

Budget 2008

Our firm is pleased to present this Memorandum based on the National Budget 2007 as presented by the Prime Minister and Min. of Finance the Hon. Patrick Manning on Monday, August 20th 2007.



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BUDGET 2008

We are once again pleased to highlight the major changes in the 2008 Budget, which we believe would directly affect our clients and associates. The theme of the 2008 Budget is “**Vision 2020: Determined to Reach Our Goal**”.

Government’s projections for 2008 are based on conservative oil and gas prices with expenditure projected at \$40.29.0 billion. The 2007 Budget has been framed around an oil price of US\$50 per barrel and a gas price of US\$3.55 per MMTBU. The total revenue forecast is \$40.38 billion with a targeted expenditure of \$40.29 billion, with a projected surplus of \$89 million.

The Budget has been developed within the framework of an economy that is performing at an all time high. As the theme of the Budget presentation indicates the focus of the 2008 Budget is the continuation of the journey down the road to developed country status by 2020, regardless of the consequences.

The Prime Minister noted that from 2002 to 2006:-

- The growth rate of the real GDP is 9.7% per year, from \$55b. to \$114.5 b.
- Increase in per capita income from US\$7,100 to US\$14,790.
- New jobs increased by 14,400 annually.
- Unemployment reduced from 11.7% to 5.0%
- Poverty rate reduced from 35% to 16.7%
- Direct foreign investment in excess of US\$6 b.
- Public debt reduced from 60% to 28% of GDP.
- External debt reduced from 17% to 5% of GDP.
- Heritage & Stabilisation Fund stands at \$10.9 b.

The Scott Ryder Report has raised the question of the adequacy of the Nation’s gas reserves, this remains at the forefront because of the heavy dependence on the Energy Sector. The Prime Minister went to some lengths to trivialise the significance of the Report and remains confident that there is no shortage of reserves.

In the 2007 Budget the Prime Minister were to establish new downstream industries to expand the petrochemical sector, but little or no progress has been made in moving these projects forward as of today.

Proposed Industries listed below:

- *Alcoa Aluminum Smelter; *Alutrint Smelter; *Westlake Ethylene Complex;
- *Malaeic Anhydride Processing Facility; *UAM Project.

The government is steadfast in making Trinidad a developed country by 2020. Huge spending programmes on improvements in the nation’s Housing, Roads, Transportation, Drainage & Water Supply, and the government is in a position to fully finance all projects. Despite opposition by many citizens the government has continued other projects such as the Tarouba Sporting Complex / Tsunami Shelter, the Prime Minister’s Mansion, Rail System & Zoo expansion. Many claiming that the gov’t. is arrogant and is disregarding the views of the electorate and being influenced by the private business sector.

BUDGET 2008

Details of the fiscal policies that will affect your business activities for the coming year

PERSONAL INCOME TAX

- **Flat rate of Income Tax of 25% retained;**
- **Personal Allowance of \$60,000 per taxpayer retained;**
- Increase in Tertiary Education Allowance for children attending University abroad of \$60,000 retained;
- Lump sum death benefit paid under approved deferred annuity plans exempted from tax;
- Deduction for contribution to approved pension fund/annuity plans increased from \$12,000 to **\$25,000**

CORPORATION TAX

- **Corporation Tax rates of 25% and 35% retained;**
- **Business Levy of 0.20% of Gross Income retained;**
- **Green Fund Levy of 0.10% of Gross Income retained;**
- The Initial Allowance on Plant & Machinery for use in the manufacturing sector is to be increased from the current rate of 60% to a rate of **75%** with effect from January 1, 2008

TAX REFORMS

- **Amnesty by waiver of penalty and interest for late filing of tax returns and payments of arrears of tax up to 2006 if brought up to date by *April 2008*;**
- **If tax liability is \$100 or less – no payment is due and if tax refund is \$25 or less non is paid;**
- Interest on outstanding tax liabilities is to be computed from **the day after the due date** to the date of payment, or an earlier date as determined by the Board if Inland Revenue;
- The legislation is to be amended to reduce the penalty on the late payment of PAYE and withholding taxes from 100% to **25%**;
- The current legislative provisions are to be amended to require returns to be filed for Financial Services Tax, Insurance Premium Tax and Hotel Accommodation Tax;
- The qualifying period of time for residing abroad for returning resident to claim relief from customs duty & motor vehicle tax reduced from *five (5)* to **two (2) years**;

BUDGET 2008

CAPITAL ALLOWANCE

- Employers are to be granted an accelerated wear & tear allowance, up to a maximum of \$500,000, in respect of costs incurred to provide day care facilities and homework centres at their workplace.

CUSTOMS/EXCISE DUTIES

- Import Duty on powdered milk and cream is to be suspended from 5%, resulting in a proposed rate of 0%.
- Import surcharge on selected poultry products removed;

VALUE ADDED TAX

- No changes to VAT rates or schedules.

STAMP DUTY

- Stamp Duty on transfer of residential property reduced by exemption of properties valued at no more than \$450,000 and the scale of 5%; 7 1/2% and 10% applying thereafter, retained;

WITHHOLDING TAX

- The Withholding Tax rates are to be reduced as follows:

REMITTANCE	CURRENT TAX	PROPOSED TAX
Payments	20%	15%
Other Distributions/ Dividends to non-resident shareholders	15%	10%
Distributions/ Dividends to non-resident parent companies	10%	5%

BUDGET 2008

SENIOR CITIZENS

- The Government proposes to implement a min. retirement pension of **\$2000/mth**;
- The Government proposes to implement a min. retirement pension of **\$1,650/mth**. to **retired public officers**, these public servants will also receive a lump sum payment of \$3000, for Oct.-Dec.2007;

Effective January 1, 2008

DIFFERENTLY ABLED CITIZENS

GRANTS	CURRENT	PROPOSED
Disability Grants	\$900	\$1,100
Ceiling income for receiving grant	\$3,600	\$12,000

Effective October1, 2007

PUBLIC ASSISTANCE GRANTS

PERSONS	CURRENT	PROPOSED
1 Person	\$470	\$650
2 Persons	\$710	\$900
3 Persons	\$920	\$1,100
4 Persons and above	\$1,090	\$1,250

Effective October1, 2007

MINIMUM WAGE

- The current min.wage will be increased from *\$9/hr.* to a proposed **\$10/hr.**;

CEPEP & URP WAGES

- A wage increase of **15%** has been proposed and is to take effect retroactively from January 1, 2007;

OTHER REFORMS

- Airport Departure Tax of \$100 is to be repealed and replaced with a Passenger Service Charge which will be imposed on each individual travel ticket;
- Proceeds from Insurance Premium Tax is to be used to establish a fund to compensate the victims of uninsured drivers;

If your company requires further details on any of the fiscal changes please log on to www.vdkm.com, or give us a call. We have full details on our website & while you are there you can join our email list & we'll be happy to keep your company posted of any changes that can affect your business operations in T&T.