Trinidad and Tobago's 2024 Budget Commentary

"Building Capacity for Diversification and Growth"

October 3, 2023

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KPMG

With Passion and Purpose, we work shoulder to shoulder with you, integrating innovative approaches and deep expertise to deliver real results.

This is our Promise

Managing Partner's Message

Post-pandemic recovery: Cautious optimism

We are pleased to present our annual post-budget commentary on Trinidad and Tobago's (T&T) 2024 National Budget Statement, which was presented by the Honorable Minister of Finance, Colm Imbert on Monday, October 2, 2023.

The Minister's Budget speech centered on the theme of "Building Capacity for Diversification and Growth" compared to "Tenacity and Stability" for Fiscal 2023

To put Fiscal 2024 in context, a good starting point is a recap of fiscal 2023 in which the Minister offered another tax amnesty which after multiple extensions ended in August 2023. Based on the Draft Estimates, budgeted Tax revenues for Fiscal 2023 actually decreased from $40.5B to a revised estimate of $39B, even with the tax amnesty proceeds which the Minister indicated surpassed expectations.

For Fiscal 2024 the Honorable Minister estimates tax revenue of $37.9B – a further reduction, contributing to the overall budgeted fiscal deficit of $5.2B.

Elevated inflation and a threat of global recession have been left in the wake of the COVID-19 health crisis and supply chain disruptions caused in part by: the Russian invasion of Ukraine; significant stimulus spending by developed economies; and acute shortages of semi-conductors and other critical components. Internationally, while the global economy seems to be steady in its path to recovery, it is still susceptible to crises that possess the potential to stagnate already historically low levels of growth – Caribbean markets share in this vulnerability.

Projected inflation figures given by the Minister suggest a gradual abatement of the cost-driven pressures. The expectation is that global inflation will move downwards from 8.7% in 2022 to 6.8% in 2023, and then to 5.2% in 2024. This decline in global inflation is expected to be reflected in local inflation, which was 4% in August 2023.

It is perhaps with confidence that inflation would continue its downward trend that the Minister announced an increase in the minimum wage which is typically a measure that can drive inflation without commensurate increases in worker productivity.

The Minister acknowledged the current shortfall in natural gas production relative to the level required for the petrochemical sector to function at optimal capacity. This shortfall in natural gas production is estimated to be at 1.5 billion cubic feet per day. He provided details of the opportunities to fill this gap namely accessing the significant natural gas reserves held in cross-border fields that straddle the territories of T&T and U.S.-sanctioned Venezuela. Though much effort has been expended by the T&T government in negotiating for access to these reserves, ultimate success is dependent on global geopolitical forces.

The Minister emphasized that growth in the non-energy sector has outpaced that of the energy sector in recent years, supporting his vision for fiscal 2024 of building capacity for diversification. The manufacturing sector was cited as being a stellar performer in the country's diversification effort. This sector grew to 17.2% of GDP in 2022, up from 14.7% of GDP in 2015.

From a financial perspective, there has been a general improvement in the credit ratings received by T&T: with S&P Global revising its investment credit rating outlook from negative to stable; and Moody's Investors Services moving its outlook upwards from stable to positive. Finally, CariCRIS, a regional rating agency, has maintained a "high creditworthiness" rating for T&T. We hope that these improvements in the country's credit ratings are not used for additional borrowings but rather to adjust in paying back debts.

Managing Partner's Message (cont'd)

Navigating challenges, fostering diversification, and building resilience

Concerning budgeted expenditure, the citizens rightfully expected to see sufficient allocations to National Security which for fiscal 2024 was $6.9B compared to $5.8B for fiscal 2023, an increase of approximately 19%. The burning question is how would this increase in spend see a reduction in crime? This will be left to be seen as the population expects to see some immediate results. We suggest a deep dive into the root causes of the crime situation needs to be undertaken concurrently with this additional allocation. It could be that funding is needed in other areas such as education, and in this regard, we applaud the Government's initiative to support ALTA to widen the reach of the Adult Literacy Programme to include CEPEP and URP workers and persons in underserved communities. We do believe that a multi-faceted approach should be taken to address not only the strategic approach to citizens' safety and security but an operational one as well.

Another pain point for the citizenry is the availability of foreign exchange or rather the lack thereof. The Honorable Minister acknowledged this as an issue, especially with the increasing demand for foreign exchange. However, his proposed solution included doing a collaborative process among the Ministry of Finance, the Central Bank, the commercial banks, and the business community, among other stakeholders to determine the causes and effects of the increased demand for foreign exchange, design strategies to deal with the current challenges and to establish a an appropriate policy for the allocation, management and distribution of foreign currency.

Given its importance, he went on to state that the government intends to move aggressively to develop strategies to increase the repatriation of foreign exchange earned overseas by local and foreign businesses operating in Trinidad and Tobago, as this is key to an increased local supply of foreign exchange. The issue of the value of our currency did not arise, however, most political pundits would challenge the status quo on the value of our currency on the basic premise of supply and demand. We eagerly await news of these strategies and trust it will not create more anxiety.

Finally, we fully support the increase in the minimum wage by TT$3 per hour as the struggle is real for those with lower income given the inflation, especially with respect to basic necessities. On the assumption of downward trending inflation, this should translate to some real increase in disposable income for low-income earners. Like everything else, a budget is an estimate and it is useful to note that the deficit projected seems to be coincidentally close to the balance on the HSF, I am sure this is a coincidence however, with the volatility of oil and gas prices, there is a need to keep a keen eye on managing costs. It would be useful to understand how this deficit is expected to be funded.

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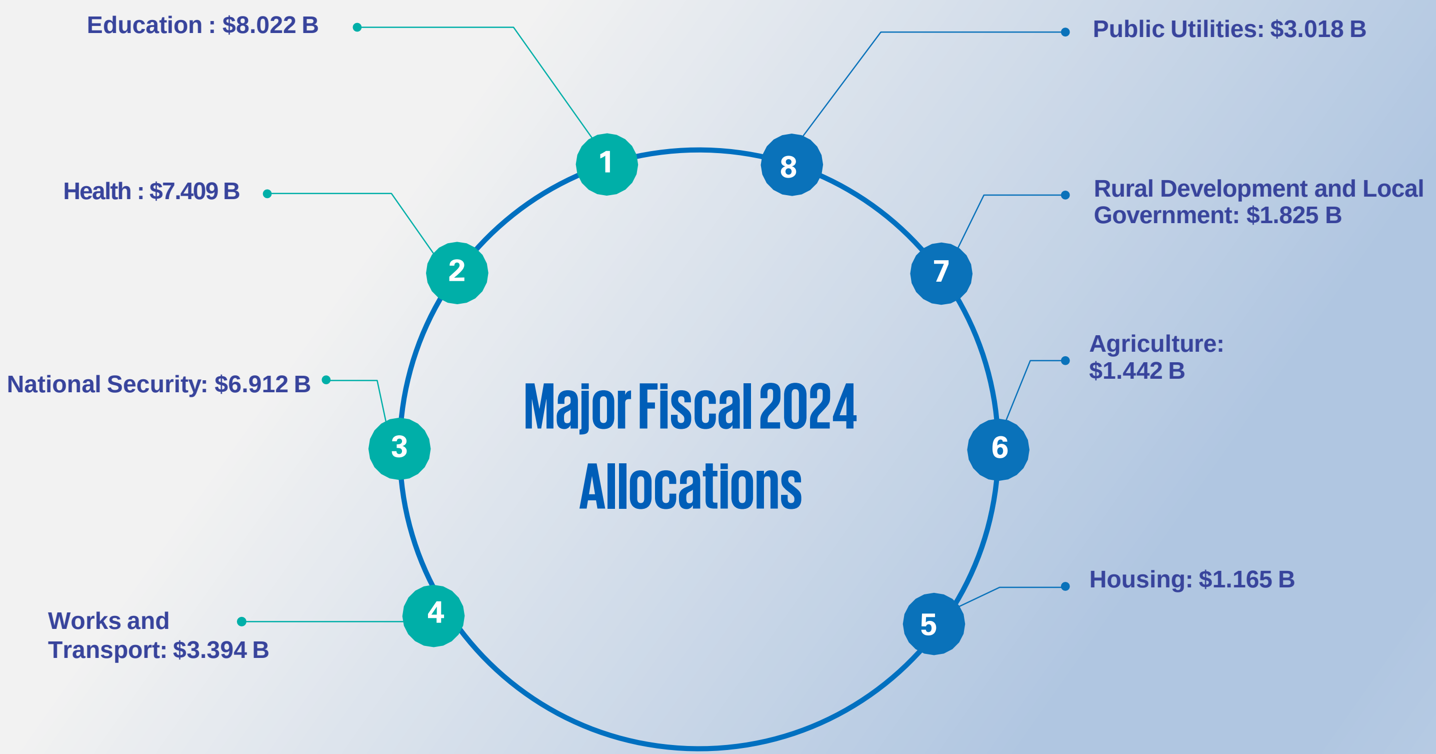
Snapshot

$54.012 B	Total revenue	$59.209 B	Total expenditure
$16.709 B	Oil revenue	71%	Debt to GDP
$35.547 B	Non-oil revenue	$5.197 B	Fiscal deficit



Economic overview

Economic overview

The Honorable Minister Colm Imbert has chosen the theme for the fiscal year 2024 budget presentation to be **"Building Capacity for Diversification and Growth"** in his attempt to address many of the challenges our economy faces today. Having said that, he also confidently noted the many positives allowing for growth and resilience.

Globally, the world's economic outlook remains uncertain, due to the tightening of monetary policy stances, in attempts to maintain macro-financial stability, subdue financial sector stress, inflation and successive shocks, particularly from the ongoing Russia-Ukraine crisis. Global growth in 2023 has been inconsistent and shows risk of stagnating.

Projected inflation figures given by the Minister suggest a gradual abatement of the cost-driven pressures caused in part by the Russian invasion of Ukraine. The stated expectation is that global inflation is expected to move from 8.7% in 2022, to 6.8% in 2023, and then to 5.2% in 2024.

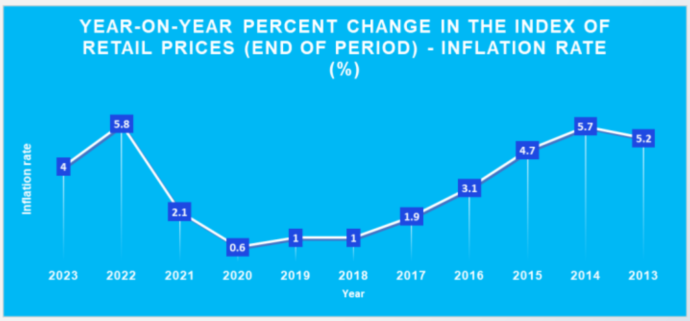


Figure 1: Year-on-year percentage change in the index of retail prices (end of period) inflation rate

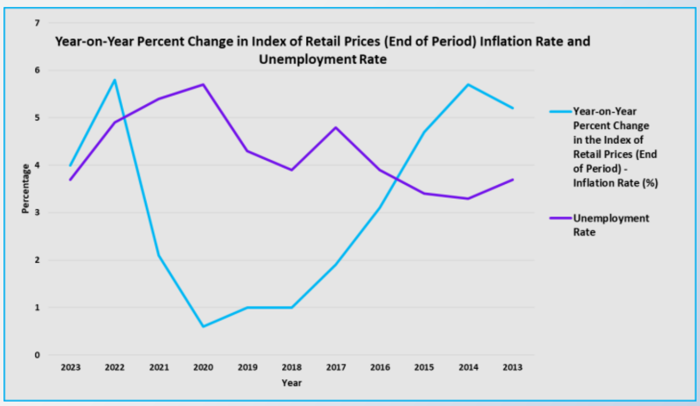


Figure 2: Year-on-year percentage change in index of retail prices (end of period) inflation rate and unemployment rate

Crude oil and natural gas prices declined during the 7 months, January to July 2023. According to the Central Bank of Trinidad and Tobago (CBTT), West Texas Intermediate (WTI) crude oil prices fell by 25.8%, year-on-year, to average US$75.14 per barrel over the first seven months of 2023, in comparison to Brent prices, which dropped 25.9% to average US$79.80 per barrel. US Henry Hub natural gas price fell to an average of US$2.43 per million British thermal units (mmbtu) from January to July 2023, a decline of 60.9% from US$6.21 per mmbtu in the corresponding period of 2022. The decrease in oil and gas prices may be a reflection of the softening of global demand and the normalization of supply. Regarding liquified natural gas, there have been several new sources of supply in recent years.

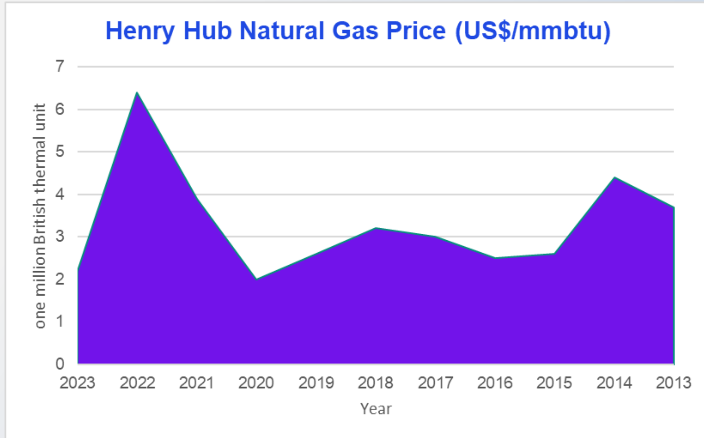


Figure 3: Henry Hub Natural Gas price

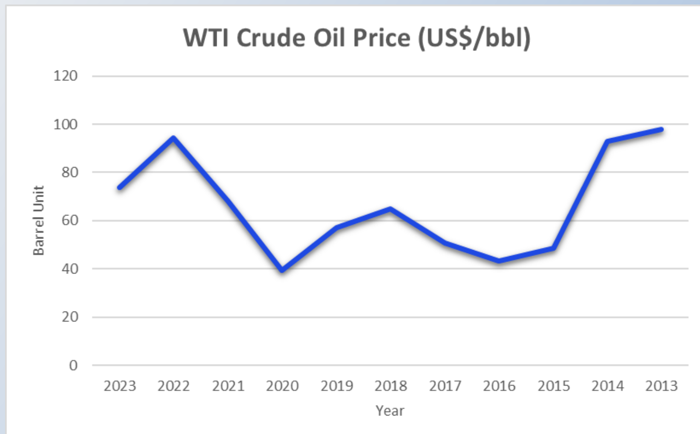


Figure 4: WTI crude oil price

From a domestic perspective, despite economic headwinds that dampened global oil and gas prices in the first quarter of 2023, negatively impacting estimated total revenue, T&T's transition to a post-COVID era has led the International Monetary Fund (IMF) to believe that the country's economic activity is recovering.

According to the Honorable Minister of Finance, T&T's economy grew by 1.5% in 2022 and further growth continued in the first quarter of 2023 at a rate of 3%. This road to economic recovery is further endorsed by the CBTT, which anticipates T&T's economic activity to increase in 2023, in both the energy and non-energy sectors.

Economic Overview (cont'd)

In line with the theme of the budget, further demonstrating diversification and growth within T&T, year-on-year improvements were registered by 12 non-energy industries during the first three months of calendar 2023. The Non-Energy Manufacturing sector also registered a strong performance driven by expansions in real economic activity within the Food, Beverages and Tobacco Products (7.6%); and Textiles, Clothing, Leather, Wood, Paper and Printing (31.5%) sub-industries. Significant growth was also reported by the Accommodation and Food Services (17.5%), and Transport and Storage (16.7%) sectors.

Headline inflation is expected to continue decelerating in the short-term to 4.1% in August 2023, year on year, compared to 4.7% recorded in July 2023, as international food prices trend downward. Further, food inflation slowed to 5.6%, while core inflation remained at 3.7%. Our annualized rate of inflation has decreased to a rate of 5.1% in 2023, an improvement from the reported rate of 5.8% in 2022. Unemployment rates reported for June 2023 have decreased substantially to a rate of 3.7%, below that for March 2023, which was at 4.9%.

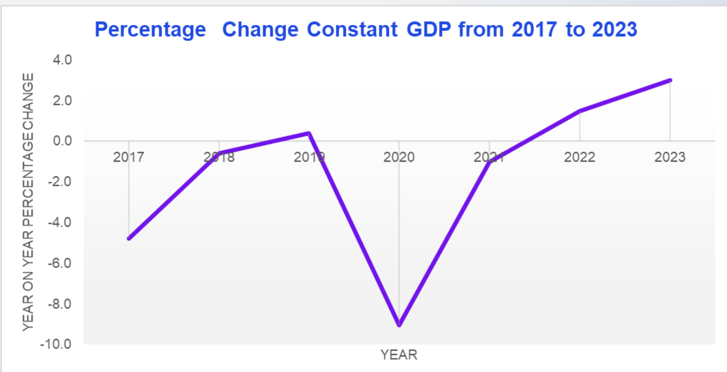


Figure 5: Percentage change constant GDP from 2017 to 2023

Additionally, the Repo rate remained unchanged at 3.5% during the first half of 2023. The steady growth momentum in credit continued in the second quarter of 2023, as overall financial system credit grew by 7.8% in the twelve months to June 2023.

Significantly and from a diversification perspective, economic growth was driven by a buoyant non-energy sector, which expanded by 5.8 percent in 2022.

The following graphs show a comparative analysis of Trinidad and Tobago's economic overview for 2023 and 2024:

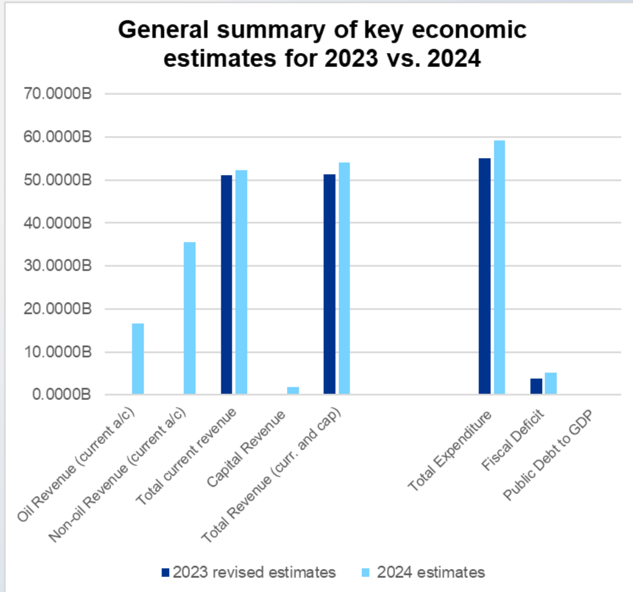


Figure 6: General summary of key economic estimates for 2023 and 2024

N.B. Missing 2023 revised estimates have not yet been published

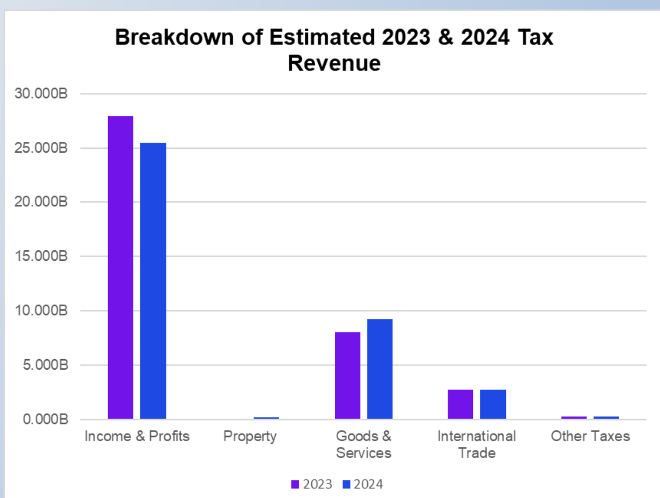


Figure 7: Breakdown of Estimated 2023 & 2024 Tax Revenue

Digital Economy

Digital Economy

The government's investment in creating and supporting an effective digital economy was well represented in the Budget and rightfully so. The Minister noted that digital transformation was a critical sector for funding.

To support the digitalization thrust, the government is ensuring that free broadband access is available in highly-populated and frequented areas such as transport hubs, hospital waiting rooms, libraries, and schools.

Financial services:
Starting in-house, the Central Bank has been facilitating the use of electronic money by approving three entities to operate as E-money issuers. The T&T International Financial Centre ("IFC") is also driving other digitalization initiatives in the financial services sector as the country pursues its goal of reducing the use of cash in our society and becoming a Fintech financial services hub.

Several government Ministries and Agencies are already using online payments through solutions developed in collaboration with the Trinidad and Tobago IFC and TSTT; for example payment of rents and mortgage payments to the Housing Development Corporation.

Passport services:
After years of having to spend the day at the passport office, through digitalization the Immigration Division has been facilitating the application for and renewal of passports through an easy online application system with an iGovTT e-appointment system with passports delivered through TTPost within a 3-week turnaround time and there is an option for expedited processing within 5 days at an additional cost.

National Financial Inclusion Roadmap:
The speed to convert to a digital economy is slowed by the need or perceived need for cash which remains an important means of making payments for many. To change this the Minister stated that the government is developing a National Financial Inclusion Roadmap to alleviate the challenges and barriers currently faced by the financially excluded. Training is being rolled out for 10,000 citizens, including senior citizens, with digital skills as part of the technology-driven agenda.

Other measures:
Other measures from a technology standpoint include 2,400 fit-for-purpose laptops to be made available to students and associated staff through the network of 94 secondary schools. This digital ecosystem will offer online platforms and services for teachers and students to respond effectively to the changing needs of an increasingly digital society.

Conclusion:
Progress on the digital front may add some challenges, such as a disruption to the traditional economy and jobs, as well as the country's ability to continually finance the large amount of funds needed to sustain these developments.

Digital transformation also ties in with the Ease of Doing Business in T&T and supports the non-energy exporters' drive to secure and expand export markets with TTBiz Link. The ongoing digitalization of processes should reduce the cost of business by allowing them to make online payments and directly download their applications and approved documents.

In fiscal year 2024, the government states it will launch 14 new e-services on the platform.

Proposed Fiscal Measures

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Proposed Fiscal Measures

All amounts are in TT$ unless otherwise stated

Export Sales of Manufacturing Companies: Business Levy Charge	
Proposal	The Honorable Minister noted that export sales facilitate international trade and stimulate domestic economic activity by creating employment, production and revenues. In this highly globalized and competitive environment within which businesses operate, he proposes to exempt from business levy, manufacturing companies whose gross receipts fall within the 30% tax bracket from business levy charges regarding only export sales. This measure aims to create a competitive advantage for local manufacturing businesses to engage in exports.
KPMG's view	This initiative demonstrates the government's continued support of the local manufacturing sector that engages in export sales by assisting to create a competitive advantage in the form of a relief from business levy. Further, increased export sales should increase the inflow of foreign exchange into T&T, which should aid in alleviating foreign exchange shortages. We will need to review the legislation to ascertain how this exemption would work and whether there would be any restrictions for exports in the region.
Who are affected	Local manufacturing companies with export sales.
Timing	Effective January 01, 2024

Exempt Income: Expenditure Earned	
Proposal	The Honorable Minister has recognized over the years, there has been legislative ambiguity concerning the treatment of expenditures claimed against exempt income. He stated that from a tax administration perspective, since the income is exempt from taxation, any expenditure incurred in earning such income should not be allowed as a deduction since it reduces the tax on the non-exempt income. He proposes to amend the tax legislation to address this issue by disallowing expenditures incurred in earning exempt income, subject to specific provisions of the tax law stating otherwise. This initiative will protect the tax base in Trinidad and Tobago, harmonize the law, and align us with standard practice in jurisdictions worldwide. This measure is anticipated to yield approximately $75 million in tax revenues.
KPMG's view	In some jurisdictions in the region, there are specific provisions in their taxing legislation to disallow all expenses incurred in earning exempt income. There is no such provision in T&T tax legislation. Generally, all outgoings and expenses wholly and exclusively incurred during the year of income in the production of income are deductible for tax purposes. The proposed change will now render expenses incurred in the production of exempt income as non-deductible. We understand the rational for this but will have to await the legislation to ascertain what would be the treatment of expenses that are not wholly and exclusively related to the tax-exempt income and whether there will be provision in such cases for a pro-rating of the expenses.
Who are affected	Taxpayers in receipt of tax-exempt income.
Timing	Effective January 01, 2024

Proposed Fiscal Measures (cont'd)

Supplemental Petroleum Tax (SPT)	
Proposal	To increase the Sustainability incentive from 20% to 25% for any mature or small marine oilfields and to introduce a new threshold of TT$75 per barrel for SPT for small shallow water producers.
KPMG's view	The sustainability incentive, hitherto being a 20% discount on the SPT rate has increased to 25% concerning all small as well as mature marine oilfields, as certified by the Ministry of Energy and Energy Industries. Subsequent to the introduction of a tiered SPT system, a new threshold is now being proposed for shallow-water marine operators. In cases where the weighted average crude oil price is US$75 per barrel or less, the applicable SPT rate for small shallow water producers would be 0%. This proposed measure continues to incentivize and stimulate hydrocarbon production specifically for small and mature marine oil producers. However, further adjustments are still required in the future to encourage smaller producers with limited profit margins.
Who are affected	Mature and small marine oilfield producers
Timing	Effective January 01, 2024

Investment tax allowance: Cybersecurity	
Proposal	With the rapid advancement of technology and the growth of the digital economy, the increasing threat of cyber-attacks means that more secure and concerted efforts are required to protect sensitive information from being penetrated. To aid in reducing this risk, the Minister is proposing to introduce a Cybersecurity Investment Tax Allowance of up to $500,000 for companies that incur expenditure in respect of investments in cybersecurity software and network security monitoring equipment. To qualify for this allowance, the expenditure must be certified by iGovTT.
KPMG's view	This proposal should act as an incentive for companies to invest to secure their data against the threats from cyber-attacks. We will have to await the legislation to ascertain whether the Company can also claim the deduction for the expenditure incurred particularly the value of the investment over and above $500,000 – this should be considered in the provisions for this tax allowance. It is hoped that there will be no ambiguity in qualifying investments of software and equipment and that the process for approval at iGovTT will be timely and well-defined. This proposal creates an opportunity for tech-savvy entrepreneurs to build their businesses, and would reduce the net cost of the expenditure. We are uncertain as to why the limitation for the investment must be within 2 years ending December 31, 2025.
Who are affected	Tech-savvy entrepreneurs
Timing	January 1, 2024 to December 31, 2025

Proposed Fiscal Measures (cont'd)

Tourism Accommodation Upgrade Project: Small hotels	
Proposal	Extension of the Tourism Upgrade Project incentive by 3 years, which was due to expire on September 30, 2023. This facility provides a reimbursable grant to eligible tourism accommodation facilities.
KPMG's view	This is a tourism incentive project to provide a partial reimbursement grant to eligible tourism accommodation properties in T&T for upgrade work. Possibly as a result of the pandemic which shut down the tourism sector during the initial incentive period, the Honorable Minister sought, and rightfully so, to extend the grant. This should be a most welcomed initiative for qualifying tourism accommodation properties to now upgrade their property, especially after the pandemic shut-down and resultant lack of private funding to undertake upgrades of their facilities.
Who are affected	Qualifying hotels and guesthouses, visitors, and contractors
Timing	Effective November 1, 2023 for 3 years

Public and private schools: corporate sponsorship	
Proposal	Education plays a vital role in enhancing the progress and growth of society and is a powerful tool to make the world a better place. In this context, the Honorable Minister has proposed to introduce a 150% tax allowance of up to $500,000 on corporate sponsorship to public and private schools registered with the Ministry of Education. It is envisioned that this measure will encourage the enhancement of these schools to ensure access to and delivery of education are promoted.
KPMG's view	Excellent initiative which will eliminate the need to get a Deed of Covenant in favor of the educational institution which is currently provided for in the Income Tax Act. The incentive also includes the uplift to 150% of the sponsorship. It remains to be seen if this uplifted allowance will be made available to individuals as well. This incentive requires amendments to the tax legislation, which we must await to see if there are any specifics to qualify for the allowance.
Who are affected	All schools that usually have fundraising activities
Timing	Effective January 01, 2024

Proposed Fiscal Measures (cont'd)

Tax-exemption of lump sum payment of TT$4,000 to specified retirees	
Proposal	The Minister indicated that the unions listed below have accepted an offer made by the government regarding a one-time lump sum payment of TT$4,000 to individuals who retired under compulsory grounds, voluntarily with permission, or due to ill health, from the years 2014 to 2016: • Trinidad and Tobago Fire Service Association (First Division) • The Fire Services Association of Trinidad and Tobago (Second Division) • Trinidad and Tobago Prison Service First Division Officers Association • Prison Officers' Association of Trinidad and Tobago Second Division • Trinidad and Tobago Police Service Social and Welfare Association • Amalgamated Workers' Union • Trinidad and Tobago Defence Force Pay Review Committee in respect of their full-time monthly paid members • Trinidad and Tobago Unified Teachers Association The Minister stated that, as a gesture of goodwill, the full amounts of the aforesaid payments of TT$4,000 will be deemed to be tax-exempt.
KPMG's view	This measure aims to ease the burden of taxation on a lumpsum for retirees. This initiative is therefore a fully welcomed benefit and would be greatly beneficial to those individuals.
Who are affected	Individuals who retired under compulsory grounds, voluntarily with permission, or due to ill health, from the years 2014 to 2016 for specified government agencies.
Timing	Not stated by the Minister

Minimum wage	
Proposal	The Honorable Minister proposed to increase the minimum wage by 17% or $3.00 per hour, from $17.50 to $20.50 per hour.
KPMG's view	The last increase in the minimum wage was in December 2019 from $15 to $17.50 per hour. This proposed increase, though small, will be welcomed by low-income earners who are grappling with inflation, especially on basic food items. This, together with the assistance with school uniforms and books, will enhance their purchasing power. The downside is the cost to employers which may simply be passed onto the consumers.
Who are affected	This measure will benefit approximately 190,000 persons in the workforce and negatively impact employers, as a result of the increases in their salary costs.
Timing	Effective January 01, 2024

Industry experts comments

“ Have your say ”

We asked two top industry leaders in Trinidad & Tobago to share their thoughts on the areas that were addressed in this year’s budget. Hereunder are their comments:

Finance Director, Retail Industry

“Delighted to observe a consistent tax landscape. The eventual introduction of property taxes on commercial properties could potentially trigger rent hikes by landlords – upside is the tenant will get a deduction for this increased cost but it ultimately represents a cash outflow. Notable, however, is the absence of measures aimed at stimulating economic growth, save for the anticipated increase in consumer spending due to the December backpay payments. I wholeheartedly endorse the TTRA, as it embodies fairness by ensuring equitable contributions by all. While the minimum wage adjustment may marginally affect wage expenses, it is anticipated to boost overall purchasing power.”

Financial Advisor, Oil and Gas Industry

“The tax break on companies for the sponsorship of schools is very much a step in the right direction. This has given a mutually beneficial opportunity as the taxpayer now has a deduction and our education system can only be improved.”

“Agriculture should have been allotted a larger portion of the budget due to its direct relation to the theme of the budget – sustainability. I believe this is a critical element of investment required for the nation to flourish.”

“I believe that wholistically the budget has favored the small and medium sized enterprises, which will give more encouragement for the SME’s to invest more.”

Other budget comments

- Trinidad and Tobago's Revenue Authority
- Transfer pricing
- Trinidad and Tobago's property tax

Trinidad and Tobago Revenue Authority

Given the priority is to continue to build on recovery given the high global energy prices, revenue mobilization can be further enhanced by securing the operationalization of the Revenue Authority which the Minister reminded us was conceptualized two decades ago.

In February 2023, the Honorable Minister of Finance delivered the 3-year Strategic Plan for the Trinidad and Tobago Revenue Authority (TTRA) for the period 2023 to 2025 with Year 1 being to Integrate and Retain; Year 2 to Transition and Year 3 to Transform and Grow.

It is hoped that with a much more policy-oriented body, the focus will now be on maximizing revenue mobilization such that the TTRA will significantly reduce the current estimated tax gap of up to $10 billion – the tax gap being the difference between the estimated tax liability in any given period and the amount of tax paid on time.

Transfer pricing

In a nutshell, Transfer Pricing is the price at which related parties transact with each other. Related companies can therefore use (or misuse) this practice to alter their taxable income and reduce their overall taxes by shifting tax liabilities to low-cost tax jurisdictions.

Between 2010 and 2018, Trinidad and Tobago lost out on over US$7 billion in tax revenue from multinational oil companies operating in the country – this estimate coming from an Economic Commission for Latin America and the Caribbean (ECLAC) report. ECLAC further commented that T&T could have capitalized on these tax revenues if the country had transfer pricing legislation.

The Honorable Minister in his budget statement affirmed that a comprehensive Transfer Pricing regime is essential to protecting our tax base. His Ministry has engaged the CAF Development Bank and the InterAmerican Centre of Tax Administration (CIAT) to advance a policy framework for appropriate legislative action.

The project aims to strengthen the efficiency of our tax administration system by promoting tax transparency and avoiding taxable profits shifting out of the country to other jurisdictions. The project is estimated to be completed within 24 months.

Property tax

The Honorable Minister of Finance stated in his budget speech "I wish to advise that the collection of property taxes will be effective in the financial year 2024".

The Minister did not specifically mention the collection of property tax on other types of properties, that is commercial, industrial, and agricultural lands. It therefore seems that property tax will only be collected on Residential Properties, in 2024.

Property tax is imposed on the 'annual taxable value', which equates to the 'annual rental value' (as determined by the Commissioner of Valuations) less ten percent (10%) in respect of deductions and allowances. Thereafter the rate of property tax on *residential* property of 3% is applied.

Example computations of the Property Tax:

Annual Rental Value (per month)	**$ 10,000**	**$ 5,000**	**$ 2,500**
Annual Rental Value (annual)	**$ 120,000**	**$ 60,000**	**$ 30,000**
Annual Taxable Value, net of 10% deduction	**$ 108,000**	**$ 54,000**	**$ 27,000**
Annual Property tax at 3%	**$ 3,240**	**$ 1,620**	**$ 810**

Based on the Honorable Minister's budget statement, the Inland Revenue Division will, "set in motion the procedural framework for collecting residential property taxes in the first instance". He also stated that "upon proclamation and operationalization of the relevant sections of the local government legislation, residential taxes will be collected by the 2 cities, 5 boroughs and 7 corporations to benefit our citizens within the 14 municipalities."

According to the Property Tax Act, the Assessments must be served by March 31 and payment of the tax should be paid on or before September 15 of each year.

In the draft estimates of revenue for the Financial Year 2024, $150,000,000 was estimated to be collected for Property Tax.

It is unclear if collection of the tax will be done by the Inland Revenue Division (i.e., the Board of Inland Revenue) or individual municipal corporations. Tobago was not directly addressed by the Minister, regarding the collection of property tax on residential properties.

Finally, the Honorable Minister took the opportunity to remind property owners that if a citizen cannot afford the Tax due to hardship or if they are pensioners, on public assistance or disability grants then they can apply to the Board of Inland Revenue for a deferral of the Property Tax.

Quick tax facts about Guyana

Guyana's Petroleum Activities Act

In August 2023, Guyana's parliament passed the Petroleum Activities Act. This replaces the 37-year-old Petroleum (Exploration & Production) Act and represents a reformed legal governance framework for Guyana's petroleum sector.

The Petroleum Activities Act together with the finalized Production Sharing Agreement (PSA) were the two preconditions that the Guyanese Government set themselves before concluding the presently ongoing bid round which would give enough time to the potential bidders to submit their bids.

The new Act dovetails with a soon-to-be-finalized 2022 bid round for 14 offshore blocks. The new Act and model PSAs underpinning the 2022 bid round are reported to feature a royalty at a rate of 10%. This is an increase from the 2% granted to Exxon for the Stabroek Block. As compared with the Stabroek Block, the 75% cost recovery threshold will be lowered to 65%. The share of profits, after cost recovery, will remain 50/50 between the government and the contractor. Also, a corporate tax of 10% will be instituted, where there was none before.

Of the 14 blocks in the 2022 bid round, 11 will be situated in shallow water, and three in ultra-deep-water acreage.

Guyana: Quick Tax Facts

The corporation tax rate applicable to a company engaged in Commercial Activity is 40% of net profits. Where the amount of corporation tax falls below 2% of turnover, a 2% minimum turnover tax may apply.

In this regard, a Commercial Activity is defined as an activity carried out by a company trading in goods not manufactured by it, and includes an activity of a commission agency, a telecommunications company, a body corporate licensed to carry on banking business in Guyana, and an insurance company carrying on in Guyanese insurance business, other than long-term insurance."

For companies not engaged in a Commercial Activity (as defined above), the rate of corporation tax is 25% and a minimum turnover tax would not apply.

Typically, expenses wholly and exclusively incurred in the production of income and certain specified expenses are tax-deductible. Payments of corporation tax are due in quarterly installments falling on 15 March, 15 June, 15 September, and 15 December, during the income year. The annual corporation tax return is to be filed by 30 April of the year following the income year and any balance of corporation tax is to be paid by that date.

The standard rate of withholding tax on payments and distributions is 20%. Guyana is a party to double taxation agreements with Caricom, Canada and the United Kingdom.

The standard rate of Value Added Tax is 14%.

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Trending: The view from 2033

Extract from former Global Head of Infrastructure
KPMG in Canada

"Dear mid-2020s reader:

We come to you from 2033 with a message of great hope, but also with warnings of great risks. The path from where you are in 2023 to where you will be in 2033 will — at times — be terrifying. Yet, with the right choices, it will also be extraordinarily rewarding.

The world of 2033 is much changed and from here, we can't recall the last time we touched a keyboard, smelled the noxious fumes of petrol, or physically entered a government office. But in other ways, change has been painfully slow. Even with all the innovation of the past 10 years, we still don't have a practical and achievable path to our Net Zero goals.

We understand that **profit, planet, prosperity, and equality are NOT mutually exclusive**."

KPMG's global infrastructure leaders used their experience and insight to put themselves in the year 2033 from an Innovation and Sustainable Perspective – and this is what they saw:-

Innovation:
The world in 2033 will likely not be the jetpack lifestyle that we may have anticipated in 2023. As is always the case with technology innovation, change may occur in incrementally innovative steps rather than through 'big bang' inventions. In many ways, the world in 2033 looks a lot like it does today. People still work, they still drive on roads and they still need electricity. By 2033, innovation is tightly aligned to a small number of very important priorities such as climate adaptation and delivery of the Sustainable Delivery Goals (SDGs).

Sustainable development:
The pandemic sharpened minds and broadened the Sustainable Development agenda - We hoped the sudden drop in productivity globally would allow people, governments, and companies to envision a low-carbon world. KPMG noted that investors were starting to draw clear lines around how the ESG agenda would influence capital flows and we warned companies with poor ESG performance that they would start to see their financing at risk.

In 2033, we may be in the process of pulling ourselves back from the cliff edge. While certain targets will have been missed, the world will likely be rapidly adapting — and embracing — a more regenerative, sustainable, and equitable future.

Two things will likely come together around 2025. The first will be the stark realization in the West that we have already blown the 1.5-degree limit set in the Paris Agreements.

Trending: The view from 2033 (cont'd)

The second thing that will happen is that the world (academics, regulators, and governments in particular) will get much better at calculating the true value and benefits of their investments as well as the financial and carbon-related costs

As mindsets shift, it will become blindingly obvious that **profit, people, and planet can exist together simultaneously**. Decision-making will be based on more than just financial data; environmental and social impact data will be readily available and understandable. With value clearly defined and measurable, investors and owners will start committing serious investments to meet their sustainability goals.

Instead of thinking in terms of a carbon economy based on scarcity, we will start thinking in terms of a renewable economy based on abundance, e.g. shifting away from oil (a scarce resource that is priced according to scarcity) to solar and wind (abundant resources that are essentially free), will suddenly become an obvious choice.

In the medium term, academia, policy leaders, and governments will take the lead by encouraging a Whole Systems Approach that considers biodiversity, resilience and adaptation, carbon and the environment, and social value at all stages of decision-making and reporting. They will provide clear guidance and policies around their expectations and goals for a sustainable transformation. They will set the groundwork for the private sector to invest.

While progress will start slow — as is often the case with evolutionary changes — it will quickly pick up speed. By 2030, we will have a better understanding of our role in the planet's diverse and complex systems and a more plausible path to Net Zero by 2050.

Sadly, we will have already broken our 1.5-degree temperature rise limit. We may not have solved the green concrete or green hydrogen riddles, but we will be putting lots of investment into R&D and the commercialization of new ideas. Simply put, we won't be where we want to be. But we will finally be on the right path. **The mindset shift should have taken hold.**

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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**
- **ESG strategy**
- **Transform your business**
- **Measure and report**

We've designed our services to put ES- where it should be.

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**

For more information on how KPMG in Caricom can assist you and your business, please contact our team

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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 265,000 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.

Our Firm

Practising in,

12 countries

- Anguilla
- Antigua and Barbuda
- Barbados
- Dominica
- Grenada
- Guyana
- Jamaica
- Montserrat
- Saint Lucia
- St. Kitts and Nevis
- St. Vincent and the Grenadines
- Trinidad and Tobago

Offices in,

5 physical offices

- Barbados
- Jamaica (2)
- Trinidad and Tobago
- Saint Lucia

Celebrating,

100+ years

of service

Our people

45

Partners and Directors

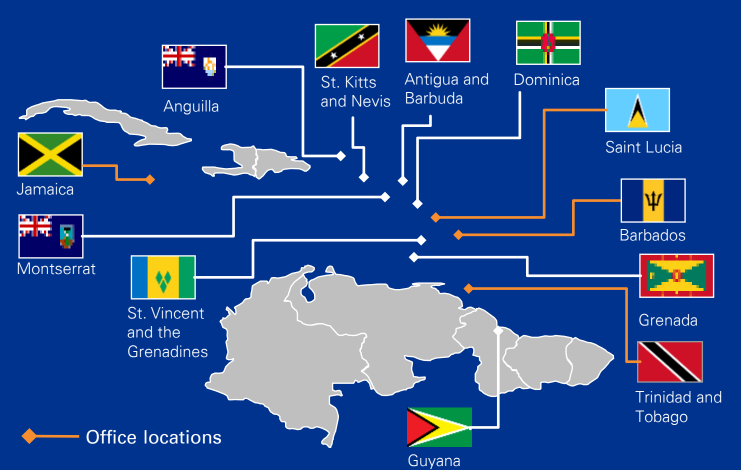
70% | 30%

Gender split (F | M)

1,200+

Professionals

Our member firms



KPMG in Caricom

Audit and Assurance

- Statutory audit
- Non-statutory audit
- Assurance

Tax

- Tax advisory
- Personal and corporate tax
- International tax
- M&A tax
- Transfer pricing
- Tax due diligence

Management Consulting

- Customer and operations
- IT advisory
- People and change
- Internal audit risk and compliance
- Accounting advisory
- Cyber Security Services

Risk Consulting

- Financial risk management
- Internal audit and risk consulting
- Accounting advisory services

Deal Advisory

- Corporate finance
- Infrastructure
- Valuation services
- Transaction services
- Restructuring

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Disclaimer

Thank You

Disclaimer

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