

# Budget 2010

*Our firm is pleased to present this Memorandum based on the National Budget 2010 as presented by the Min. of Finance Karen Nunez-Tesheira on Monday, September 7<sup>th</sup> 2009.*



## **Vishnu D.K. Musai & Co.**

**Chartered Accountants and Management Consultants**

Cor. Eastern Main & D'andrade St.,

Tacarigua.

Trinidad W.I.

Phone: (868) 640-6836

(868) 640-8912

Fax: (868) 640-1066

**Email:** [accounts@vdkm.com](mailto:accounts@vdkm.com)

**URL:** [www.vdkm.com](http://www.vdkm.com)

# **BUDGET 2010**

We are once again pleased to highlight the major changes in the 2010 Budget, which we believe would directly affect our clients and associates. The theme of the 2010 Budget was **“Strengthening Efficiency, Addressing the Challenges”**.

In this Budget the Minister noted that during 2008-2009 the country experienced a \$7.5 billion budget deficit resulting from decreased revenues because of the declines in the oil and gas prices.

*The Finance Minister noted that during 2008 to 2009: -*

- The rate of the real GDP declined by 1.0%
- The economy achieved a 2.3% growth
- Unemployment rate rose to 5% from 3.9%
- Reserves stand at US\$8.6b or 11 months import cover
- Reduction of Inflation of 15.4% in Oct. 08 to 5.9% in July 09.

In the 2010 budget, the government medium term fiscal strategy is geared toward providing fiscal stimulus that will ensure that the economy does not continue to contract. The government based their analysis on revenues from oil and gas at US\$55 per barrel and US\$2.75 per million cubic feet. The average price of oil now is US\$70 per barrel and the average price of gas is the same as that pegged for the budget – US\$2.75 million cubic feet.

The North American and European economies are showing signs of leveling – off from their 2008 slump. These indicate that positive growth rates are expected for 2010 and onwards. Normally, the effects of a slump abroad, affects this country about a year later, therefore, we have not experienced the worst yet. Prudence is advised in making investments, especially with external financing.

# **BUDGET 2010**

## **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;**

### **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 75% to a rate of 90% with effect from January 1, 2010
- Exemption from tax for finance companies on income derived from mortgages for financing the construction or purchase of homes costing up to a maximum of \$850,000, hence, giving preferential interest rates of between 6-8% to first time homeowners on homes up to \$850,000

### **APPROVED PROPERTY DEVELOPMENT COMPANY (APDC) ALLOWANCE**

- Approved Property Development Companies will be entitled to claim, as a deduction, 15% of the capital expenditure incurred in the construction of commercial or industrial buildings which commenced on or after October 1st 2009, and are completed on or before December 31<sup>st</sup> 2014.  
This allowance has been repealed in 2006 but shortly re-introduced for construction before December 31<sup>st</sup> 2007 and completed by December 31<sup>st</sup> 2007, now re-introduced with a different construction time frame.

*This measure is to take effect from October 1, 2009*

### **PROPERTY TAXES**

- The government will implement a new Property Tax Information System which will assess all properties in T&T and collect taxes using a single platform by January 1<sup>st</sup> 2010. **The property tax liability is to be the rental value of the property** done by a Valuation Division in accordance with international standards and tax collection will be done through the Board of Inland Revenue.

*It is proposed that there will be four categories of property and rates as follows:*

TYPE OF PROPERTY	TAX RATE
RESIDENTIAL	3%
COMMERCIAL	5%
AGRICULTURAL	1%
INDUSTRIAL	6%

# **BUDGET 2010**

## **CUSTOMS/EXCISE DUTIES**

- 15% increase on locally manufactured rum, beer and other alcoholic products
- 15% increase on alcoholic products imported from the Caribbean Common Market
- 30% increase on rum, beer and other alcoholic products from extra-regional sources

*This measure is to take effect immediately*

## **VALUE ADDED TAX**

- No changes to VAT rates or schedules.

## **STAMP DUTY**

- No change to the rates from 2008

<b>PROPERTY VALUE</b>	<b>STAMP DUTY</b>
Up to \$850,000	0%
More than \$850,000 but not exceeding \$1,250,000	3%
More than \$1,250,000 but not exceeding \$1,750,000	5%
More than \$1,750,000	7.5%

## **WITHHOLDING TAX**

- The Withholding Tax rates remains unchanged:

<b>REMITTANCE</b>	<b>CURRENT TAX</b>
Payments	15%
Other Distributions/ Dividends to non-resident shareholders	10%
Distributions/ Dividends to non-resident parent companies	5%

# **BUDGET 2010**

## **HOUSING**

- Subsidisation of the cost of the infrastructure and land on housing units in the range of \$250,000 to \$450,000
- A subsidised mortgage interest rate of 2% to all prospective homeowners earning less than \$8,000 per month with no down payment with the Trinidad and Tobago Mortgage Finance Company
- Government absorption of all legal fees attached to the purchase of any HDC housing unit by first time homeowners

### *Beneficiary Owned Land Programme*

- A subsidy of up to \$50,000 to individuals with an annual household income between \$24,000 and \$50,000 to construct their first home where the construction costs do not exceed \$195,000
- A subsidy of \$35,000 to individuals with an annual household income of up to \$75,000 to construct their first home where the construction costs do not exceed \$195,000
- Provision of approved plans with the associated cost of the plans to be absorbed by the Government

## **MOTOR VEHICLE**

- Increases in penalties for traffic offences

<b>OFFENCE</b>	<b>FROM</b>	<b>TO</b>
NO PARK LIGHTS	\$200	\$1,000.
IMPROPER OVERTAKING	\$200	\$1,000.
OVER SPEED LIMIT	\$200	\$1,000.
UNAUTHORIZED USE OF BUS ROUTE	\$200	\$2,000.

*This measure is to take effect from January 1, 2010*

### **FIXED PENALTY**

USE OF ILLEGAL TINTS	\$2,000.
VEHICLE NOT FITTED WITH SEATBELTS	\$2,000.

- **The Government proposes to amend the cost of the renewal of drivers' licences from \$200 every three (3) years to \$500 every five (5) years.**

# **BUDGET 2010**

- It is proposed that the Motor Vehicles Transfer Tax be increased by 50% for used motor vehicles and used motor cycles as follows:

<b>AGE OF USED VEHICLE</b>	<b>FROM</b>	<b>TO</b>
OVER 10 YEARS	\$100.	\$150.
7 – 10 YEARS	\$900	\$1,350.
5 – 7 YEARS	\$2,000.	\$3,000.
2 – 5 YEARS	\$3,000.	\$4,500.
MOTORCYCLES NOT EXCEEDING 250CC	\$100.	\$150.
MOTORCYCLES EXCEEDING 250CC	\$200.	\$300.

*This measure is to take effect from October 1, 2009.*

If your company requires further details on any of the fiscal changes please log on to [www.vdkm.com](http://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.