2022 Budget Commentary

"Resilience in the Face of a Global Pandemic"

October 04, 2021

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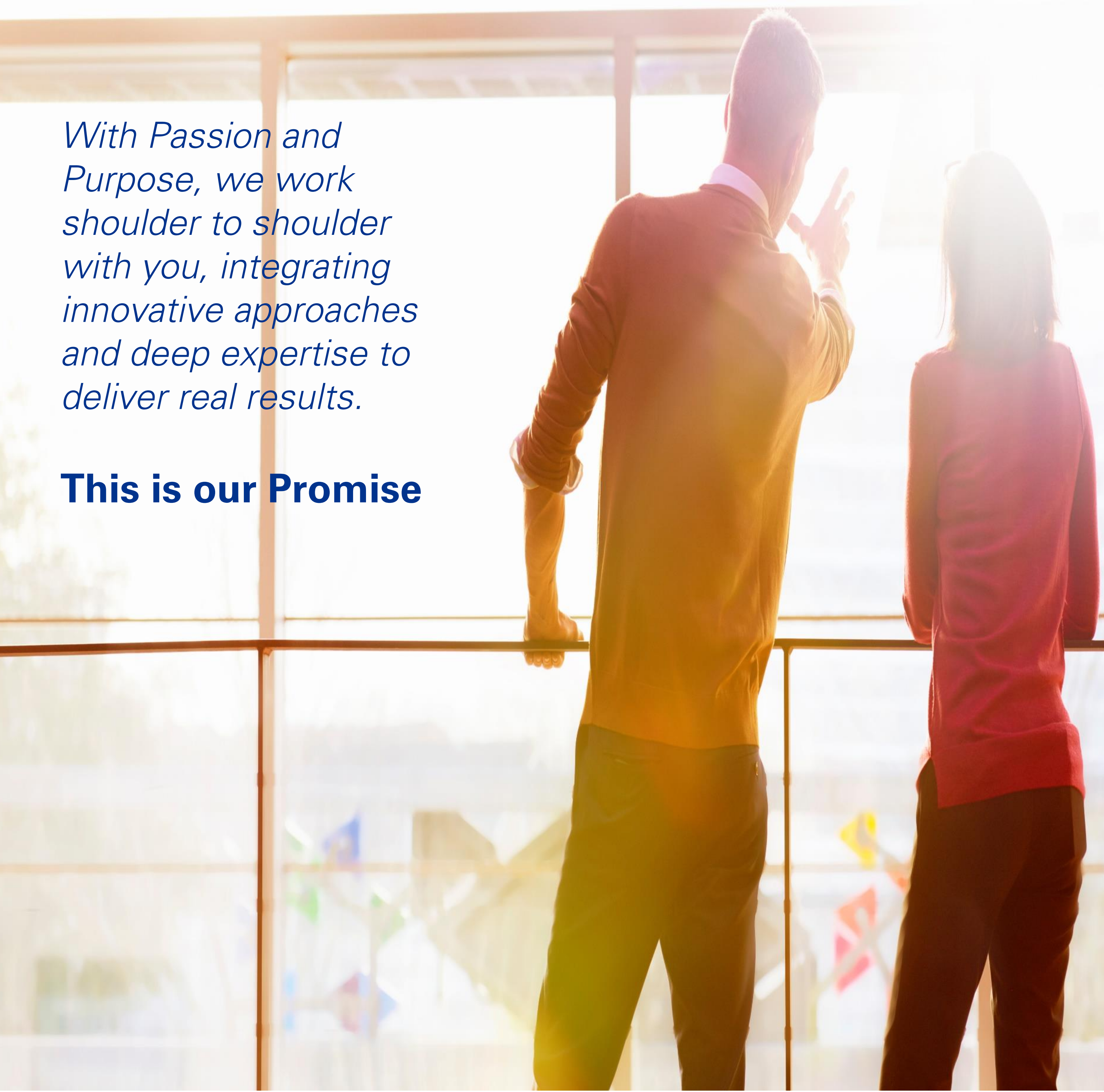

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Managing Partner's Message

Dushyant Sookram
Managing Partner
KPMG in Trinidad and Tobago

The last two years have certainly been some of the most challenging for the global economy as a result of the global pandemic.

As we learn to live with the Novel Coronavirus however, the Global economy is projected to grow by 6% by end of this year and 5 % in 2022, after a 3.3 % contraction in 2020. Growth is expected to be positively correlated to climbing vaccination rates as many countries are expected to approach herd immunity.

This is a critical ingredient in returning to some form of normalcy.

In 2020, there was a significant contraction in the Trinidad and Tobago (T&T) economy like most Caribbean territories as governments closed their borders, instituted curfews, and restricted the operations of non-essential businesses.

The economic contagion which ensued included the following:

- Increased unemployment and loss of livelihood.
- Fall in tax revenues for the government and increased expenditure.
- Unprecedented pressure on the healthcare systems and increasing demand for government to provide safety nets for the most vulnerable.

The economic knock-on effect continued into 2021 as attempts by the government to reopen the economy and borders were thwarted by surges in COVID infections and the community spread of variants of the virus.

This, taken in the context of the government's challenges to access vaccines for the nation, imploring that the citizenry to take advantage of limited vaccines accessed, while countering conspiracy theories against vaccination—surely was an unenviable feat.

Nonetheless with the introduction of vaccine drives in T&T and the Caribbean, the Caribbean Development Bank projected growth in the region of 3.8 % in 2021.

From a T&T perspective, the economy went into recession with an initial contraction of approximately 9% in 2020 as a result of the closure of borders and non-essential businesses. Preliminary estimates suggest that the economy will remain in recession in 2021 as actual figures for the first quarter show a 7.7% contraction when compared to 2021.

Small businesses in particular have felt and are continuing to feel the full brunt of the pandemic—experiencing catastrophic financial losses resulting in permanent closure and leaving a significant portion of the working class unemployed.

Meanwhile, the fiscal deficit increased to 11% of GDP in 2020 from 2.6% of GDP in 2019 and is expected to fall to 5.6% of GDP by the end of the fiscal year 2021— as the government attempts to close the fiscal gap by cutting expenditure.

Managing Partner's Message (cont'd)

In the third quarter of 2021, the government was able to access more vaccines to facilitate a more aggressive vaccination program to achieve herd immunity. Simultaneously, there were efforts to reboot the economy by lifting restrictions on a phased basis. These included — restricted cross border travelling (albeit with strict protocols in place) to the re-opening of businesses and shortening of curfew hours.

In the weeks to come, further relaxation in social restrictions are promised once citizens continue to exhibit responsible behaviours and the COVID numbers continue to be effectively managed.

And though the economy remains in the proverbial *woods*—it is fair to say that the government is continuing to instil some sense of hope to the wider citizenry.

Notably, while the wounds of the pandemic remain fresh, we are now to adopt a new normal living with the virus—it is imperative that we understand the landscape under which corporations must now operate and opportunities that abound.

Key Opportunities:

- If there's anything this pandemic has shown corporations one of the most critical lessons Is the need to have robust IT systems. Many of us were forced to adapt to working from home/remotely while endeavouring to maintaining production output. It is fair to say that even as we return to *normalcy,* traditional ways of work may never be the same. What we are likely to see is a hybrid blend of virtual working and in office attendance. This has created a greater push and focus on digitization for companies and is an opportunity to be explored.

- In keeping with the government's Vision 2030 which focuses on diversity and creating a sustainable environment—we are seeing a big push towards alternative energy by the government. This is evidenced by the Government's Solar Farm projects with the super majors. which would be the largest solar energy projects in the Caribbean in terms of scale.
  As countries commit to meeting global decarbonization targets by 2050, there are long term opportunities for companies in the alternative energy space. Adaptability and agility will be key to surviving and thriving in the future and the time for companies to avail themselves of these opportunities should be sooner rather than later.

- There is always opportunity in Tourism, however, careful planning will be required in developing a value proposition to complement T&T's current service offerings in the context of competing with other island economies. Corporate tourism is often an undervalued tenet of tourism in T&T. Making T&T the Caribbean hub for corporate tourism is something to be considered.

- Tourism whether social or corporate will induce new opportunities for construction, employment, and expansion of local demand.

Key Threats:

- More virulent mutations of the virus could force the country to reset once again and push the economy further into recession.

- As alluded by the Honourable Minister of Finance we anticipate increased fuel cost, which in turn will result in increased production cost, and cause widespread inflation both in commodity prices and transportation cost as government regularises the fuel market.

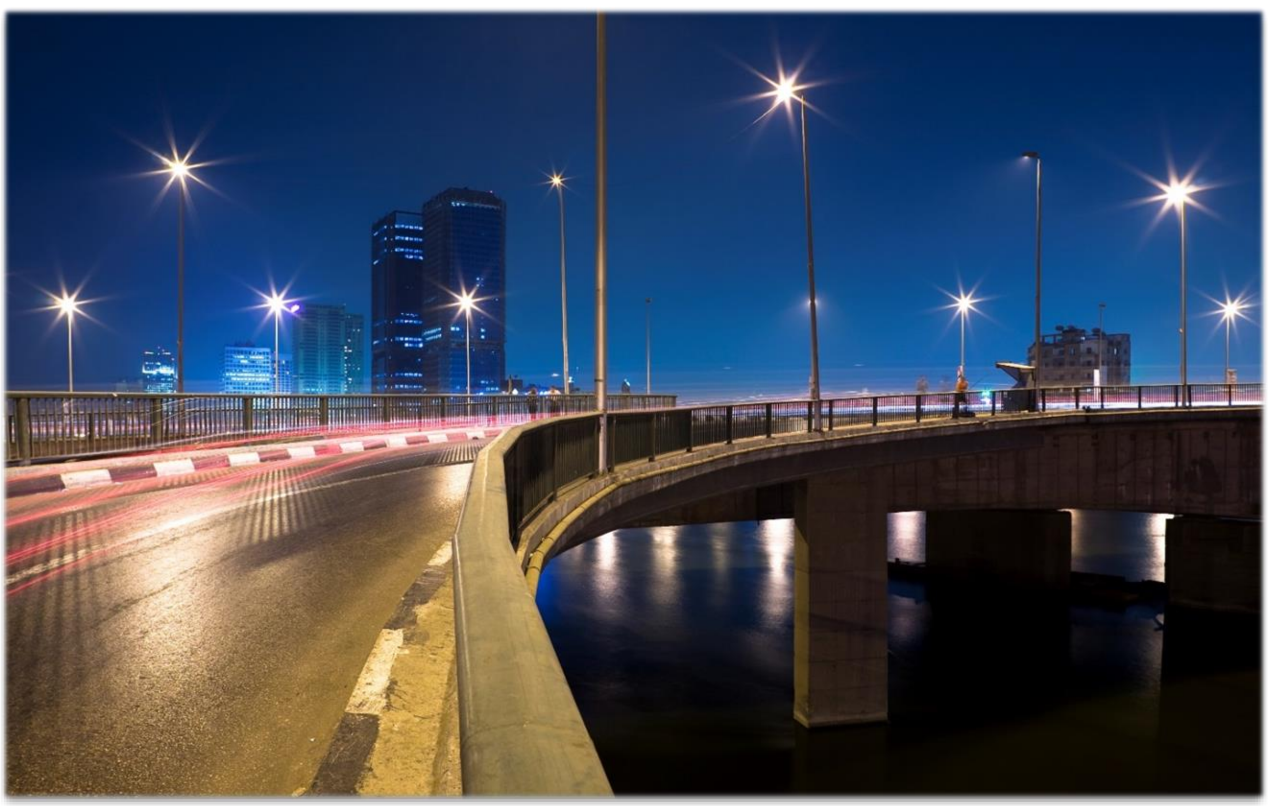
- As the government borrows to fund its fiscal deficit, we may also see increased interest rates being imposed by financial institutions. However, as the demand for credit to fund the reopening of businesses by the private sector, there may be an overshadowing of focus on government borrowing.

Managing Partner's Message (cont'd)

The 2022 budget seems to communicate the fact that T&T has come to terms that it cannot rely on oil revenue as it did historically. The motion for the diversification of the economy continues to be high on the budget agenda every year without much crystallisation into reality. The government continues to explore opportunities in digitalization and research and development space which is a welcomed position at this time. Further, the government's commitment as an enabler to diversification, is expressed in investments in education and health. These investments, coupled with law and order, in our view represents the key pillars of a modern economy.

The future is fraught with uncertainties but fertile with opportunities. The collective attitudes and responses of our people to the opportunities and threats are what will ultimately make the difference of the post pandemic trajectory of our fortunes and that of our twin island Republic of Trinidad and Tobago.

Dushyant Sookram
Managing Partner



KPMG

Economic Snapshot 2022

Revenue

Projected to be TT **$43.333 billion** derived from: Oil revenue of $12.614 billion
Non-oil revenue of $29.712 billion
Capital revenue of $1.006 billion

Expenditure

Projected to be **TT $52.429 billion**

Budget deficit

Projected to be TT
$9.096 billion

Economics

Budgeted oil price of **US $65.00** per barrel
Natural gas price of **US$3.75** per MMBtu

Debt Ratio

The general government debt ratio is currently 84.8% as at September 2021. This is projected to rise to **87.2%** in 2022

Reserves

Total of US$16.4 billion comprised of:

- Net official reserves of US$7.1B 8.7 months of import availability at Aug 2021
- Heritage and Stabilization Fund of US$5.6B as at Sept 10, 2021
- US$3.7B at Commercial Banks

Property Tax

The mandatory submission of returns by property owners, occupiers, and agents commenced on September 6, 2021. The deadline for the submission of these returns is **November 30, 2021.**

Credit Ratings

- **Ba1** rating affirmed by Moody's
- BBB rating affirmed by **S&P**

Economic Snapshot 2022 (cont'd)

Manufacturing

- Focus on improving the ease of doing business
- Improving **access** to finance and **foreign exchange**
- Timely release of VAT refunds
- Recapitalization of the EXIM bank
- Introduction of Catalytic Fund to generate increased exports and earn more FOREX
- **TT $50million** in professional services and to support to SMEs

TTRA vs BIR

- IMF Assessment of BIR
  - Two A ratings
  - One B rating
  - 7C ratings
  - 18D ratings
- VAT gap of around **5% of GDP** or TT **$8B**
- Amnesty generated TT **$1B**

Fiscal Allocations

- Education and Training TT **$6.886 billion**
- Health TT $**6.395 billion**
- National Security TT $**5.664 billion**
- Works and Transport TT **$3.577 billion**
- Public Utilities TT $**2.671 billion**
- Rural Development and Local Government TT **$1.656 billion**
- Agriculture **TT $1.249 billion**
- Housing TT **$0.610 billion**

Special Economic Zones

A Special Economic Zones Authority will be designed to regulate designated Special Economic Zones. This authority will:

- Develop the modern infrastructure required to **attract foreign direct investment** and stimulate domestic investment
- Promote economic development in local communities and advance further diversification of the economy
- Tech Investment Fund and Tech Promotions and Development Company to be established

Economic Snapshot 2022 (cont'd)

Tobago

- **TT $50 million** for Tobago Hotel and Tourism support program
- **TT $30 million** into Farmland Development
- **TT $20million** for the development of green spaces
- Allocation of **TT $2.357B** representing **$4.5%** of the National Budget

Trade and Investment

- The enhancement of trade and foreign direct investment through the merger of InvesTT & ExporTT for increased efficiencies and coordination.
- The newly established Trade and Investment Promotion Agency will reduce duplication of work bringing the country closer to attaining its **economic diversification** goals.

Energy

- Agreement with Shell will lead to enhanced revenues of **US $945 million** over the period 2018 – 2027
- Agreement with bpTT projected rise in natural gas production to **3.37** billion standard cubic feet.
- Renewable Energy will be incorporated into the local energy supply grid.
- The construction of two Photo Voltaic plants through build-own-operate schemes to commence in 2022.
- **9** exploration wells drilled by BHP in 9 deep-water blocks

Energy (cont'd)

- Shell exploration expected to produce **250M** standard cubic feet per day at Colibri in 2022
- Touchstone has drilled 2 exploration wells with discoveries in both
- DeNovo expected to produce 30M standard cubic feet of gas from Zandolie Field in 2022
- EOG to expand projection by **100M** standard cubic feet per day over period 2022-2025
- Natural gas production to rise to 3.37billion standard cubic feet in 2022
- Oil production to increase to 86,000 barrels per day in 2022
- Review of the oil and gas tax regime to ensure T&T is competitive

Economic Snapshot 2022 (cont'd)

Tourism

- **Modernization** and Upgrade to Major Tourist sites.
- Update to Cultural performance and heritage spaces.
- **Expansion** in our hotel room stock to include several hoteliers such as: The Brix by Marriot, Comfort Inn and Suites, Prestige Hotels Limited, Financial Complex Suites Limited and Superior Hotels Limited.

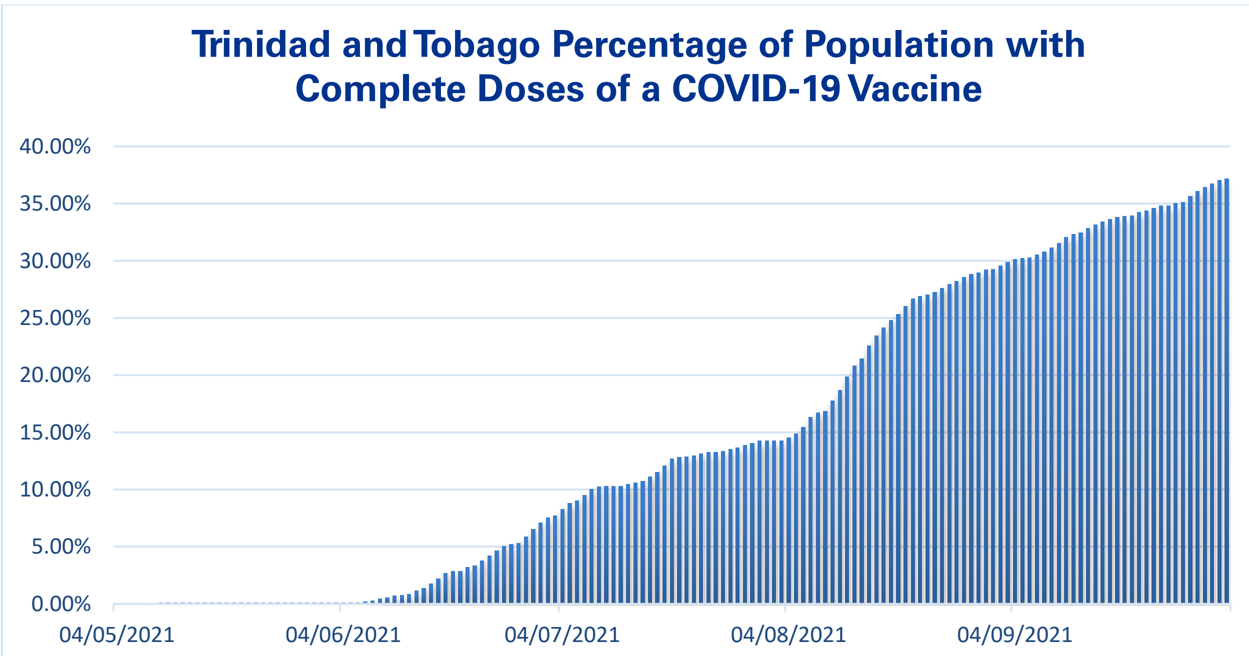
Digital Society

- TT Wi-Fi – free broadband access in areas such as Transport hubs, hospitals, libraries and schools.
- **10,000** persons will be provided with digital skills training followed by another 2,000 under an arrangement with the Microsoft Philanthropic Group
- Broadband service will be provided to underserved communities.
- Transforming the telecommunications sector to enhance its contribution to GDP from 4% percent to **8%**

Economic Overview

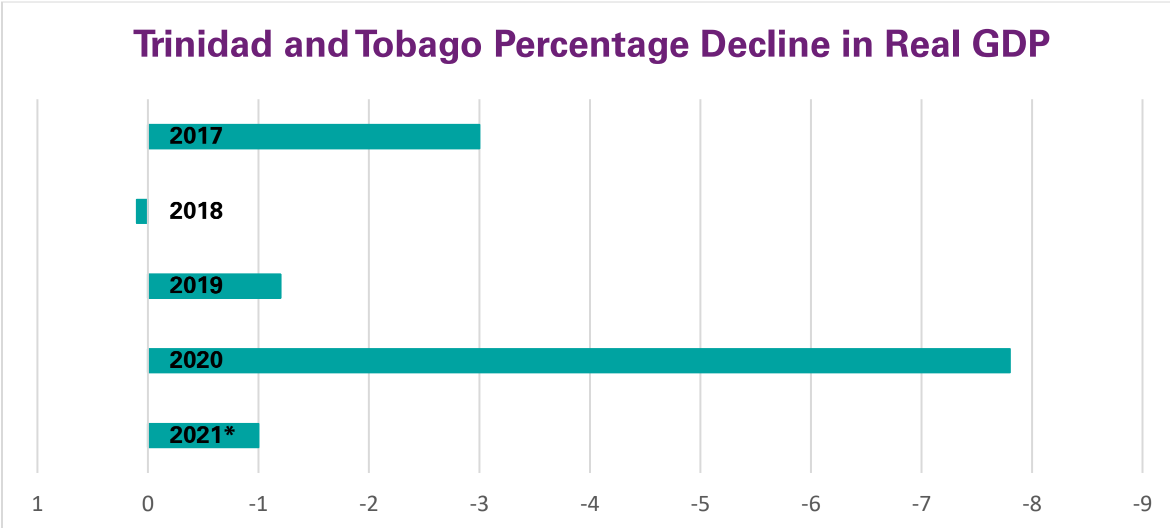
Economic Overview

The Honourable Minister Colm Imbert in his budget statement for fiscal year 2022, attempted to employ his fiscal weapons against a war set in a "Delta Economy". It is characterized by frustrated global supply chains and ballooning transportation costs, which have led to increases in the prices of various goods including food. These trends speak to the everchanging dynamic in consumption patterns of the COVID-19 pandemic and the impact of the emergence of more contagious variants. In the spirit of the presentation's theme of "Resilience in the Face of a Global Pandemic", the Honourable Minister seemed to dismiss the economic threats posed by global supply chains as a transitory phenomenon.

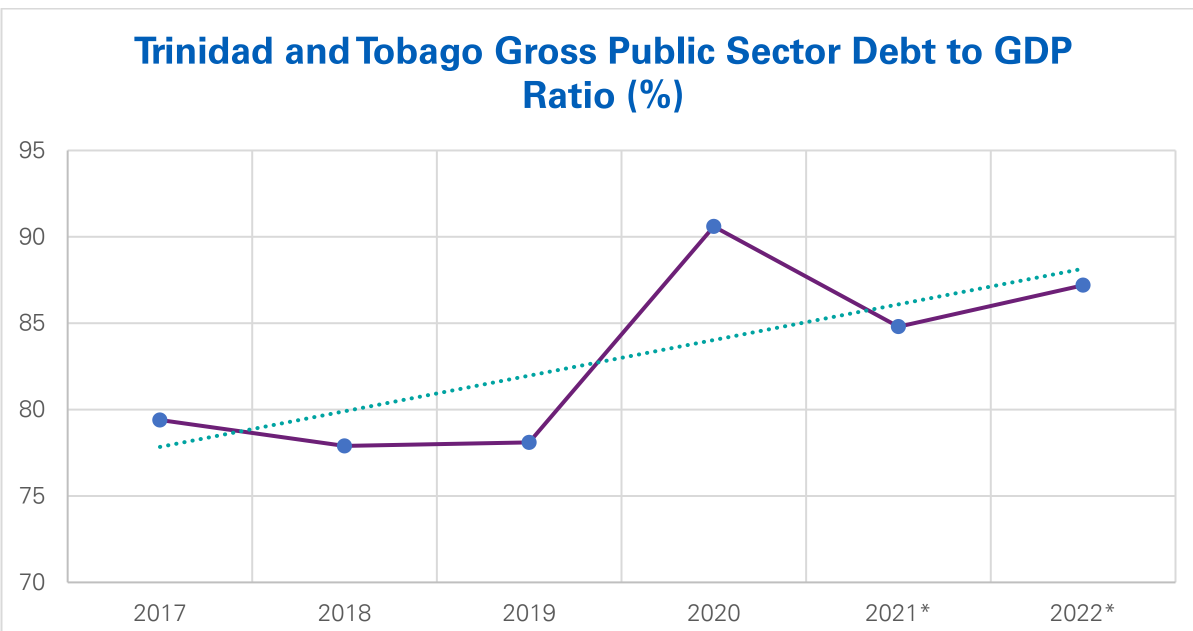


It can be argued that the economy stands slightly stronger compared to the previous year's budget, albeit on fragile ground. Energy prices are on the upswing with an oil and natural gas price forecast of US $65 per barrel and US $3.75/MMBtu, respectively. COVID-19 vaccines have been acquired and the economy is on the cusp of once again reopening with an aim to "live with the virus". Maintaining the rate of COVID-19 vaccine uptake will inform the health and economic performance simultaneously as the vaccine becomes the ticket to economic participation under the TT Safe Zone initiative. Declining death rates, anticipated as we inch closer to the WHO's target of 70% which has been adopted locally, will also release vital resources for reallocation to other areas within the health sector and wider economy. A plateau in vaccination rates and the further resource outlay geared towards a booster shot campaign, as seen in developed countries with more mature vaccination drives, are still threats to the hopes for a rebound.

Economic Overview (cont'd)



***Forecast**



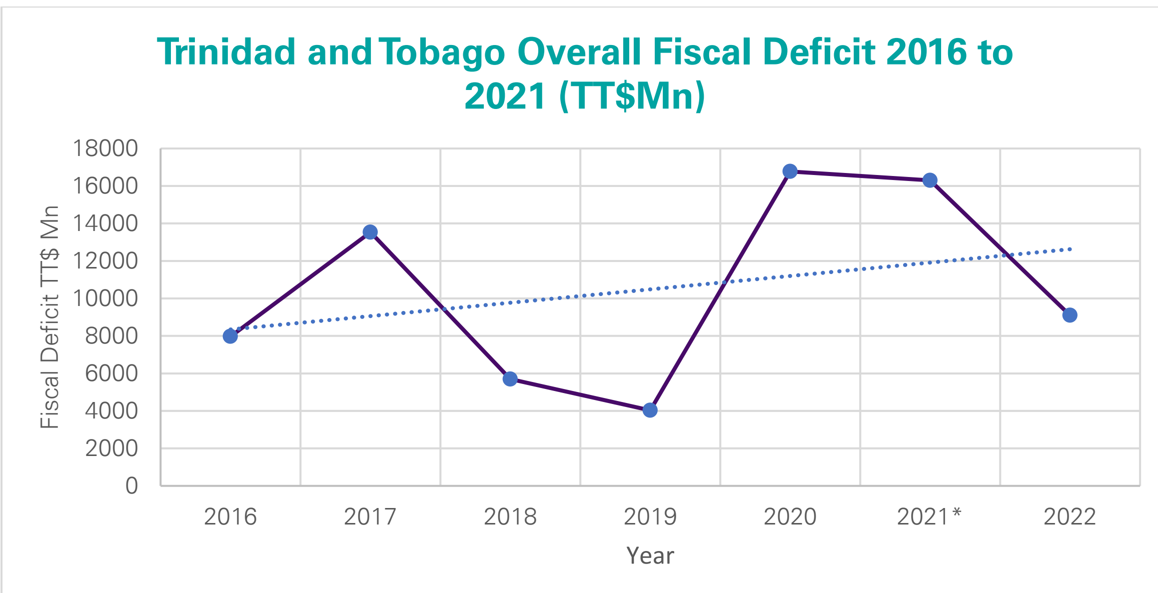
***Forecast**

The demands of the pandemic for fiscal support has catapulted the debt to GDP ratio to a high of over 90% in 2020. The forecast for 2021 and 2022 are generally lower but still variable at 85.4% and 87.2% respectively. The Honourable Minister boasted about the country's favourable credit ratings and its ability to attract competitive interest rates. However, caution can still be had as the COVID-19 pandemic has introduced an even higher level of current expenditure, which are beneficial in the short term, while capital projects with longer term benefit horizons have been slowed due to COVID-19 restrictions. Governments of the region are not unfamiliar with a departure from the golden rule of economics to have borrowing contained to capital projects. A departure too far from this golden rule may lead to difficulties in servicing the country's debt in the long term.

Economic Overview (cont'd)

Confronted with the realities of a health crisis decisions to carry the debt burden to avoid long term economic harm from the COVID-19 era—must be considered.

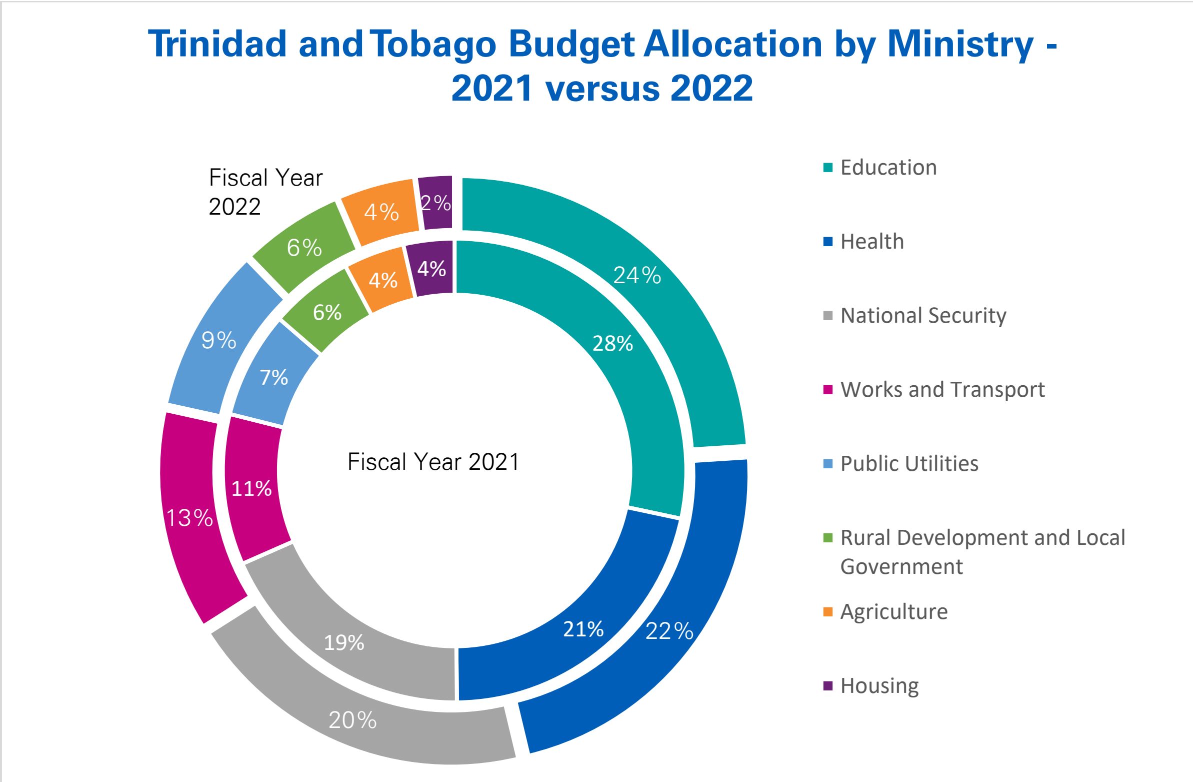
In an environment of forecasted increases in natural gas production and prices, the suite of investment into non-energy industries such as tourism and manufacturing, with a focus on foreign exchange generation as part of the diversification agenda will be beneficial for long term transformation. The gradual removal of subsidies and introduction of the Trinidad and Tobago Revenue Authority and, in the interim, an enforcement arm in the Board of Inland Revenue can assist in generating higher tax revenues for current expenditure. In so doing, a more direct link between energy revenues and investments into new industries which have a greater generational impact can be established.



***Forecast July 2021**

At a planned level of expenditure of TT $52.429 billion, budgetary allocations for the fiscal year 2022 increased slightly overall, with the proportion of each allocation similar to the previous year. While the proportional allocation to Education fell, it remains the largest target for public funds while slight increases were noted for National Security, Health and Works and Transport. Noteworthy is an additional $300 million to the agricultural sector for an agricultural stimulus package which will aid in bolstering the economy against external shocks, such as those of the present economic climate.

Economic Overview (cont'd)



Digitization seems to be at the core of the fiscal initiatives, answering the call from many sectors of the population for modernization. The increased focus on a digitization plan for interconnected government services through a centralized digital platform may be the silver lining of the impact of the pandemic. It is hoped that such digitization initiatives can translate to increased efficiency and friendlier business environment.

Expansion in ICT access centres and availability of free public internet access in the form of TT-Wifi can usher a welcomed increase in equity of digital access among students. With proper execution of economic incentives for Small and Medium Sized Enterprises (SMEs) and continued fortification of telecommunication infrastructure, there can be significant opportunity for social mobility and employment from this sector. The noticeable growth in foreign direct investment on the African continent to US $1.4 billion in 2020 according to the Financial Times demonstrates that there is an appetite for investment in successful technology beyond traditional developed markets.

Revenue Authorities

A Caribbean Perspective

Revenue Authorities: A Caribbean perspective

Tax administrations the world over have long embarked on programs to reform their revenue administrations to treat with issues of organizational inefficiencies, integrity, archaic processes, and operational ineffectiveness—with an aim to bolster tax compliance and taxpayer confidence.

We have seen countries such as Barbados, Guyana and Jamaica introduce Revenue Authorities which stand as semi-autonomous agencies that act independently of the Government with regard to legal formation, status of funding, budget flexibility, and human resources.

It has been suggested that the semi-autonomous status of Revenue Authorities has:

(i) increased efficiencies by sharing common services,

(ii) fostered transparency and accountability,

(iii) encouraged taxpayer compliance, and

(iv) bolstered technical capacity of human resources.

Barbados

The Barbados Revenue Authority (BRA) was established in 2014 and endowed itself with the mission and vision of promoting taxpayer compliance through quality services and empowered and engaged staff.

The BRA's 2016-2020 Strategic Plan had significant emphasis on:

- becoming a customer-centric organization,
- operating within a secure and flexible information communication technology system, and
- building public confidence by managing its risks while fostering a high level of professionalism and integrity in its employees.

Some of the achievements resulting from the implementation of the BRA are:

- increased ranking in ease of paying taxes,
- creation of overseas training opportunities for staff on current trends and focus areas,
- online payments of taxes,
- increased compliance by 50% since establishment, and
- improvement in taxpayer experience.

Guyana

Guyana's Revenue Authority (GRA) was established in 2000 and merges the Inland Revenue and Customs and Excise Departments via the Tax Act. The GRA also has oversight and synchronization with the Licensing Office.

The introduction of the GRA has fostered better compliance monitoring through synergies.

In fact, it has been noted that the GRA has closed the gap between potential and real revenue in its 2021 financial reporting. Tax revenue of GYD $218.3 billion dollars or USD $1.04B was only at approximately 11.9% variance from its projected tax revenue earnings of GYD $ 242.1 billion or USD$1.16B.

Jamaica

Jamaica's Revenue Authority called Tax Administration Jamaica (TAJ) was established in 2014 by the Revenue Administration Act. This legislation permitted for the merger of four departments responsible for income taxes, general consumption tax, land taxes, and motor vehicle licensing.

Prior to the TAJ, it had been the view of some that Jamaica's tax system was characterised by narrow tax bases, distortionary waivers and non-standard incentives---which in turn created an inequitable tax system with declining revenues. Notably, the TAJ tries to address this through the inauguration of a transfer pricing regime and a Tax Inspectors Without Borders Initiative.

The TAJ through its core values under the IMPACT (integrity, mutual respect, professionalism, accountability, customer centric and teamwork) has attempted to broaden the taxable base, reduce tax rates and promote tax equity and economic growth.

Main Features of Revenue Authorities in the Caribbean

Generally, the main features of Revenue Authorities in the Caribbean are:

- A legislative instrument (be it by law or decree) has been used to establish each agency.
- Barbados' and Guyana's Revenue Authorities both have integrated tax and customs operations while Jamaica's does not.
- They have the mandate of assessing and collecting taxes and duties, administering, and enforcing revenue laws, and providing advice on tax laws to the Minister of Finance.
- The Commissioner General is appointed by the government and is fully vested with the powers established in the revenue laws, with the authority to delegate these powers.
- They remain directly accountable to the Minister of Finance and the government.
- They exist outside the regular public service and can recruit, discipline, evaluate and in some cases terminate staff within guided protocols.
- They are allocated a budget and there is no appropriation funding.
- The management board has specific responsibilities and oversight functions but is excluded from making the RA's basic business decisions.
- They are governed by a Board of Directors and the Chair of the Board is named by the Government.
- They are subject to external audits by the auditor general.

Analysing the achievements and challenges encountered by Jamaica, Barbados and Guyana in having a Revenue Authority will likely inform on the most beneficial structure to be implemented in Trinidad and Tobago's tax administration.

One study has found that the establishment of these agencies has not been a *panacea*.

Some purport that without first strengthening infrastructural items, such as, transparency, public attitudes towards compliance and customer experiences, enhancing data exchange, synchronizations and modernising of IT systems have not had the desired impact on revenue collection.

Potential Board Competency Matrix

Looking at the BRA's Corporate Governance Guidelines, one good tenet to be noted for Trinidad and Tobago's Revenue Authority is their strong focus on their governing Board comprising of individuals who have the appropriate combination of competencies (skills and experience) and personal attributes (behaviour and attitude) to support the Authority's mandate.

Effective leadership will be instrumental in the success or failure of the Trinidad and Tobago Revenue Authority. The Board's roles and responsibilities are manifold. In discharge of its mandate, the Board oversees the affairs of the Authority, supervises management, which is responsible for the day-to-day operations and, through the Revenue Commissioner— sets the standards of the Authority's conduct.

Trinidad and Tobago’s Revenue Authority: Status Update

The existing system for tax collection in Trinidad and Tobago (T&T) has been characterised by weaknesses in laws, regulations and human resource management. The Caribbean Regional Technical Assistance Centre has referred to T&T’s current system as ‘highly inefficient’, and as of 2020, the country was ranked 160 out of 190 in paying taxes in the World Bank’s 2020 ease of doing business index. Additionally, it scored 53.5 out of a possible 100, below the average in Latin America and the Caribbean of 60.5. The said report also noted that T&T’s total tax contribution rate as a percent of commercial profits was 40.5%, below the regional average of 47% and marginally above that in OECD high-income countries (39.9%).

These statistics fail to satisfy the objectives of an effective tax policy, which is to optimise collection of tax revenues for the funding of public services, permit macroeconomic stability by encouraging enterprise and productive activity while still achieving a fair burden on taxpayers. The establishment of Revenue Authorities is recognised globally as the best practice and vehicle for optimising the collection of taxes, and it is likely to be no different for T&T.

In T&T, the Revenue Authority Bill was passed in the Senate on September 17, 2021. It is expected that the new institution will not be a replica of the current Inland Revenue but will rather be a re-engineering of business processes that will entail a complete re-shaping of several procedures used to collect taxes.

Furthermore, the TTRA’s mission will be to ensure overall collection of government’s taxation revenue. To this end, it is likely to have the power to investigate tax evasion, enforce border protection and increased tax audits. The new agency is expected to increase the collection of VAT, corporation tax, income tax, customs and other taxes by 50%, per the current Minister of Finance’s projections.

Proposed Fiscal Measures 2022

Key
Positive
Negative
Neutral

Proposed Fiscal Measures for 2022

Item	Commentary	Impact on Taxpayer
Significant Exporters of Local Goods	Summary of Proposals • Reduction in the corporation tax rate by 5% to 25% for significant exporters of local goods whose annual revenue is over TT $500,000. • Estimated to benefit over 500 exporters in the initial inception. • Estimated to cost the Government TT $45 million annually in revenue foregone. • Measure to be reviewed after 3 years.	
	KPMG's view • This is a welcomed strategy to mitigate the effects exporters may be experiencing as a result of the COVID-19 pandemic including a reduction in exports and overall uncertainty in trade relations. • It is expected that the strategy would also promote economic growth and boost productivity in the export sector which is critical as exporters play a pivotal role in generating foreign exchange from the sale of their goods to the wider regional and international markets. • The benefits of the lower tax rate will allow exporters to have increased liquidity and the opportunity to deploy capital to satisfy debts or invest in machinery and equipment which can in turn increase their capital stock and boost worker productivity and lead to overall greater output.	
	Who are affected? • Significant exporters of local goods • Wider public	
	Timing • To be effective from January 01, 2022	

KPMG

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

Proposed Fiscal Measures for 2022 (cont'd)

<table>
<tr><th>Item</th><th>Commentary</th><th>Impact on Taxpayer</th></tr>
<tr><td rowspan="4">Small and Medium Enterprises (SME) (Technology Solutions, Construction and Digitisation)</td><td>Summary of Proposals
• Reduction in corporation tax rate by 5% to 25% for small and medium companies whose core business relates to technology solutions, digitisation, and construction which comprise more than 50% of annual revenue.
• Estimated that where 1,000 SMEs utilise the measure, they can each save TT $41,000 in taxes at a cost to the government of TT $45.6 million in revenue foregone.
• Measure to be reviewed after 3 years.</td><td rowspan="4">Positive</td></tr>
<tr><td>KPMG's view
• In keeping with the government's digital transformation agenda and the need to alleviate the impact of the COVID-19 pandemic on the vulnerable SMEs. We commend this initiative as it helps to ensure the economic survival of SMEs which may be facing significant cash flow disruptions and labour challenges brought on by the COVID-19 pandemic.
• In keeping with global initiatives, the government has undertaken to cut taxes by reducing the corporation tax rate. This can in turn increase liquidity for SMEs which can be used to retain workers, satisfy debts or invest in technology and infrastructure.</td></tr>
<tr><td>Who are affected?
• Small and Medium enterprises
• Wider public</td></tr>
<tr><td>Timing
• To be effective from January 01, 2022</td></tr>
</table>

KPMG

Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Start-ups in Digital Sector (Technology Solutions and Digitisation)	Summary of Proposals • New companies whose core business activities are digitisation and technology solutions would be given a 50% tax exemption on the first TT $100,000 of chargeable income for the first year and the first TT $200,000 of chargeable income in the second year. KPMG's View • Globally economies are rapidly shifting toward a digitised economy and the impact of this measure is one which is aimed at keeping us apace with global developments. • The measure may promote the emergence of start-ups in the digital sphere and facilitate the growth of digital technologies and solutions which can play a critical role in diversifying the economy. Who are affected? • Start-ups in Digital Sector • Wider public Timing • To be effective from January 01, 2022	Positive

Item	Commentary	Impact on Taxpayer
Research and Development (R&D) Capital Allowance	Summary of Proposals • Research and development capital allowance up to 40% of expenditure incurred by companies engaged in research and development. • Expected to benefit 1,000 companies. • Reviewed after 3 years. KPMG's View • This measure can significantly reduce the corporation tax payable by a company by providing a valuable deduction for expenditure incurred on research and development. • It is our hope that with the advent of this allowance, companies take the opportunity and the risk to develop new processes, products or services or improve existing ones as these can in turn spur technological innovation, increased productivity and increase the competitive advantage of the company. Who are affected? • Companies • Wider public Timing • To be effective from January 01, 2022	Positive

KPMG

Proposed Fiscal Measures for 2022 (cont'd)

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

Item	Commentary	Impact on Taxpayer
Carbon Capture	Summary of Proposals • Tax credit of 30% of the cost of investment of up to a maximum of TT $500,000 for companies that invest in carbon capture and storage and enhanced oil recovery. • KPMG's view • This measure can be seen as a move by the government to align itself with the current global decarbonisation agenda and honour its obligations under the Paris Agreement by reducing its greenhouse gas emissions and alleviating global warming. • Carbon capture is a viable strategy in tackling industrial combustion and reducing emissions from industrial plants and the tax credit is expected to incentivise Energy companies to invest in technology to capture and store Co2 emissions. Who are affected? • General public • Energy Companies Timing • To be effective from January 01, 2022	Positive

Item	Commentary	Impact on Taxpayer
Penalties for Overweight Trucks	Summary of Proposals • Increasing fines under the Motor Vehicle and Road Traffic (Enforcement and Administration) Act regarding overweight trucks from TT $750 to TT $8,000. KPMG's view • This measure should decrease the number of overweight trucks on the roadways and by extension may reduce the amount of infrastructural damage to the nation's roads. As the proposed hefty fine ought to discourage non-compliance with the said Act, as truckers should be more inclined to stay within the Maximum Gross Weight in order to avoid being penalised. Who are affected? • Trucking industry • General public Timing • To be effective from January 01, 2022	Positive

KPMG

Proposed Fiscal Measures for 2022 (cont'd)

Key
- Positive
- Negative
- Neutral

Item	Commentary	Impact on Taxpayer
Small and Medium Enterprises on the Trinidad and Tobago Stock Exchange	Summary of Proposals • Full tax holiday for the first 5-year period to new SME's listing on the Trinidad and Tobago Stock Exchange by granting tax exemption on business levy and green fund levy to new listings. • For the second 5- year period new SMEs will be taxed at 50% of the current rate of corporation tax rate, business levy and green fund levy. • Assistance provided to Trinidad and Tobago Stock Exchange to operationalise and integrate an SME Mentorship programme. KPMG's view • In keeping with last year's agenda, the government has introduced a significant tax incentive in the form of a tax holiday to encourage SME's to list on the Trinidad and Tobago Stock Exchange. • This initiative may well encourage SME's to be listed thereby enabling the building of a viable SME Exchange and also enable businesses to raise capital, strengthen their profile locally and regionally and stimulate local and foreign direct investment. Who are affected? • Small and Medium Enterprises on the Trinidad and Tobago Stock Exchange • Trinidad and Tobago Stock Exchange • Wider public Timing • To be effective from January 01, 2022	

Item	Commentary	Impact on Taxpayer
First Citizen Holdings Limited sale of ordinary shares	Summary of Proposals • Divestment of 10,869,565 ordinary shares in First Citizens Bank in order to raise TT $550m KPMG's view • The sale of shares is likely to foster inclusion and instil a sense of pride by individuals and corporate investors who will now have a stake in the ownership of the country's national bank. • Further the investors will benefit from return of investment (dividends) being exempt from tax. Who are affected? • Individual and corporate investors Timing • To be announced (2022)	

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

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Manufacturing Sector: Development and Expansion Incentive (DEI)	Summary of Proposals • 5% reduction in the tax rate of companies in the manufacturing sector, excluding the petrochemical industry, for 2 years on qualifying project expenditure limited to TT \$500,000. • Qualifying project expenditure must entail investment in projects and activities which create advancements and growth in the manufacturing sector and must be related to information technology and digitization, manufacturing and technology development. KPMG's view • This incentive is geared toward new foreign direct investment (FDI) businesses. FDI aids in developing and improving emerging market opportunities, as it usually fosters economic growth, human capital development, a greater level of market influence and improves the flow of foreign exchange into the country. • Additionally, this measure may result in the introduction of newer and enhanced technologies, resulting in enhanced efficiency and effectiveness in the manufacturing sector. Who are affected? • Manufacturing sector • Foreign direct investment businesses Timing • To be effective from January 01, 2022	Positive (green)

Proposed Fiscal Measures for 2022 (cont'd)

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

Item	Commentary	Impact on Taxpayer
Investment Sector: Withholding Tax Rate	**Summary of Proposals** • To amend the Third Schedule of the Income Tax Act Chapter 75:01 (Part II Rates of Withholding Tax) to reduce the rates of withholding tax on any distribution made from 10% to 8% and 5% to 3% in the case of a distribution to a non-resident parent company. **KPMG's view** • This measure should encourage foreign investment, as it may decrease the cost of doing business in T&T due to the reduction in withholding tax burden on dividend payments to foreign companies. • Foreign companies may opt to repatriate a greater portion of earnings to their home country, which may cause balance of payments issues, if the value of profits sent to the foreign company exceeds the value of the foreign exchange earned. **Who are affected?** • Foreign investors • General public **Timing** • To be effective from January 01, 2022	Neutral / Positive

Item	Commentary	Impact on Taxpayer
Tax Strengthening the Board of Inland Revenue: Recruitment of 100 Audit & Compliance Officers	**Summary of Proposals** • The recruitment and training of 100 recently qualified accountants and university graduates to support the Inland Revenue Division (IRD), who will migrate to the TTRA when fully operational. **KPMG's view** • This initiative is geared towards enhancing the IRD's revenue collection through strategic monitoring, impact visits, reviews and audits of businesses. • The hiring of graduates would reduce staff shortages and increase the number of skilled workers in the IRD. • The appropriate placement and training of graduates should improve their knowledge and skills, increase efficiency and the level of enforcement of the IRD and the TTRA in the near future. **Who are affected?** • Recently qualified accountants & university graduates • General public **Timing** • To be determined	Positive

Key: Positive / Negative / Neutral

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Tax Allowance for First Time Homeowner	Summary of Proposals • Increasing the first-time homeowner limit from TT $25,000 to TT $30,000 per household, for five years with effect from the date of acquisition, on mortgage interest paid in the year of income. KPMG's view • This incentive will alleviate the financial costs associated with owning a new home therefore making homeownership more affordable for first time homeowners. Who are affected? • First time homeowners • Housing industry Timing • To be effective from January 01, 2022	Positive

Item	Commentary	Impact on Taxpayer
Contributions to Approved Pension Fund Plan/Scheme/ Approved, Deferred Annuity/Tax Saving Plan/Widows' and Orphans' Fund/National Insurance Payments	Summary of Proposals • Increase in the deduction threshold on annual contributions and premiums paid by individuals from TT $50,000 to TT $60,000. • Applies to contributions and premiums made to approved Retirement Benefit Schemes, Approved Pension Fun Plans, Premiums paid under an Approved Annuity Plan, Contributions by individuals under the Retiring Allowance (Legislative Service) Act from January 1, 1996 and Contributions to the National Insurance Scheme. KPMG's view • The increased TT $60,000 threshold is likely to be an aggregate deduction per annum. • Nonetheless, this measure will benefit employees by increasing tax savings and increased cash in hand while ensuring adequate provision when retired. Who are affected? • All employees Timing • To be effective from January 01, 2022	Positive

Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Electric Vehicles	Summary of Proposals • Removal of all customs duties, motor vehicle tax and value added tax on the importation of battery powered electric vehicles under 2 years old. KPMG's view • Given the global decarbonization agenda and the necessity for countries to reduce their carbon footprint, this incentive encourages citizens to aid the government in its agenda to transition to cleaner and alternative forms of energy. • By removing all duties and taxes on electric cars. such vehicles will become more accessible and affordable to the citizenry. In recent years, and with the advent of climate change we have seen more appetite for hybrid and electric vehicles. • Car Dealerships are likely to capitalize on this opportunity and increases in demand for electric vehicles. There is also opportunity for auxiliary services such are charging stations as demand increases. • However, on the flipside government is likely to lose significant revenue from removing customs duties and taxes on these vehicle imports. Who are affected? • Citizenry • Motor vehicle companies & ancillary industries Timing • To be effective from January 1, 2022 • Subject to review after 2 years	

KPMG

Proposed Fiscal Measures for 2022 (cont'd)

Key: Positive / Negative / Neutral

Item	Commentary	Impact on Taxpayer
Heritage Conservation	Summary of Proposals • 150% tax allowance up to TT $1 million on corporate sponsorship made to Heritage properties under the purview of the National Trust. KPMG's view • Trinidad and Tobago's Heritage sites serve as cultural and historical memorabilia to the country. Though the preservation and restoration are costly, the maintenance of these historical sites may serve as a boosting mechanism to Trinidad and Tobago's tourism profile. • Companies with the means to invest in restorative activities of the country's Heritage sites will be able to claim a 50% uplift in such expenditure. Who are affected? • Companies Timing • To be effective from January 1, 2022.	Positive (green)

Item	Commentary	Impact on Taxpayer
Removal of VAT and Customs Duties from Specified Therapy Equipment and Disability Equipment	Summary of Proposals • Removal of VAT and custom duties from Specified Therapy Equipment, Hearing Impaired, Visually Impaired. Physical Mobility Disabilities, Disability Safety Peripheral and Communication Devices. KPMG's view • Access to specified therapy and disability equipment have often been financially prohibitive for those most in need. The removal of VAT and customs duties should make the purchase of such equipment more affordable. • Companies that sell specialized equipment should be able to retail these items are lowered costs given that custom duties and VAT will not be borne by them. Therefore, their import costs will be reduced. Who are affected? • Disabled persons • Companies Timing • To be effective from January 01, 2022	Positive (green)

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

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Utility Rebates: T&TEC and WASA	Summary of Proposals • Increase in the current rebate of 25% to 35% for T&TEC residential customers with bills TT $300 or lower (inclusive of VAT). • Offset of the cost of water for the same group of households receiving the T&TEC rebate. • Introduction of market-based prices for electricity and water as recommended by the Regulated Industries Commission. • Utility Cash Card to be made available to low income and vulnerable groups to access subsidies for electricity and water once prices for these services are regulated. • Fuel Cash card for the same group of citizens to offset the cost of increases in the price of motor fuels.	Positive
	KPMG's view • As the Government seeks to reopen the economy there is effort to assist low income families cope with the financial hardship of unemployment and loss of income as a result of the pandemic. • This will help families maintain a level of dignity however the ease of access to these measures are yet to be seen once implemented. • However, it would be remiss to not note that the government will have to absorb approximately TT $25m in costs to implement this initiative. .	
	Who are affected? • Low income households	
	Timing • Effective January 01, 2022	

KPMG

Key
- Positive
- Negative
- Neutral

Proposed Fiscal Measures for 2022 (cont'd)

Item	Commentary	Impact on Taxpayer
Removal of all import duties and taxes from computer hardware, software and peripherals	Summary of Proposals • Removal of all duties and taxes on remaining computer hardware, software and peripherals. KPMG's view • The current pandemic has forced a new way of work which is highly dependent on digitization and remote access. • Not only will this measure make everyday gadgets and devices become more affordable to citizens but also serve as an incentive for investment in technology. • This will enhance the agility of organizations and create opportunities for the development of digital products. Who are affected? • Individuals and companies Timing • Effective January 01, 2022	Positive (green)

Item	Commentary	Impact on Taxpayer
Removal of VAT on basic food items	Summary of Proposals • Examination of the list of most commonly consumed basic foods to determine which items can be made exempt from import duty without causing damage to local manufacturers. • Expansion of the list basic food items that are exempt from Value Added Tax, including the zero rating of basic food items. KPMG's view • The cost of food has undoubtedly increased but a delicate balance must be struck between removing VAT on certain food imports (albeit basic) and its impact on local manufacturers. Who are affected? • Consumers • Importers • Local manufacturers Timing • Effective November 01, 2021 (list to be published)	Positive (green)

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.

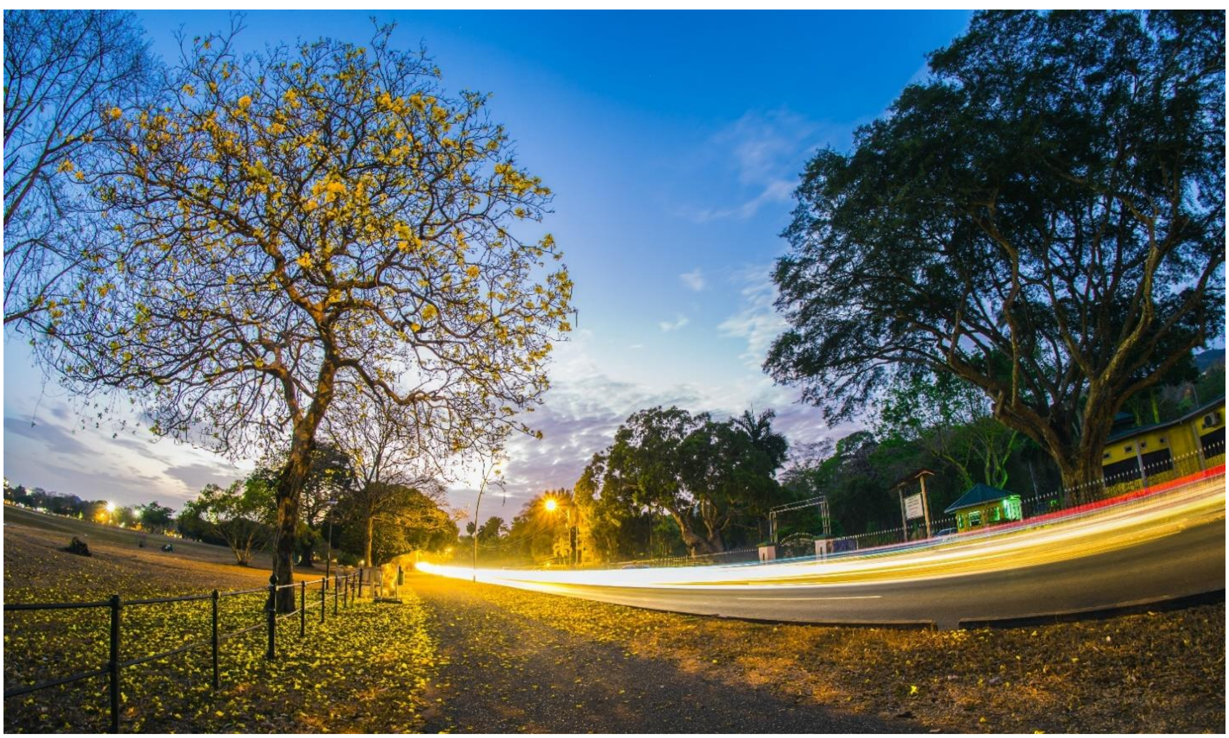
We are a purpose driven firm and our purpose is to ***Inspire Confidence and Empower Change*** in all that we do.

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 147 countries with more than 200,000 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.

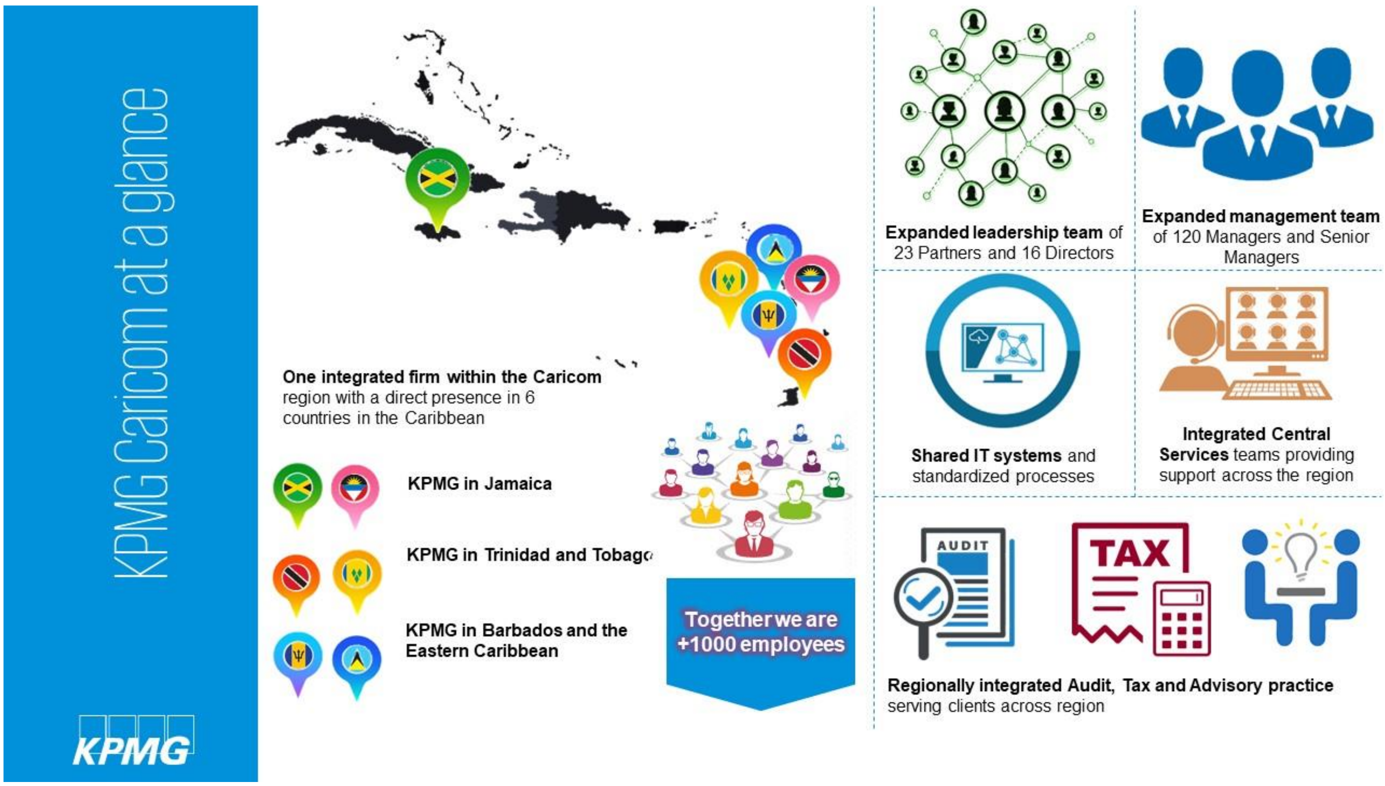
We recognise that the quality and integrity of our people and our work play a vital role in creating trust with stakeholders and help to sustain and enhance confidence in our profession and capital markets. We reinforce commitments with a set of shared values, a code of conduct and common processes, 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 **KPMG Caricom** which belongs to the KPMG Islands Group (KIG) sub-region. KPMG Islands Group is a sub-regional network of KPMG member firms with more than 2,000 outstanding professionals working together to deliver value in Antigua & Barbuda, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jamaica, Jersey, Malta, St Lucia, St Vincent & the Grenadines, and Trinidad & Tobago.



KPMG Caricom

The Chairman and Board of the KPMG Islands Group is pleased to announce a significant reorganization of the KPMG firms in the Caribbean Community (Caricom) comprising office in Barbados and the Eastern Caribbean, Jamaica, and Trinidad and Tobago. Henceforth, KPMG Caricom firms will operate as a single business to serve our Clients across 12 countries, thereby enhancing opportunities for our People and Communities.



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. She was also admitted to the Guyana Bar Association in 2017. Gillian has over 30 years' experience in tax in both the public and private sectors. She has been with KPMG for over 13 years and has championed the tax advisory practice focussing on efficient market entry and regulatory tax compliance in both Trinidad and Tobago and Guyana. She has overall responsibility for developing other tax professionals in all areas of tax including cross-border transactions of multinational corporations, tax strategy and planning, petroleum taxes, tax incentives and allowances, value added tax and property tax. Her deep expertise extends to the energy sectors in both Trinidad and Tobago and Guyana, manufacturing, retail and distribution and finance.

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Saskia is an attorney-at-law and tax practitioner admitted to the Trinidad and Tobago and Guyana Bar in 2010. She has over 10 years of tax and corporate services experience. Saskia currently serves as a tax and corporate advisor to local and multinational companies across varying sectors. She currently is responsible for advising clients on complex cross border transactions, which focus on ways to optimize tax efficiency in Trinidad and Tobago and Guyana, as well as, regulatory compliance for complex corporate secretarial transactions. Saskia also has intimate experience advising oil and gas supermajors on the tax implications of confidential transactions.

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Jo-Anna is a chartered accountant and tax practitioner with approximately 13 years of experience, which includes 6 years' experience in providing audit services. She is responsible for providing tax compliance and advisory services to corporate clients and expatriates across various sectors including manufacturing and retail services, energy and banking & insurance. Additionally, she serves on the Taxation Committee of the Institute of Chartered Accountants of Trinidad and Tobago.

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Nicolette is an attorney-at-law and tax practitioner admitted to the Trinidad and Tobago Bar in 2014. She has over 4 years of tax advisory and tax litigation experience. Nicolette currently is responsible for providing tax advisory, tax due diligence, corporate secretarial and compliance services to local and international clients across various industries.

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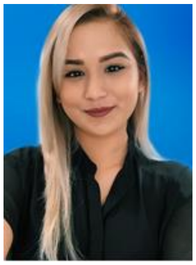
Rocyn is a Tax Associate with a background in Economics for the past 2 years. His area of expertise includes tax compliance for local and multinational clients in varying sectors. He currently has responsibility for preparing Corporation Tax, Income Tax/PAYE, VAT, Insurance Tax and Petroleum Profits Tax computations and returns for clients. Rocyn also assists with due diligence services and corporate secretarial services.

Our Tax Team (cont'd)



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Amrika is a Tax Associate with KPMG's Tax Department with a background in Accounting and Audit. Her areas of expertise include Corporation Tax and Income Tax computations, Quarterly Tax and VAT compliance services and Petroleum Profits Tax return preparation for oil and gas supermajors.

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Varun is an attorney-at-law admitted to the Trinidad and Tobago Bar in 2019 with a background in accounting. He currently serves as a Tax Associate within KPMG's Tax Department providing tax and corporate advisory services, as well as, tax compliance and advisory services to local and multinational clients.

Our KPMG Caricom Tax Team

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Grant is a partner with over 38 years' experience at KPMG in Canada, the US and Barbados. He is currently the Managing Partner for KPMG in Barbados and the Eastern Caribbean, which includes offices in Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines. As Managing Partner, Grant provides leadership to the Audit, Tax and Advisory functions and promotes service excellence to our clients across the Eastern Caribbean. He is also a Corporate and International Tax Partner, serving both multinational and Enterprise clients with tax compliance and planning matters.

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Thalia is a tax partner in KPMG in Jamaica. Thalia has over 15 years' experience at the bar and joined the firm's Taxation practice in 2009. Prior to joining KPMG, she served as an attorney in the Legal Services Division of Tax Administration Jamaica and in the Attorney General's Chambers.
She has extensive experience in advising the firm's clients on the impact of tax reform measures on their specific industries and in assisting them with the preparation of their industry specific submissions on the tax reform measures.

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Norman is a tax partner in KPMG in Jamaica. Norman's professional experience spans several sectors across KPMG in Jamaica's client base and this experience is supported by his relationships at all levels of the Revenue Services in Jamaica. Norman's tax clients include entities in the hospitality sector, financial services sector, utilities sector, the manufacturing and distribution sectors and public sector entities.

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About KPMG

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 200,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

The Firm has been in existence for over 100 years and we have been operating in Trinidad and Tobago for 50 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:

- Integrity – We do what is right.
- Excellence – We never stop learning and improving.
- Courage – We think and act boldly.
- Together – We respect each other and draw strength from our differences.
- For Better – We do what matters

Our services include:

AUDIT

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

TAX

- Corporate & Income Tax Compliance
- International & Domestic Tax Advisory
- Tax Structuring Advice
- Indirect Tax Advisory
- Individual & Employment Tax
- Tax Due Diligence
- 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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Caveat

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