corporation Tax	Summary of Proposals • Increasing the base tax rate from 25% to 30% for companies • Imposing new tax rate of 35% on commercial banks. KPMG's view • It is hoped the removal of the 25% tax bracket would not be extended to individual tax payers – we await the legislation to confirm this. • Considering the current economic climate, increasing the base tax rate to 30%, may have little additional impact on revenue collection. • Though not significant, companies are unlikely to be pleased with the additional taxes to be paid having regard to the fact that green fund levy was increased in 2016 from 0.1% to 0.3%; NIS rates were also increased in September 2016 plus the increase in cost of foreign exchange. • With respect to banks, it is hoped that this increase in the tax bracket to 35% would not be passed to the customers.	Negative

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Proposed Fiscal Measures for 2018 (cont'd)

Key
- Positive
- Negative
- Neutral

Item	Commentary	Impact on Tax Payer
Corporation Tax (cont'd)	KPMG's view (cont'd) • It is not known whether there would be a flat rate of 35% for banks or a two-tiered system, we will have to await the legislation to ascertain this. • Likely to bring substantial additional revenue to the Government • Possible increases in bank fees which are already considerably high may occur. .	Negative
	Who is affected? • Commercial Banks • Companies with annual chargeable profits not exceeding $1M	
	Timing • To be effective from January 1, 2018.	

Item	Commentary	Impact on Tax Payer
Hotel and Guest Rooms	Summary of Proposals • Under the Trinidad and Tobago Hotel and Guest Room Stock Upgrade programme, increase the reimbursement of expenditure on the cost of work from 25% to 50% and increase the maximum reimbursement limit from $750,000 to $1.5 million. • Continue the Small Approved Tourism Properties Programme by increasing the reimbursement of the expenditure on the cost of work per room from 20% to 40% as well as by increasing the maximum reimbursement limit for Small Approved Tourism Properties from $75,000 to $150,000. • Increased subsidy by the Government of interest charged by banks from 2% to 5%. Extension of new and refinanced loans for the tourism sector from 7 to 15 years.	Positive
	KPMG's view • Would encourage the upgrade of small hotels and guesthouses. • All these initiatives would be in vain if transportation to Tobago is not remedied as a matter of urgency.	

Proposed Fiscal Measures for 2018 (cont'd)

Key

- Positive
- Negative
- Neutral

Item	Commentary	Impact on Tax Payer
Hotel and Guest Rooms (cont'd)	Who is affected? • Hotel and Guest house operators • Vacationers	
	Timing • December 1, 2017	

Item	Commentary	Impact on Tax Payer
Private Hospitals	Summary of Proposals • Increase in license fee from $150 per year for institutions classified as Medical or Surgical Hospital, Medical Surgical and Maternity Hospital or Maternity Hospital: - < than 30 beds $ 25,000 per annum - 30 beds but < than 60 beds $ 50,000 per annum - 60 beds and over $100,000 per annum • Increase in penalty for persons guilty of an offence under the Private Hospitals Act from $10,000 to $100,000. For continuing offences, from $200 per day to $1,500 per day.	
	KPMG's view • It is questionable as to whether the increase in license fees serves to monitor and regulate Private Hospitals and therefore, is the update in the rates merely a means of raising additional revenue for the Government? • The Private Hospitals are likely to pass on the increased license fees to patients.	
	Who is affected? • Private Hospitals • Patients	
	Timing • January 1, 2018	

Key: Positive (green), Negative (red), Neutral (yellow)

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Gaming	**Summary of Proposals** • Increase the existing rate of duty on all mechanical games of chance for gambling from 20% to 40%. • Electronic roulette devices operating in bars pursuant to the Liquor License Act, Chapter 84:10 will now attract a flat device tax of $120,000 per annum. • Gaming tax will be increased from $3,000 to $6,000 per annum pursuant to the Liquor License Act, Chapter 84:10 in respect of each amusement game. • Increase in taxes on gaming tables and other devices. • Introduction of a 10% tax on all cash winnings from the National Lotteries Control Board (NLCB). **KPMG's view** • Given the perceived low to non-existent compliance rate by Gaming companies, it is only fair that this sector pay its due. These measures may be compared to the increases in corporate taxes and the new 35% tax bracket for banks. • However, enforcement will be key in ensuring that these taxes are collected. • A protocol would have to be implemented to collect the tax on winnings by the NLCB including date of remittance to Revenue. This could prove to be a nuisance for small winnings. **Who is affected?** • Casino owners • Bar owners • NLCB customers who have winnings to collect **Timing** • October 20, 2017 for the duty on all mechanical games. • December 1, 2017 for the tax on winnings • January 1, 2018 on the table	Negative (red)

Key: Positive / Negative / Neutral

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Exports	Summary of Proposals • Establish a facility to allow eligible exporters to access foreign exchange, capitalized in the first instance at US$100 million. KPMG's view • This initiative focuses on exportation as a means to increase foreign exchange inflows back into T&T. • There is likely to be a continued and increased shortage of foreign exchange to the citizenry and other businesses. Who is affected? • Exporters • Citizens and other companies Timing • January 1, 2018	

Item	Commentary	Impact on Tax Payer
Export Allowance	Summary of Proposals • Re-establishment of export allowances to manufacturers to reduce tax with respect to revenues generated from incremental exports to existing markets. KPMG's view • Reintroduction of this allowance is unlikely to materialise increases in exports in the short-term. It would nonetheless be welcomed to exporters given the increases in taxes / levies. • We await the legislation to determine the restrictions eg whether it will only apply to territories outside CARICOM and also the method for computing the allowance. Who is affected? • Exporters Timing • January 1, 2018	

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Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Expanding Local Food Production	Summary of Proposals • Establishment of an agricultural financial support programme with grants for new and existing farmers of up to $100,000. • Amendment of section 14 Income Tax Act to remove the restriction of 100 acres of land to receive exemptions from tax on income from approved agricultural holdings. KPMG's view • It would be interesting to see how many individuals take advantage of this exemption and further how many approvals have been granted by the Minister. Who is affected? • Commercial Farmers Timing • January 1, 2018	Positive

Item	Commentary	Impact on Tax Payer
Stimulating Private Construction in Housing Sector	Summary of Proposals • Housing Construction Incentive Programme to encourage private developers to construct houses to satisfy the current demand for affordable houses. • Cash incentive up to $100,000 to all approved developers who construct housing units in accordance with designs, specifications and prices fixed by government. KPMG's view • HDC applicants should benefit from more expeditious processing due to engagement of private developers to boost the construction resources of the HDC. • Over the past couple of years, tax exemptions were given on the gains/profits derived from the initial sale of a newly constructed multi-family dwelling – we await the legislation to ascertain whether such developers would also qualify for the cash incentive. Who is affected? • Citizens • Private Developers Timing • January 1, 2018	Positive

Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2018 (cont'd)

Item	Commentary	Impact on Tax Payer
Other Measures	Summary of Proposals • To increase motor vehicle inspection fees from $165 to $300. • To impose customs duty of 30% on all pneumatic tyres excluding new imported tyres utilized on buses & lorries. • Environment tax of $20 per tyre on all imported tyres.	
	KPMG's view • This represents additional costs for owners of motor vehicles that is in addition to the increase in fuel. Transport costs may well go up.	
	Who is affected? • A wide cross section of the society	
	Timing • To be implemented December 1, 2017 for environment tax and motor vehicle inspection and, October 20, 2017 for increased customs duties on imported tyres.	

KPMG's Annual International Financial Reporting Standards (IFRS) Update Course

Key Topics to be Covered:

- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases
- IFRS 9 - Non-Banks
- IFRS 9 - Banks
- Refresher on existing standards

CPD Hours 6.5

Event Information

Date:	Thursday October 12, 2017
Time:	8.00 a.m. to 4.30 p.m.
Place:	HYATT Regency Hotel
Facilitator:	GAAP Seminars
Registration Deadline:	Thursday October 5, 2017
Contact Details:	Jacinta Ali 612-KPMG (5764) ext 4718 jacintaali@kpmg.co.tt or Ariella Ramkisson 612-KPMG (5764) ext 4717 aramkissoon@kpmg.co.tt

Regional Round Up

Regional Round Up

The following is an insight of the latest fiscal measures to be implemented in Barbados, Jamaica and Guyana.

Barbados

The Financial Statement and Budgetary Proposals were delivered by the Honourable Christopher Snickler, Minister of Finance and Economic Affairs of Barbados on May 30, 2017.

The biggest challenges facing Barbados and constraining growth were the fiscal deficit and low foreign exchange reserves. The Honourable Minister concentrated on measures designed to extract liquidity from the system, curb consumer spending and dampen demand for imported goods. These initiatives were all geared towards the preservation of their foreign reserves and the management of their debt position.

Some noteworthy proposed fiscal measures mentioned in the budget are as follows:

1. **Commission on Foreign Exchange Transactions:**
   The Minister stated that as at March 2017, the foreign exchange import cover stood at 10.7 weeks and proposed that a broad-based foreign exchange commission be charged on all sales of foreign currency at a rate of 2%, effective July 1, 2017.

2. **National Security Responsibility Levy (NSRL):**
   The NSRL rate was proposed to be increased from 2% to 10% effective July 1, 2017. This levy is designed to finance the cost of health care.

3. **Tax Amnesty:**
   The Minister proposed a tax amnesty on VAT and Land Tax for the period June 1, 2017 to November 30, 2017. Taxpayers will benefit from a waiver of penalties and interest on taxes owing to the Barbados Revenue Authority (BRA). Proceeds from this initiative are to directly assist with the liquidation of income tax refunds owed to taxpayers.

4. **Excise Tax on Gasoline and Diesel Fuels:**
   The Minister proposed to increase the excise tax and retail price of gasoline and diesel fuels, effective June 1, 2017.

5. **Duty Free Zones:**
   The Minister proposed to launch duty free zones across a number of locations in Barbados in August 2017. This measure was proposed to facilitate the creation of duty free shopping zones in Barbados and will enable Barbadians and visitors to make purchases in foreign currency only.

Regional Round Up (cont'd)

Jamaica

Jamaica's 2017/2018 budget was presented on March 9, 2017 by the Honourable Audley Shaw, Minister of Finance & the Public Service. The Minister indicated that the said budget represented a further "rebalancing" from direct to indirect taxes and that the country is expected to maintain a TAX: GDP ratio of 25.7% in the 2018 fiscal year.

Key fiscal measures proposed by Minister Shaw include:

1. **Increase in Tax Threshold**
   Increase the annual income tax-free threshold from JMD$1.0M to JMD$1.5M.

2. **Increase in Specific Special Consumption Tax (SCT) on alcohol, cigarettes and fuel**
   - The SCT rate imposed on alcohol was proposed to increase from JMD$1,120 per litre of pure alcohol (LPA) to JMD$1,230 per LPA, effective March 13, 2017.
   - Effective March 15, 2017, the Minister proposed to increase specific SCT rates on the importation or manufacture of various fuels.
   - An increase in SCT on cigarettes and substitutes of these products was also proposed from JMD$14 to JMD$17 per stick, effective March 13, 2017.

3. **Reduction in General Consumption Tax (GCT) zero-rated threshold for electricity**

4. **Imposition of GCT on Group Health Insurance**
   The Minister intends to impose GCT on Group Health Insurance.

5. **Increase in Motor Vehicle License & Allied Fees by 20%**

6. **Property Tax – Rate & Valuation Adjustment**
   The Minister proposed that the 2013 Property Valuation Roll would be used in place of the 2002 Property Valuation Roll. As a consequence, the base for calculating property tax would increase.

Regional Round Up (cont'd)

Guyana

Located on the north-east coast of South America and bordered by Brazil, Venezuela, Suriname and the Atlantic Ocean is Guyana.

Traditionally, Guyana's economy has relied on the exportation of agricultural products and minerals such as bauxite and gold, which accounted for more than 60% of the country's GDP. However, in recent times there has been a shift to develop an oil and gas industry as a result of recent oil discoveries. This promises to not only diversify Guyana's economy, but also to place it as a top energy producer in the region in the foreseeable future.

Notably, Guyana faces a unique conundrum from its Trinidad and Tobago (T&T) counterpart, in that its oil fields are located in ultra-deep water. Therefore, considerations such as transportation logistics, drilling techniques and specialized machinery, as well as, feasibility of an onshore refinery must be viewed from this unique perspective.

However, though these are unique issues to Guyana and the Caribbean in the oil and gas context – they are not novel in themselves, when compared to countries such as Brazil and Angola who have ultra-deep oil wells.

Guyana also has the benefit of learning from the triumphs and blunders of other oil and gas economies, which aids in the extraction of meaningful and successful tenets and should assist in building a robust and model oil and gas regime.

Undoubtedly, these are indeed exciting times for Guyana.

Guyana's 2017 Budget Presentation, delivered on November 28, 2016, and appropriately coined "Building a Diversified, Green Economy: Delivering the Good Life to All Guyanese", sought to balance the need to stimulate international investment with providing relief on the pockets of the average Guyanese income earner.

Key measures were:

1. **Reduction of the VAT rate from16% to 14%**

2. **Increasing of the VAT registration threshold from GY $10 million to GY $15 million**

3. **Reduction of the Corporation tax rate** for manufacturing and non-commercial companies from 30% to 27.5%. Note: In Guyana companies are taxed based on their categorization as being non-commercial or commercial. Commercial companies will still be taxed at 40%, as such, companies that have mixed operations (i.e. both commercial and non-commercial) will be taxed at the dual rates of 27.5% and 40% respectively;

4. **Introduction of 2% withholding tax on resident contractors**

Regional Round Up (cont'd)

Guyana (cont'd)

5. **Tax exemption on the importation of items for wind and solar energy investments**--in addition to a 2 year corporation tax holiday for companies exclusively involved in such importation;

6. **Tax exemption for investment in and construction of waste disposal facilities**, with particular reference to recycling facilities for plastics items - which is in addition to a 2 year corporation tax holiday for companies involved exclusively in such importation;

7. **Tax exemption for investment in and construction of water treatment and water recycling facilities**- which is in addition to a 2 year corporation tax holiday for companies involved exclusively in such importation;

8. **An increase in the income tax free threshold** of GY $660,000 per annum to the greater of GY $720,000 per annum or 1/3 of the employee's salary;

9. **The reduction in the Personal Income Tax rate from 30% to 28%** for individuals earning less than GY $2,160,000 per annum or GY $180,000 per month and a new rate of 40% for individuals earning in excess of GY $2,160,000 per annum.

Request our 2017 Guyana Post Budget Commentary for further details

KPMG in Trinidad & Tobago has a dedicated team responsible for providing tax, audit and advisory services to Guyana and leverages on strong relationships with our Guyana network in the private and public sector.

We draw on our collective breadth of experience in advising our clients locally, regionally and internationally, in order to provide a unique and tailored business solution as you navigate your investment into Guyana.

For more information contact any of our Guyana desk personnel:

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KPMG

AUDIT ▪ TAX ▪ ADVISORY

New Office Location

Change is inevitable, growth is intentional.

In order to cater to our growing needs, we have expanded our office facilities.

We have moved to a brand new environmentally friendly, Leadership in Energy and Environmental Design (Leed) certified building.

We are now located at:

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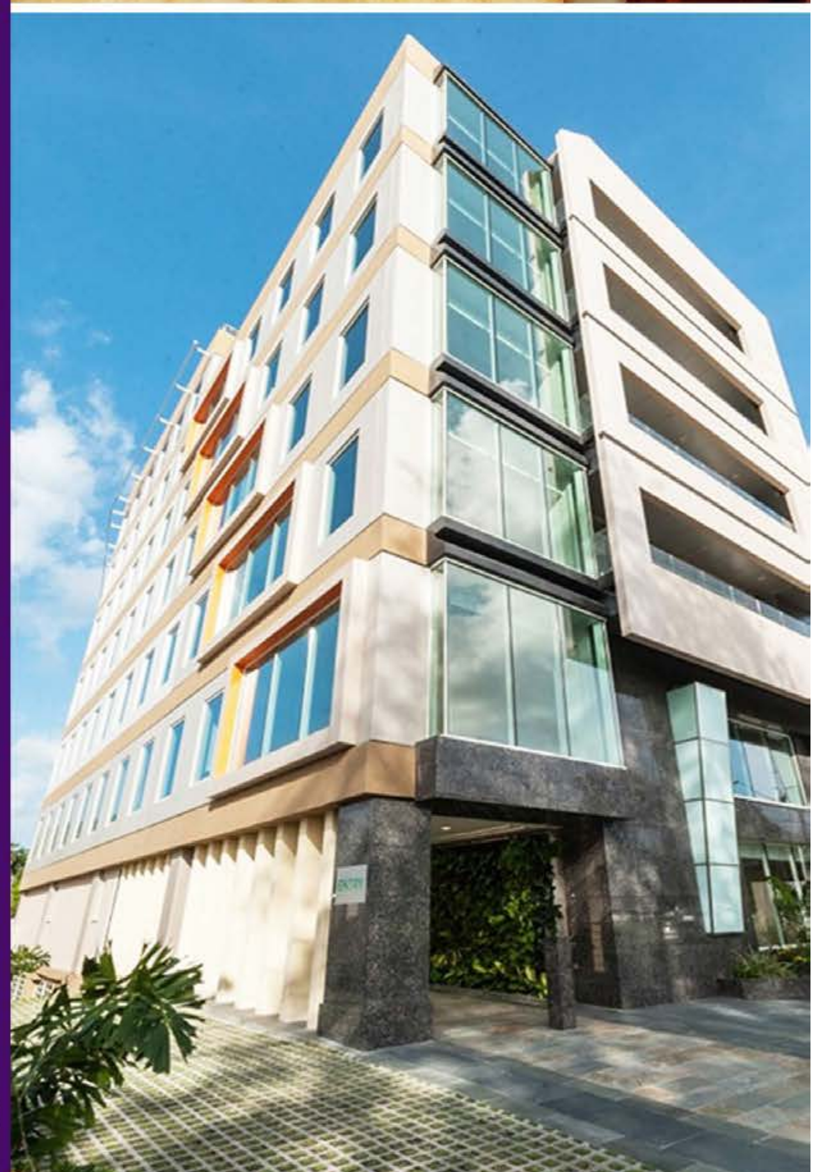
Our main telephone, facsimile numbers and email addresses remain unchanged.

We look forward to continuing to serve the public and our loyal clients.

Thank you for your continued support.



KPMG in Trinidad and Tobago

KPMG in Trinidad and Tobago is a locally owned and operated Partnership and is a member of the global network of professional service firms. We provide audit, tax and advisory services in Trinidad and Tobago.

We are a purpose driven firm and our purpose is to ***Inspire Confidence and Empower Change*** in all that we do. With a consistent global approach to service delivery, KPMG member firms respond to clients' complex business challenges with consistent methodologies and common tools across industry sectors and geographical boundaries. This stems largely from the fact that the global network of KPMG member firms operates in over 155 countries with more than 189,000 employees and resources can be shared, thus making our skills available as and when they are needed. All KPMG member firms are committed to providing high quality services in an ethical, independent and objective manner.

We recognise that the quality and integrity of our people and our work play a vital role in creating trust with stakeholders and help to sustain and enhance confidence in our profession and capital markets. We reinforce commitments with a set of shared values, a code of conduct and common processes, policies and controls which are consistent globally, so people know what to expect of KPMG wherever we operate.

KPMG in Trinidad and Tobago is a member of the KPMG Caricom grouping which belongs to a sub-region of the Europe-Middle East-Africa region. We have strong operating relationships with KPMG's other English-speaking Caribbean and island practices based in the Bahamas, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, Isle of Man, Jamaica, Malta, the Netherland Antilles, and the Turks & Caicos Islands.

Our Tax Team

KPMG can help you assess the effect of the proposed tax changes in this year's Budget and identify ways to capitalise on its benefits or manage the negative impact on your business. We will keep you abreast of the progress of these proposals as they make their way into law.

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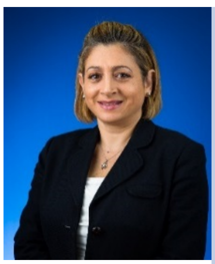
Gillian is an attorney-at-law by profession having been admitted in 1989 to the practice of law in all courts in Trinidad and Tobago. Gillian has over 25 years' experience in tax which includes 9 years at the Inland Revenue Division where she was responsible for representing the BIR in the local courts to address complex tax issues. Gillian is responsible for advising local and international clients in various sectors on efficient tax structuring of cross-border transactions, tax planning and regulatory procedure.



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Nicole is a Chartered Accountant with over 21 years' tax experience and has been with KPMG for the last 9 years. She is responsible for providing tax advice and compliance services to clients across all business sectors including the energy sector; banking & insurance; manufacturing; retail; services and construction. Nicole is currently a Council member of ICATT and also serves as Chair of ICATT's Taxation Committee.

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Saskia an attorney-at-law and tax practitioner and was admitted to the Trinidad and Tobago and Guyana Bar in 2010. She has over 5 years of tax and corporate services exposure and currently serves as a tax and corporate advisor within KPMG's Tax Department.

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Jo-Anna is a Chartered Accountant, principally servicing clients in the financial, energy and manufacturing sectors. Her responsibilities include but are not limited to tax compliance services for a wide range of corporate clients and expatriates.

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Cindy's has almost a decade of professional experience in quality tax compliance services including withholding tax computation, PAYE computation, corporation tax computations, quarterly taxes, VAT computations and insurance premium tax computation for a wide range of corporate and individual clients.

Our Partners

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Dushyant as Managing Partner of KPMG in Trinidad and Tobago, has the responsibility together with his Partners, Directors and Management for the overall strategic direction and vision of the firm. He is ultimately responsible for all services delivered to our clients.

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Robert has over three decades of experience in serving our clients in both the Audit and Tax service lines. He served as Lead Engagement Partner, Engagement Quality Control Reporting Partner, IFRS Reviewing Partner on several of the firm's audit engagements.

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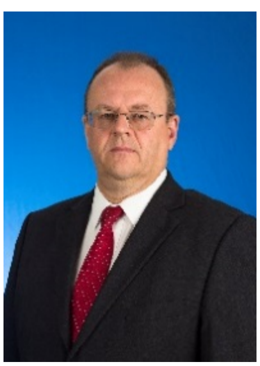
Stacy-Ann has over 25 years of Audit experience and is also the Caricom Risk Management Partner and the Partner responsible for Corporate Social Responsibility in Trinidad and Tobago. She is currently the President of the ICATT Council.



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Chris is an audit and tax partner with KPMG in Trinidad and Tobago, where he is head of energy services. Chris worked in KPMG Saudi Arabia, and before that he served KPMG's clients in East Africa. Chris qualified as a UK Chartered Accountant and has over 35 years professional experience spanning four continents.

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Abigail is a Partner in Advisory at KPMG in Trinidad and Tobago. She has tremendous consulting experience providing a range of services including strategic business planning, business process improvement, IT advisory and human resource services.

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Marissa is a Partner in Audit at KPMG in Trinidad and Tobago. Marissa has considerable experience in serving a wide variety of clients across varying industries. She also served on the Auditing and Accounting Standards Committee of ICATT.

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Nigel is a Partner in Audit at KPMG in Trinidad and Tobago. His breadth of experience includes leading audits, reviews, agreed-upon procedures, client relationship management, IT systems and controls reviews and other assurance and accounting engagements

Caveat

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG

About KPMG

KPMG is a Global network of professional services firm providing Audit, Tax and Advisory services. We have over 189,000 professionals working together to deliver value in more than 155 countries worldwide.

The Firm has been in existence for over 100 years and we have been operating in Trinidad and Tobago for more than 45 years.

Our Purpose

Inspiring Confidence, Empowering Change

Our Vision

To be the Clear Choice

Our Values

KPMG nurtures a culture based on leadership teamwork and integrity

We uphold our commitments with shared values which are consistent globally, so clients know what to expect of us wherever we operate. Our core values are:

- We lead by example
- We work together
- We respect the individual
- We seek the facts and provide insights
- We are open and honest in communication
- We are committed to your communities
- Above all, we act with integrity.

Our services include:

AUDIT

- Financial Statement Audit
- Project & Donor-Funded Audit
- Regulatory & Contractual Assurance
- Other Assurance Services
- Accounting Services

TAX

- Corporate & Business Tax Compliance
- International & Domestic Tax Advisory
- Tax Structuring Advice
- Indirect Tax Advisory
- Individual & Employment Tax
- Corporate Services

Advisory

- Cyber Maturity Assessments
- Business Continuity Planning
- Strategic Planning
- Business Process Improvement
- Change Management
- Forensic Investigations
- Internal Audit & Compliance
- Data & Analytics
- Liquidations & Insolvency
- Mergers & Acquisitions
- Valuations

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Available on the App Store