KPMG

2023 Budget Commentary

"Tenacity and Stability in the Face of Global Challenges"

September 26, 2022

https://home.kpmg.co.tt

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

Contents

Managing Partner's Message

From the Global Pandemic to a Global Recession: Finding sources of revenue in warfare

On behalf of KPMG, we are pleased to present our annual post-budget commentary on Trinidad and Tobago's (T&T) 2023 National Budget Statement presented by the Honourable Minister of Finance, Colm Imbert on Monday September 26, 2022.

The Minister's Budget speech was animated by a theme of "Tenacity and Stability in the Face of Global Challenges."

The finance minister's budget focused primarily on a design catered to facilitate a broad-based revival of the economy.

While the onset of the 2-year long COVID-19 pandemic forced the T&T economy to contract to its largest fiscal deficits – $16.9 billion in 2020 and $12.35 billion in 2021 – it seems that there is a chance for the government to dig itself out of deficits with the large unbudgeted and unexpected $8 billion revenue that the Ministry of Finance earned quite unexpectedly in fiscal 2022.

For the first time in seven years, the finance minister has more money than anticipated. This is largely due to Russia's invasion of Ukraine which has caused the price of oil to raise beyond any expectations. Oil prices crossed US$100 during the fiscal year 2022 and downstream products, namely, ammonia, urea and methanol fetched significantly higher prices also.

The 4.4% global recovery rate stated by the International Monetary Fund in January this year was lowered to 3.6% in April and cut even further to 3.2% in July 2022. The main reason for this stems from the temporary suspension of gas supplies from Russia to Europe, which has resulted in gas scarcities. This, in turn, has raised fears of energy rationing throughout the winter season in Europe as the West tries to contain Russia's advance into the Ukraine via sanctions.

The war which is causing lucrative benefits to energy-intensive economies like T&T is also the root cause of a Eurozone recession that bleeds detrimental consequences onto the rest of the world, especially developing nations. A global recession will reduce oil and gas prices and cause instability in financial markets. The effect of this would mean reduced revenue for T&T.

In this global context, the extent to which T&T can use its excess revenue to stabilize its economy depends almost entirely upon its capacity to teeter between maximising the benefit of the Russia/Ukraine war and minimising the spread of its spill-over of inflation in the local economy. If not handled prudently, T&T could become increasingly vulnerable to rising costs in global import demands and the attendant result of eroding consumers' purchasing power.

We anticipate that stakeholders will be conducting a thorough post-mortem of budget promises articulated by the government and its potential to deliver as anticipated to get T&T's economy back on track.

It would seem however, that the finance minister has appreciated the steady line upon which the country must walk, as the proposed fiscal measures presented in the budget appear to primarily preserve the consumer's purchasing power and incentivise oil and gas production.

The value of preserving the consumer's purchasing power is that it helps avoid recession. In pursuit of this objective, the minister has proposed to increase the personal income tax allowance from TT $84,000 to TT $90,000 per annum, which would put additional disposable income into the pockets of individual taxpayers. The government also proposes to amend the Corporation Tax Act to expand the exemption of approved small companies from the payment of corporation tax from a period of 5 years to 6 years. The benefits of these proposed measures are to foster growth and capital expenditure in the domestic economy.

Managing Partner's Message

The value of incentivising oil and gas production is that it creates further revenues for the government to use in its public expenditure campaigns. In furtherance of this objective, the finance minister has proposed to increase the tax credit for energy companies from 25% to 30%, to enhance the current supplemental petroleum tax for small onshore oil producers and to decrease the current 35% rate of petroleum profit tax to 30% for companies engaged in deep water exploration. By incentivising the production of crude oil and gas, more money could be derived by the government from these companies.

Another proposed fiscal measure set to generate a windfall of revenue for the government is the proposed tax amnesty to be introduced on penalties and interest on taxes owed up to and including the year ending December 31, 2021, from November 14, 2022, to February 17, 2023.

These measures in addition to the government's proposed or new institutions such as the Special Economic Zone Authority, the Trinidad and Tobago Revenue Authority and the Gambling Control Commission mean that revenues can be better captured for use towards the growth and development of the domestic economy.

We hope to see the implementation of the several initiatives outlined in the budget so as to achieve the economic development and growth necessary to strengthen the T&T economy.

Our post-budget bulletin serves to provide some insights and analyses on the fiscal measures announced in the Honourable Minister's 2023 Budget Speech and it is hoped that our comments act as an impetus to discourse as to how this budget may likely affect you.

We look forward to your feedback.

Dushyant Sookram
Country Managing Partner
T: +1 868 612 KPMG (5764) ext.. 1000
E: dsookram@kpmg.co.tt

Snapshot

$56.175 B Total Revenue

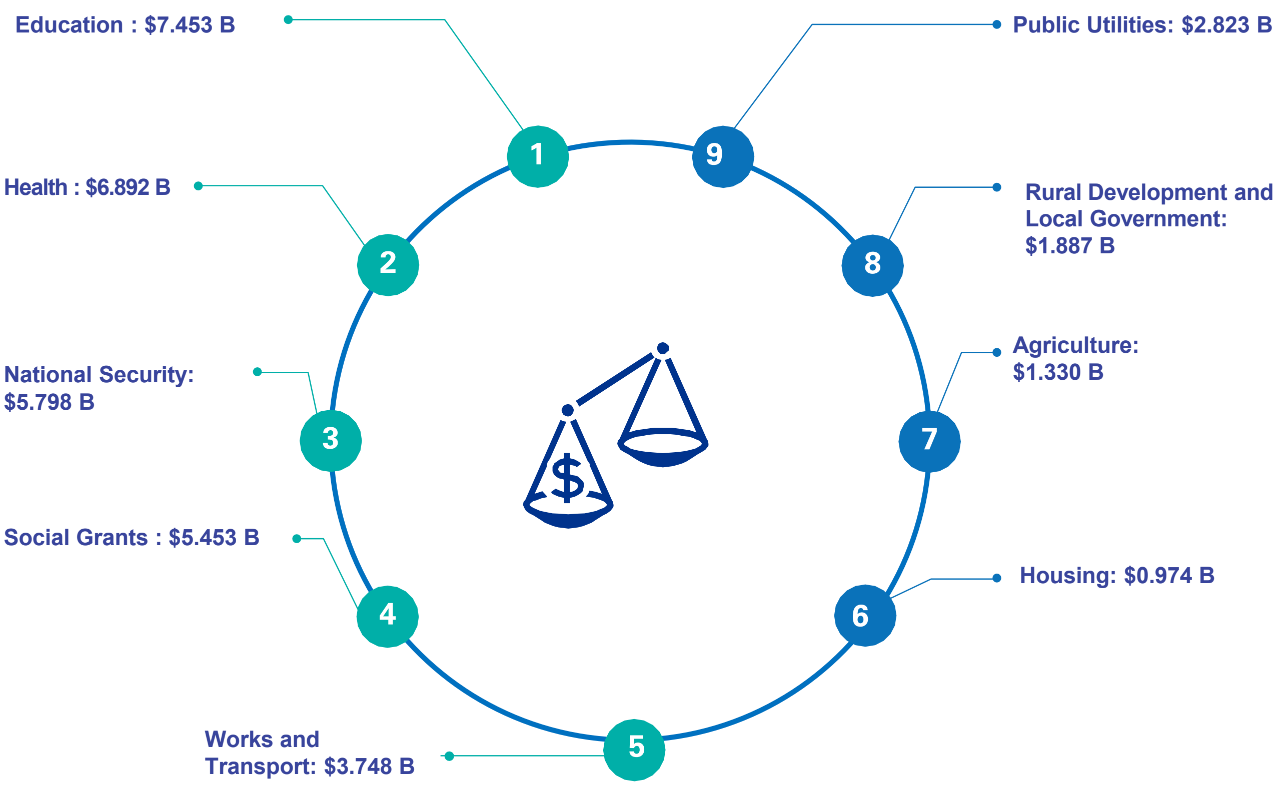
$57.685 B Total Expenditure

$25.019 B Oil Revenue

70% Debt to GDP

$30.150 B Non-oil Revenue

$1.510 B Fiscal Deficit



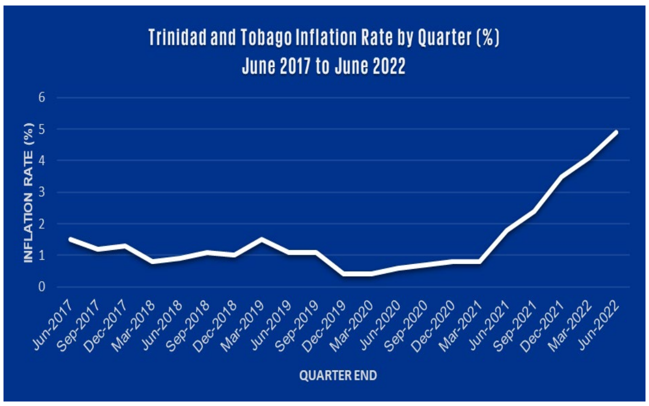
Economic Overview

Economic Overview

The theme of the fiscal year 2023 budget presentation, “**Tenacity and Stability in the Face of Global Challenges”,** seems to appropriately capture the position of Trinidad and Tobago (T&T) at the centre of a tug of war between competing economic pressures.

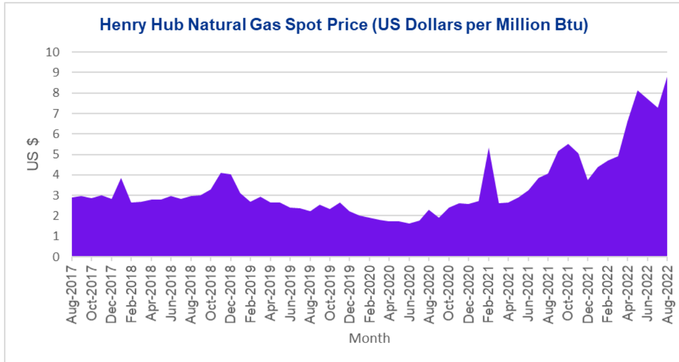
On one hand, a revenue windfall from an unanticipated spike in global energy prices has pulled the small, open economy of T&T towards a narrowed budget deficit.

On the other hand, however, is the pressure of increasing cost of living on the population driven by imported inflation. In this tug of war, it is the mandate of The Honourable Minister Colm Imbert to find fiscal stability while ensuring that the most vulnerable in society remain protected.



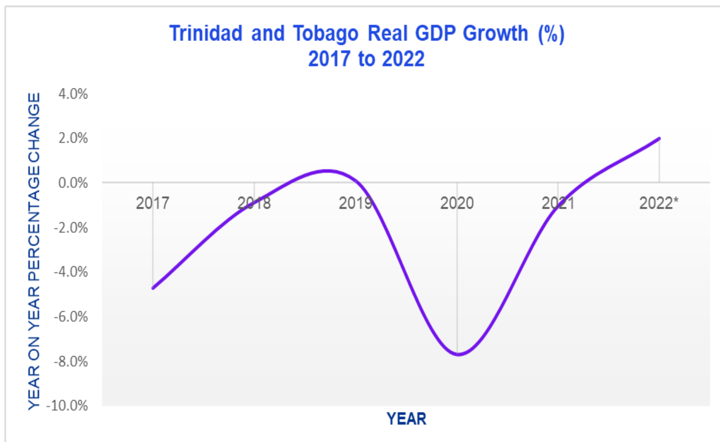
Inflation has overtaken international media headlines over the past few months. On the heels of general price increases, caused by supply chain disruptions from the COVID-19 pandemic, came further cost pressures as a result the Russia-Ukraine war. As a result, the rate of domestic inflation has steepened since March of 2021 from 0.8% to 4.7% in June 2022. However, as pointed out by the Honourable Minister, this rate is below average global forecasts as high as 7.9% for 2022.

The variance seems to be in part due to the long-standing fuel and electricity subsidies helping to pacify the direct impact of rising costs of energy on the domestic consumer. Instead, the burden has been placed on the treasury over the last few months. Notwithstanding this, as fuel subsidies continue to decrease, increased rates of inflation are expected in the short term



The proposed income tax relief and temporary social grants should aid individuals on fixed incomes in recovering some purchasing power lost to the price hikes.

From an investment perspective, the current inflationary environment may represent an opportunity for equity offerings by local corporations and smaller business ventures, as individuals look to safeguard their wealth by moving savings into investments with potential higher rates of return.



*Forecast

Further, amid rising price conditions, citizens attention should be focused on real (price adjusted) GDP statistics as opposed to nominal figures. The latter would be distorted by price changes and may therefore not be an appropriate measure of changes in actual output.

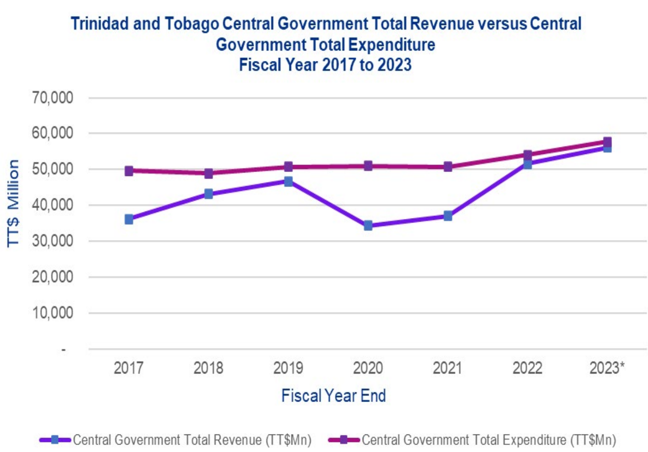
The forecasted growth in real **GDP to 2%** for 2022 represents a nascent recovery for the nation, which is welcomed.

Economic Overview (cont'd)

Reducing the fiscal balance – that is the difference between government revenue and expenditure – has long been an initiative of the current administration in line with recommendations from local economists and global financial institutions. After increased deficit financing was required during the COVID-19 pandemic in fiscal years 2020 and 2021, the fiscal balance is projected to narrow to 0.8% of GDP for 2023, down from 1.3% for the previous year.

Maintaining this projection rests upon energy prices remaining elevated, close to the benchmark of US$92.50 per barrel for oil and US$6 per MMBtu for natural gas. Therefore, the volatility of energy prices remains a threat to the country growing closer to attaining a balanced budget, a rarity in the Caribbean region. It is imperative that initiatives to stabilize revenue, such as the Trinidad and Tobago Revenue Authority (TTRA), property taxes, and support for the non-energy sector are implemented sooner rather than later.

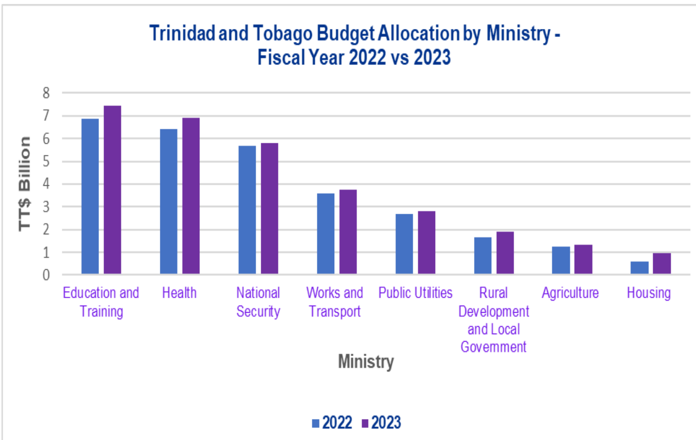
Continued restraint on recurrent expenditure and the injection of TT $1 billion into the Heritage and Stabilization Fund are welcomed for long term stability. Minor instances of economic "long COVID" are observable, such as the necessary investment in education to rebuild human capital lost during school closures, continued strategies in the healthcare sector to maintain capacity and relief to the tourism sector for sustained recovery.



*Forecast

All ministerial allocations increased from the prior year figures. The share of each allocation relative to total expenditure also remained similar to fiscal year 2022. The largest percentage increase in funds went to Housing, though still representing the smallest allocation overall. The second largest increase was the allocation to the Ministry of Rural Development and Local Government, which is currently charged with local government reform under the Miscellaneous Provisions (Local Government Reform) Act, passed in June 2022.

Relatively greater allocations for Education and Training, Health and National Security are airmarked to, amongst other objectives, continue national development programs. Notable initiatives include $50 million for the expansion of GATE to funding BSc. programmes for those completing advanced diploma, associate degree and vocational training programmes, continued support for healthcare expansion in rural areas and the upgrading of safety and security equipment. It is hoped that these resources are efficiently deployed for meaningful improvement in social statistics, thereby ensuring the benefits of the economic expansion are equitable.



Weaved through the budget presentation were commendable green initiatives. For instance, funds have been allocated to the development of a Solar Photovoltaic Project and renewable energy rebates were announced for the agricultural sector. Notwithstanding the exceptional promise demonstrated in the government's green agenda, oil and gas production are still necessary inputs to local development and thus remain incentivized. Introduction of a carbon budget to quantify the estimated marginal contribution of oil and gas incentives to greenhouse gas emissions and the offsets offered by the government's green initiatives may be of interest for more informed decision making and public discourse.

Special Economic Zones

Special Economic Zones

Understanding the need and use for special economic zones

Special Economic Zones (SEZ) are areas carved out and demarcated within a particular geographical space of a country that is subject to different economic regulations than the remaining regions of said country.

Governments shape these economic regulations governing the zones to be conducive to and to attract foreign direct investment, the capital from which is then used to develop and diversify exports, generate foreign exchange, create jobs and to accelerate the development of local infrastructure.

To shape the regulations governing SEZ, the government makes provision for additional economic advantages like tax incentives and the opportunity to pay lower tariffs for those conducting business in a SEZ.

The fundamental difference between Free Zones and Special Economic Zones

In Trinidad and Tobago (T&T) the legislation preceding the Special Economic Zone Act is the Trinidad and Tobago Free Zones Act, which provides for the exemption from a wide range of taxes on certain businesses. **The Free Zones Act provided any area in T&T to be designated a free zone**. This Free Zone regime has been classified as a harmful preferential tax regime because it has no or low effective tax rates ring-fenced from the domestic economy, lacks transparency and has no effective exchange of information.

The Special Economic Zone Act on the other hand, creates a SEZ Authority primarily tasked with the regulation and supervision of the Zones and the facilitating the development and economic advancement required to attract foreign direct investment and stimulate domestic investment. **The Act limits Special Economic Zones to fixed, pre-determined geographic locations which must be approved by the SEZ Authority** and requires any entity desirous of carrying on business within an SEZ to possess a special licence.

Carrying on business in a SEZ

To carry on business within a SEZ in T&T, an entity must possess either an operator licence, an SEZ Enterprise licence or a Single Enterprise Zone Licence.

Entities possessing operator licences will be permitted to manage a zone marked as a SEZ. The operator benefits from multiple exemptions on property tax, stamp duties and leasing and acquisition of land, however, the operator is interposed with a statutory duty to make sure the area marked as an SEZ is adequate for occupation, safety and health and can facilitate the infrastructure and other services occurring within the zone.

Entities possessing an SEZ Licence will be permitted to engage in any of the specified activities intended to benefit under the SEZ regime within a SEZ. Entities possessing a Single Enterprise Zone licence however, will only be permitted to engage in one of such specified activities in a SEZ.

Specific Activities permitted by SEZ Act

The specific activities – and by extension the benefits afforded to the SEZ or Single Enterprise Zone licencee – are based on the six main types of SEZs which have been created by the Third Schedule of the Act.

Eligibility criteria to acquire a licence

The fourth Schedule of the Act provides the eligibility criteria the SEZ Authority will apply in assessing an entity's application for a SEZ Enterprise/ Single Zone Enterprise/ Operator licence.

In addition to these requirements, the SEZ Authority will also assess an entity to determine whether they satisfy the economic substance test prescribed by the Act

Benefits/Incentives granted under the Act to licensees

The holders of either an SEZ or Single Zone Enterprise enjoy the benefits specified in the Second Schedule of the Act which differ depending on the type of zone the enterprise operates in.

The schedule has been reproduced in the tables on proceeding pages:

Special Economic Zones (cont'd)

Benefits/Incentives granted under the Act to licencees (cont'd)

Type of Zone	Benefit	Related Legislation
1. Free Port	Allowances/Credits: ▪ Reinvestment relief ▪ Enhanced relief	In accordance with the provisions of the Income Tax Act, Chap. 75:01
	VAT: ▪ Goods supplied to Zone shall be zero rated ▪ Services provided by non-residents in Zone shall be zero rated	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06
	Customs Duties: exemption on importation of all approved capital goods, spare parts, raw materials, stock in trade and other articles for use in Zone	In accordance with the provisions of the Customs Act, Chap. 78:01
2. Free Trade Zone	Allowances/Credits: ▪ Reinvestment relief ▪ Enhanced relief	In accordance with the provisions of the Income Tax Act, Chap. 75:01
	VAT: ▪ Goods supplied to Zone shall be zero rated ▪ Services provided by non-residents in Zone shall be zero rated	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06
	Customs Duties: ▪ Exemption on importation of all approved capital goods, spare parts, raw materials and other articles for use in Zone	In accordance with the provisions of the Customs Act, Chap. 78:01
3. Industrial Park	Corporation Tax: ▪ Reduced Corporation Tax	In accordance with the provisions of the Corporation Tax Act, Chap. 75:02.
	Allowances/Credits: ▪ Reinvestment relief ▪ Enhanced relief ▪ Research and Development allowance	In accordance with the provisions of the Income Tax Act, Chap. 75:01

Special Economic Zones (cont'd)

Benefits/Incentives granted under the Act to licensees (cont'd)

Type of Zone	Benefit	Related Legislation
3. Industrial Park	VAT: ▪ Goods supplied to Zone shall be zero rated ▪ Services provided by non-residents in Zone shall be zero rated	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06
	Customs Duties ▪ Exemption on importation of all approved capital goods, spare parts, raw materials and other articles for use in Zone	In accordance with the provisions of the Customs Act, Chap. 78:01
	Property Tax ▪ Exemption from property tax obligation	In accordance with Section 16(1) of the Property Tax Act, Chap. 76:04
4. Specialised Zone	Corporation Tax: ▪ Reduced Corporation Tax	In accordance with the provisions of the Corporation Tax Act, Chap. 75:02
	Allowances/Credits: ▪ Reinvestment relief ▪ Enhanced relief ▪ Research and Development allowance	In accordance with the provisions of the Income Tax Act, Chap. 75:01
	VAT: ▪ Goods supplied to Zone shall be zero rated ▪ Services provided by non-residents in Zone shall be zero rated	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06
	Customs Duties ▪ exemption on importation of all approved capital goods, spare parts, raw materials and other articles for use in Zone	In accordance with the provisions of the Customs Act, Chap. 78:01
	Property Tax ▪ Exemption from property tax obligation	In accordance with Section 16(1) of the Property Tax Act, Chap. 76:04

Special Economic Zones (cont'd)

Benefits/Incentives granted under the Act to licensees (cont'd)

Type of Zone	Benefit	Related Legislation
5. Development Zone	Corporation Tax: ▪ Reduced Corporation Tax	In accordance with the provisions of the Corporation Tax Act, Chap. 75:02
	Allowances/Credits: ▪ Reinvestment relief ▪ Enhanced relief	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06 (Schedule 1)
	VAT: ▪ Goods supplied to Zone shall be zero rated ▪ Services provided by non-residents in Zone shall be zero rated	In accordance with the provisions of the Value Added Tax Act, Chap. 75:06
	Customs Duties ▪ exemption on importation of all approved capital goods, spare parts, raw materials and other articles for use in Zone	In accordance with the provisions of the Customs Act, Chap. 78:01
	Property Tax ▪ exemption from property tax obligation	In accordance with Section 16(1) of the Property Tax Act, Chap. 76:04

In our opinion, as a capital-importing nation, the SEZ Act provides adequate and beneficial opportunities to encourage growth and foreign direct investment into the economy of T&T. It remains to be seen how this SEZ regime will operate in practice and whether, unlike its predecessor, it is better able to translate the Act's potential into realized economic benefit.

Proposed Fiscal Measures

Proposal Fiscal Measures

All amounts are in TT$ unless otherwise stated

Personal Income Tax Allowance	
Proposal	An increase in the personal income tax exemption limit from $84,000 to $90,000 per year
KPMG's view	Persons earning $7,500 per month or less will now be exempt from income tax. This will put additional income into the pockets of individual taxpayers. A commendable measure in light of dwindling revenues after the recent pandemic which will increase disposable income and spending power of citizens. However, the cost of living is also expected to increase, for example, gas and electricity prices are expected to rise. Therefore, this increase in disposal income may be offset against the increased cost of living.
Who are affected	All individuals
Timing	Effective January 01, 2023

VAT Registration Threshold	
Proposal	An increase in the VAT registration threshold from $500,000 to $600,000 per annum
KPMG's view	This would have the effect of removing small businesses from the VAT system, which would allow administration to devote more resources to larger VAT registered companies. It is uncertain however, whether existing businesses which are already below the new threshold would be called upon to deregister for VAT, as a result of this initiative.
Who are affected	All businesses making commercial supplies of less than $600,000 over a 12 month period
Timing	Effective January 01, 2023

Renewable Energy/Business Rebate for Agriculture	
Proposal	Approved agricultural holdings to receive rebates of up to $25,000 for the implementation of renewable energy
KPMG's view	These rebates are part of the government's strategy to promote the use of renewable energy, which ought to make agricultural production more sustainable and efficient thereby reducing prices thus making it more competitive with imported produce.
Who are affected	Approved agricultural holdings
Timing	Effective January 01, 2023

Proposal Fiscal Measures (cont'd)

Subsidy for Housing and Village Improvement Programme	
Proposal	The Housing and Village Improvement Programme (HVIP) to introduce a three-tiered subsidy structure based on the land topography, and an increase in the maximum subsidy applicable for the construction of a basic two-bedroom housing unit from $145,000 to the following levels: • $165,000 for construction on flat lands; • $170,000 for construction on undulating lands; and • $175,000 for construction on hilly lands.
KPMG's view	This would facilitate access to basic housing for lower income households and would increase their overall standard of living.
Who are affected	Residents in rural and peri-urban areas
Timing	Effective January 01, 2023

Manufacturing Tax Credit	
Proposal	A one-time manufacturing tax credit for companies which make an investment in new machinery, production lines and equipment. This manufacturing tax credit can be utilised against the corporation tax liability of the approved manufacturing company certified by the Ministry with the responsibility for Trade and Industry, up to a maximum of $50,000.
KPMG's view	This incentivizes investment in new machinery, production lines and equipment which ought to enhance efficiency and processes in the sector.
Who are affected	Approved manufacturing companies certified by the Ministry of Trade and Industry
Timing	Effective January 01, 2023

Energy: Investment Tax Credit	
Proposal	An increase in the Investment Tax Credit for energy companies from 25% to 30%
KPMG's view	This will increase foreign direct investment, which ought to lead to the expansion of the oil sector amidst declining oil revenues and production.
Who are affected	Energy companies
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Supplemental Petroleum Tax (SPT)	
Proposal	Enhanced SPT concessions for small onshore oil producers and introduction in 2023 of a tiered system of SPT at lower rates for shallow water marine operators. The production limit is increased to 4,000 barrels per day for small producers of oil on land to benefit from the threshold price of US$75 per barrel and the sunset clause would be repealed. For new oil wells in shallow water marine areas, whether in existing fields or new fields, the following rates of SPT are proposed: **Oil Price (P)** — **Rate of SPT** $0.00 to $50.00 — 0% $50.01 to $70.00 — 15% $70.01 to $90.00 — 20% $90.01 to $200.00 — SPT rate = 20% +0.2% (P - 90.00) $201.00 and over — 42%
KPMG's view	• This should encourage production amongst small producers of oil while making it more profitable for these companies to increase production • While the tiered rates may be welcomed, it can also, to complicate the computation of this tax
Who are affected	• Small onshore oil producers • Shallow water marine operators
Timing	Effective January 01, 2023

Electronic Payment Providers and e-Money Issuers	
Proposal	A one-time tax credit will be offered to approved electronic payment providers and/or e-money issuers up to a maximum of $50,000
KPMG's view	• This is a welcomed initiative that feeds into the government's overall plan to digitize the economy. • It should also increase safety for individuals as there will be less of a need to carry large sums of cash on hand.
Who are affected	Approved electronic payment providers and/or e-money issuers
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Petroleum Profits Tax	
Proposal	A decrease in the rate of the Petroleum Profit Tax (PPT) from 35% to 30% for companies engaged in deep water exploration.
KPMG's view	• This will encourage companies to further engage in deep water exploration, which requires significant expenditure. It ought to in turn increase production amidst declining oil revenues and production. • It may also lead to the discovery of new oil fields, which would provide a continuous stream of income for our economy.
Who are affected	Companies engaged in deep water exploration
Timing	Effective January 01, 2023

Illegal State Timbering	
Proposal	An increase in the fine for illegal state timbering from $20,000 to $100,000
KPMG's view	This is a welcomed initiative that is meant to deter persons from breaking the law and causing harm to the environment through the destruction of forests and the cumulative effects thereafter.
Who are affected	Persons in the lumber industry
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Illegal Quarrying	
Proposal	Imposition of heavy penalties for illegal quarrying. In particular, legislative amendments will be introduced to allow the State to levy on, seize and forfeit equipment found on site at illegal quarries.
KPMG's view	• Illegal quarrying creates environmental hazards, safety concerns and deprives the government of revenue. The government continues its efforts to eradicate the scourge of illegal quarrying by further amending the Minerals Act by imposing heavy penalties and including enforcement provisions, which would allow for the effective prosecution of such offenders. • It should be noted that the penalties for illegal quarrying were significantly increased via the 2014 Finance Bill and currently stands as follows: Offence / Fine (TT$) / Term of Imprisonment First / $500,000 / 5 Years Subsequent / $700,000 / 7 Years • Collaboration among the relevant ministries paired with the police service would be essential to ensuring that these proposed measures would be stringently enforced to hold perpetrators accountable.
Who are affected	Unlicensed quarry operators
Timing	Legislative amendments will be introduced in Parliament early in 2023

Offence	Fine (TT$)	Term of Imprisonment
First	$500,000	5 Years
Subsequent	$700,000	7 Years

Scrap Iron Penalties	
Proposal	Increase fines for stealing or illegally obtaining old metal, selling, purchasing, trading, receiving and dealing in stolen old metal, inter alia from $15,000 to $100,000
KPMG's view	This is a welcomed initiative meant to deter those that have wreaked havoc on the country's infrastructure in the recent past.
Who are affected	Scrap iron dealers
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Renewable Energy	
Proposal	Waiving of VAT on new equipment for manufacturing companies utilizing alternate energy technologies; renewable energy options, such as gasifiers to use biomass and harnessing renewable energy through wind, solar and water. The certification of documents will be a collaborative effort between the Ministers responsible for Trade and for Energy.
KPMG's view	• This should boost capital expenditure in the manufacturing sector assisting in increased productivity and efficiency. This would also contribute to developing an economy with a responsibility for ESG. We believe that this initiative should be considered for a longer period of time and revisited at the next budget.
Who are affected	Manufacturing companies
Timing	Effective January 01, 2023 to December 31, 2023

School to Work Apprenticeship Allowance	
Proposal	Implementation of an Apprenticeship Allowance to encourage more businesses to hire persons aged 16 to 25 for short-term apprenticeship to provide them with relevant experience and exposure to the world of work. Companies will be eligible for an allowance of 150 % for all remuneration paid under such an allowance, up to a maximum of 5 % the company's total wages and salaries bill for 1 year. To qualify for this allowance, the training programme instituted by the company must be registered with the National Training Agency and the expenditure certified by the company's auditors. The period of the apprenticeship will be limited to a maximum of 1 year, in the first instance.
KPMG's view	• A welcomed initiative which should ease the unemployment of some of our youths by providing a great opportunity for these individuals to gain much needed experience and exposure to work. Additionally, incentivising companies to develop apprenticeship programmes which should assist with the sustainability and continuity of their businesses while receiving a tax incentive for so doing.
Who are affected	All businesses and eligible youths between the ages of 16 to 25 years
Timing	Effective January 01, 2023

Approved Small Company: Exemption from Corporation Taxation	
Proposal	Amending Section 16A of the Corporation Tax Act, Chapter 75:02 to expand the exemption of approved small companies from the payment of corporation tax from a period of five years to six years
KPMG's view	• This measure is aimed at easing the cash flow burden of small and medium sized enterprises (SMEs) as they try to get their businesses back into operation with the re-opening of the economy. • This concession will be welcomed by SMEs, as not having a tax bill within the specified period, should incentivise such entities to increase investment in their businesses with tax savings.
Who are affected	Small and medium enterprises (SMEs)
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Fees Chargeable for Commissioners of Affidavits	
Proposal	To increase the fees payable under the Commissioners of Affidavit Act Chapter 6:52. The Commissioners' payment to the Registrar General under Section 3(2) of the Act will be increased from $200 to $400. Additionally, the Commissioner of Affidavits fees will be increased from $2.50 to $10.00 for each affidavit sworn before him and from $0.50 to $2.50 for each exhibit attached thereto under Section 5(1) of the Act; and the fee the Commissioner shall pay to the Comptroller of Accounts under Section 5(4) of the Act will be increased from $100 to $200
KPMG's view	These proposed measures would increase the cost of conducting personal and business affairs, typically involving legal proceedings. Common transactions that require the use of an affidavit include but are not limited to property related matters, residency verification, name change verification, debt disputes, divorce matters and confirmation of identity theft victims to name a few.
Who are affected	All persons
Timing	Effective January 01, 2023

Firearm Users Licence Fees	
Proposal	An increase by 100 % of all firearm users license fees (FULs) under the Third Schedule of the Firearms Act Chapter 16:01, with the exception of assault weapons, which will have now significantly higher license fees than other types of firearms. The government also intends to restrict the ownership of assault weapons and associated ammunition by private citizens In the meantime, while legislative amendments are being prepared to achieve this, the licence fees for ownership of assault weapons in private hands will be increased to $5,000 per year, while the annual license fee for ownership of an assault weapon for use in a firing range with be increased to $1,000. These measures will require amendments to the Firearms Act Chap 16:01.
KPMG's view	It is unfortunate, that given the state of rampant crime in our country, citizens mostly business persons, have to rely on themselves to protect their families and property. No matter how high the licence fees may be, acquiring a firearm, may be seen, as is a necessary evil.
Who are affected	All persons
Timing	Effective January 01, 2023

Proposed Fiscal Measures (cont'd)

Tax Amnesty	
Proposal	Introduction of an amnesty on penalties and interest on taxes owed up to and including the year ending December 31, 2021, from November 14, 2022, to February 17, 2023. This measure will require amendments to the various tax laws and is expected to raise $300 million to $500 million in 2023.
KPMG's view	While we understand that an amnesty may be welcomed by those that have fell behind with their tax payments, the question should be asked if there have not been too many amnesties in the last 10 years or so with the last one being in 2021. The government should be careful as taxpayers may conclude that they do not have to make tax payments by the statutory due dates but just hold out and wait for the next amnesty.
Who are affected	All taxpayers
Timing	November 14, 2022 to February 17, 2023

Threat of Giant African Snail and other Agricultural Pests	
Proposal	Allocation of an additional $3 M to the Ministry of Agriculture, Land and Fisheries in our fight against destructive pests such as the giant African snail and locusts. The expenditure would be for marketing and awareness campaigns, training of staff and agricultural supply materials.
KPMG's view	A laudable initiative as all over the country farmers and homemakers alike having been complaining about the onslaught of these pests which have destroyed many crops while these pests seem to have been propagating unabated.
Who are affected	Farmers and homemakers with gardens
Timing	No date given

Inter - Island Air Bridge and Sea Bridge Travel	
Proposal	Increase in the cost of inter-island air travel for all tickets by **$50 as follows:** **Air-bridge (One –Way) currently $150 to be increased to $200.**
KPMG's view	The increases are minimal and not likely to have a disastrous effective on travel between the islands. We are however, sympathetic to retirees who may be aggrieved by the increases
Who are affected	All passengers on the Inter-Island air and sea bridge
Timing	Effective January 01, 2023

	Current (One Way)	Proposed (One Way)
Seabridge Over 60	$0	$25
Standard Class	$50	$75
Premium	$100	$150

Proposed Fiscal Measures (cont'd)

Government Assistance for Tuition Expense (GATE)	
Proposal	Extension of the GATE programme to students wishing to pursue baccalaureate level degree programmes having already accessed GATE for diplomas or associate degrees and hitherto were shut out from accessing GATE a second time.
KPMG's view	This initiative will assist students to pursue higher education in keeping with the government goal to continue developing its human capital.
Who are affected	Students pursuing higher education
Timing	Effective January 01, 2023

Fuel Prices	
Proposal	Increase in the price of fuel as follows – New Prices: • Premium gasoline increase by $1 to $7.75 per litre • Super gasoline increase by $1 to 6.97 per litre • Diesel increase by $0.50 to 4.41 per litre • Kerosene increase by $1 to 4.50 per litre • LPG remains at $21 for a 20lb cylinder of cooking gas for domestic customers
KPMG's view	The increases although they may be frowned upon by some, are not totally unexpected as in T&T the cost of fuel is still relatively cheap compared to global prices. As the government has explained the reduction in the subsidy allows the government to spend in more pressing areas such as in social services or the health sector, consequently, we expect to see an increase in the provision of quality services in these areas going forward.
Who are affected	All persons
Timing	Effective Immediately

Transport Grant	
Proposal	One-off temporary transport grant of $1,000 to all recipients of social grants namely recipients of public assistance, disability, food support, and senior citizens pension.
KPMG's view	This initiative will alleviate the burden felt by the increase in fuel prices by the most vulnerable in our society.
Who are affected	All recipients of social grants
Timing	Effective on or before January 2023

Citizen's Corner

“ Have your say... ”

Prior to the budget being read, we asked some of the citizens of Trinidad & Tobago about their thoughts on what they expect to be addressed in the budget. Hereunder are their comments :

A Grocery Merchandiser

I would like to see a reduction in the proposed rates for the property tax regime seeing that there are already so many taxes being paid by citizens. This will only lead to a further increase in prices and crime

A Medical Doctor

Would like to see an adjustment in salary for public sector workers as we are currently working on 2013 salary rates. Hopefully this can be implemented in today's presentation

A Pharmacist

Although this is something I do not agree with, I expect to see a reduction/removal of the gas subsidy leading to an increase in the price of gas. In addition, there may be an increase in taxes for alcohol and cigarette items which may be stemming from recent domestic violent issues that plague our nation.” Personally I would like more food items to be added to the list of VAT free items in the country

Small Business Owner

I hope that the Government of Trinidad and Tobago defends the Trinidad and Tobago currency and does make any move to devalue it.” I also expect to see more incentives for manufacturers of non-energy goods

Other Matters

Managing Partner's Message
Snapshot
Economic Review
Special Economic Zones
Budget Proposals
Other Matters
About KPMG
Contact us

General Overview of Guyana's Local Content Act

Guyana's Local Content Act (LCA) was passed on December 30th, 2021, and is effective January 01, 2022. It imposes certain minimum requirements on businesses/ legal persons engaged in Guyana's petroleum sector in relation to the hiring and contracting of Guyanese nationals and companies. Its aim is to prioritise the local development of Guyana's domestic economy specifically in procurement for the oil and gas value chain.
What this means is that, under the Guyanese LCA, every licence holding entity entering into a petroleum agreement in accordance with the Guyanese Petroleum (Exploration and Production) Act is required to utilise local content as an essential part of its operations.

Local content is defined in the act as: "the monetary value of inputs from the supply of goods or the provision of services by Guyanese nationals or companies." This means that, for a company specified in the act to have a licence to operate, that entity must possess a percentage of local content within. The percentage required differs according to the nature of the company's operations.

Guyanese nationals are defined as citizens of Guyana. A Guyanese company is any company incorporated under Guyana's Companies Act which is beneficially owned by Guyanese nationals who ultimately exercise – be it individually or jointly – voting rights representing at least 51% of the total issued shares of the company, that has Guyanese nationals holding at least 75% of executive and senior management positions and 90% of non-managerial or other positions.

Specifically, the act provides as follows –

- Welding companies must have at least 25 per cent Guyanese participation.
- Onshore pipe sand blasting companies require 30 per cent participation.
- Onshore construction work for buildings requires 50 per cent participation.
- Food supply and administrative support requires 75 per cent participation.
- Transportation services with trucking companies requires 75 per cent participation.
- Ground transportation and customs brokerage businesses require 100 per cent participation.

While Guyana's LCA may be very beneficial in developing its local capabilities, it gives impetus to a conflict between a nation's sovereignty and international trade and creates a significant risk of ostracising potential regional and foreign companies than securing business for its nationals and local companies.

On the one hand, Guyana is a member of the CARICOM Treaty. Under article 7 of the Revised Treaty of Chaguaramas, discrimination on the grounds of nationality is prohibited. This is CARICOM's embodiment of the 'Most Favoured Nation' principle, which requires a country to extend the same trade terms to all its trading partners.

TT's Property Tax

The Honourable Minister of Finance has stated that the property tax would be collected from 2023 commencing with residential property.

Many persons have since indicated that they do not know how the property tax would be computed and this may be the cause of much anxiety.

Based on our review of the current legislation, hereunder are sample calculations of the property tax which we hope will alleviate some of the anxieties felt by property owners.

Generally, property tax will be 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

Annual Rental Value	60,000	48,000	36,000
Less 10%	6,000	4,800	3,600
Annual Taxable Value	54,000	43,200	32,400
Annual Property Tax Payable at 3 %	1,620	1,296	972

About KPMG

Managing Partner's Message
Snapshot
Economic Review
Special Economic Zones
Budget Proposals
Other Matters
About KPMG
Contact us

KPMG in Caricom

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

Member firms are located in Jamaica, Trinidad and Tobago, Barbados, and St. Lucia (also practicing in Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines). Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, all of which have similar cultures and operating environments.

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

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

39

Partners and Directors

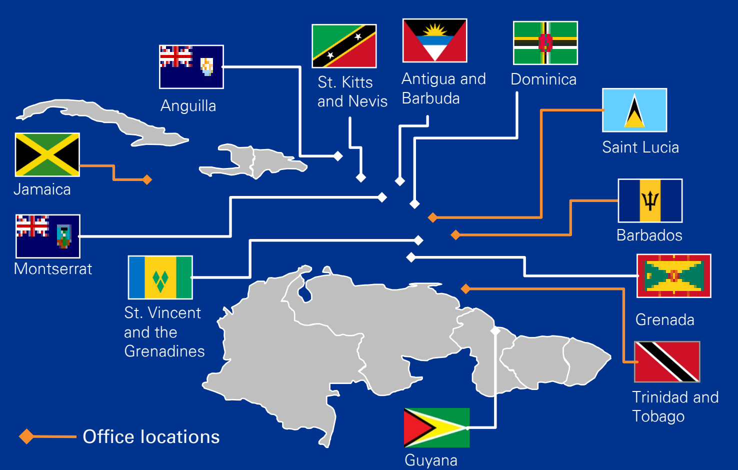
70% | 30%

Gender split (F | M)

1,000+

Professionals

Our member firms



Managing Partner's Message
Snapshot
Economic Review
Special Economic Zones
Budget Proposals
Other Matters
About KPMG
Contact us

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

Contact us

Grant McDonald
Head of Tax
T: +1 246 434 3941
M: +1 246 233 7866
E: **grantmcdonald@kpmg.bb**

Dushyant Sookram
Country Managing Partner
T: + 1 868 KPMG ext. 1000
M: +1 868 688 4617
E: **dsookram@kpmg.co.tt**

Gillian Wolffe- O'Neil
Director, Tax
T: +1 868 612 KPMG ext. 2512
M: +1 868 762 2642
E: **gwolffeoneil@kpmg.co.tt**

Jo-Ana Mark
Manager, Tax
T: + 1 868 612 KPMG ext. 2718
M: +1 868 470 0918
E: **jmark@kpmg.co.tt**

Caveat

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