

BUDGET 2015

Summary of the fiscal policies that will affect your business activities for the coming year as presentenced by the Minister of Finance and the Economy, Senator the Honourable Larry Howai on 8th September 2014.

TAX ADMINISTRATION / AMNESTY

- Waiver of **penalties** and **interest** up to **March 31, 2015**, (*for years of income up to 2013*) for late filing of returns and payment of Income Tax, Corporation Tax, VAT, Business Levy and Green Fund Levy.
- Waiver of **penalties** on outstanding filings with the Registrar of Companies until **31st March 2015**.

INCREASE IN CONTRIBUTIONS TO REGISTERED ANNUITIES

The Minister has proposed to increase the limit for contributions to registered annuities from \$30,000 to \$50,000 effective 1 January 2015.

Contributions made by individuals to annuity plans that are approved by the Board of Inland Revenue are tax deductible. At maturity, pursuant to Section 28 of the Income Tax Act (ITA), the individual may opt to take a tax-free lump sum equivalent to 25% of the capitalized value of the pension or annuity with the remainder being utilized to provide an annuity for life. It should be noted that the annuity payable upon maturity is taxable in the hands of the individual.

TAX DEDUCTABLE BONDS

Introduction of Government Savings Bonds which are tax deductible up to \$5,000. Per annum for a period of five years, however the effective date of implementation has not been declared.

MANUFACTURING SECTOR: FILM, FASHION AND MUSIC

Increased rebate and cap on production expenditure to 20% and US\$8M respectively on use of local labour in film, fashion and music sub sectors.

AGRICULTURE

Measures geared at improving food security, including 50% rebate on cost of establishing or refurbishing an agro-processing facility for approved products. The rebates will be to a maximum of \$100,000 and \$50,000 respectively.

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HOUSING

Increase in first time home owner tax allowance from \$18,000 to 25,000 per household per annum on mortgage interest paid in the year of income for first time home owners for five years, including those years utilized by existing beneficiaries.

The Minister made reference to the allowance being granted in respect of mortgage interest paid by the first time home owners. The current provision as contained in the ITA in respect of the First Time Home Owner tax allowance does not make reference to mortgage interest but rather to an allowance. Clarification is needed as to whether the increase in the allowance from \$18,000 to \$25,000 pertains to mortgage interest or cost incurred in acquiring a house by way of purchase or construction.

- Expansion of mortgage programme by increasing qualifying property values and qualified income.
- Introduction of supplemental new mortgage programme for qualifying value and income.

INCLUSION OF THE SELF EMPLOYED IN THE NATIONAL INSURANCE SCHEME

Under the current National Insurance Act, self-employed individuals fall within the definition of “employed person” and should be registered with the National Insurance Board and pay contributions accordingly. The Honourable Minister acknowledged same during his 2012 budget presentation; however, he indicated that there were no arrangements in place to govern the payment of contributions from or the payment of benefits to these individuals. He proposed to rectify same.

The Honourable Minister has resurrected the inclusion of self-employed individuals in the National Insurance Scheme effective 1 January 2015.

The proposals announced by the Honourable Minister seem to acknowledge the fact that self-employed individuals who are close to retirement age, which is 65 years of age under the National Insurance Act, would not benefit from joining the scheme because they would not meet the required number of contributions to qualify for a minimum pension. To counteract this disincentive the Honourable Minister has announced the following proposals:

- Self-employed persons in the age group 57 and over at the time of commencement of coverage in the year 2015 will receive a one-off payment equivalent to three times their contribution.
- Self-employed persons in the age group 50 – 56 at the commencement of this coverage who have contributed fully in each year prior to retirement will be credited with additional contributions to allow them to receive the minimum monthly pension payments.
- The subsidization of up to two-thirds of the contributions made by low-income, self-employed persons (defined as persons who earned less than \$3,000 per month by the National Insurance Board).

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SOCIAL SECURITY NET

PERSONAL ALLOWANCE OVER 60 YEARS.

The Minister is proposing to increase the Personal Allowance from \$60,000 to \$72,000 effective 1 January 2015 in respect of resident individuals who have attained the age of **60 years**.

INCREASE IN DISABILITY GRANT

The grant has been increased by \$1,500 to \$1,800 per month from 1 October 2014.

FINANCIAL ASSISTANCE FOR UNDERPRIVILEGED PARENTS

The establishment of a new programme to provide financial assistance in the amount of \$500 per month for one year only for any child born to underprivileged parents during the course of the next fiscal year.

SENIOR CITIZENS' PENSION

The Senior Citizens' Pension is paid to residents of T&T who have attained the age of 65 years. Recipients must satisfy certain income qualification requirements in order to receive the pension. The current maximum pension of \$3,000 has been in effect since 2010. The Minister proposes to increase the Senior Citizens Pension by \$500 to \$3,500 with effect from 1 October 2014. Where persons are in receipt of other pensions, there will be a cap of \$4,500.

PUBLIC OFFICERS' PENSION

Increase by \$500 for public officers with a minimum of \$3,500. per month.

FINANCIAL ASSISTANCE FOR UNDERPRIVILEGED PARENTS

- The establishment of a new programme to provide financial assistance in the amount of \$500 per month for one year only for any child born to underprivileged parents during the course of the next fiscal year.
- 12% increase in Servol Adolescent Programme and Parent Outreach Programme.

ESTABLISHMENT OF FUND FOR DECEASED SECURITY PERSONNEL

A new fund has been established which provides \$1 million to the estate of a member of the State's protective services who has been killed in the line of duty.

MINIMUM WAGE

Effective 1 January 2015, the Minimum Wage is to be increased from the current \$12.50 per hour to \$15.00 per hour.

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ROAD USAGE

- Increase in fines by 50% for several traffic offenses.
- Reimbursement of motor vehicle tax and VAT to registered maxi taxi owners.

ROAD USAGE

Effective from 1 January 2015 to exempt motor vehicle tax and VAT on new or used hybrid or electric-powered vehicles not older than two years for a period of five years for private or commercial use.

TRINIDAD AND TOBAGO HOTEL AND GUESTHOUSE ROOM STOCK UPGRADE INCENTIVE PROGRAMME

The Minister is proposing to expand the existing Hotel and Guesthouse Room Stock Upgrade Incentive Programme which is managed by the Tourism Development Company Limited. The programme was originally intended to continue for a period of two years and is currently applicable to hotels and guesthouses of 8 to 100 rooms which have been operating for more than four years. The incentive provides for a reimbursement of 25% of the upgrade cost per room with a maximum reimbursement of \$12,000 per room for Trinidad properties and \$15,000 per room for Tobago properties.

As an interim measure and to encourage upgrade works both in the interior and the exterior areas, the Honourable Minister is proposing to expand the incentive retroactively effective 31 July 2014 for a three year period for properties between 6 to 150 rooms with the maximum overall limit being increased to \$750,000.

The Minister is also proposing to introduce another three year incentive programme commencing on 31 July 2014 which is aimed at upgrading work in small tourism properties between 1 to 5 rooms. The incentive would be a reimbursement of 20% of the cost of the upgrade work to a maximum of \$75,000.

In addition to the above, the Government is proposing to provide guarantees to the financial institutions for lending to investors.

TAX EXEMPTIONS FOR HOUSING DEVELOPERS

The Finance Act, 2013 provided for an exemption from tax on gains or profits derived from the initial sale of newly constructed houses:

- ❖ By registered traders
- ❖ Where cost does not exceed \$1.5 million
- ❖ Construction commenced after 1 February 2013

Owing to the lack of Ministerial authority to grant certification as a registered trader under the Housing Act, the Housing Act will now be amended to make such regulations as required, so as to grant such tax incentives to housing developers as outlined in the 2014 Budget Statement effective 1 January 2013.

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OTHER MEASURES

CARONI

Distribution of reserve fund to pensioners and deferred pensioners on pro rata basis.

MISCELLANEOUS PROVISIONS (PROCEEDS OF CRIME) BILL

The Minister also took note of the recent laying in Parliament of the Miscellaneous Provisions (Proceeds of Crime) Bill which seeks to significantly strengthen the framework for addressing Anti-Money Laundering and Counter-Terrorism Financing activities.

CREDIT UNION BILL

The Minister indicated that subsequent to the enactment of the Insurance Act, the Government will lay a new Credit Union Bill in Parliament. This Bill will encompass international standards and best practices from other jurisdictions and will transfer the supervision of credit unions from the Commissioner for Cooperative Development to the Central Bank of Trinidad and Tobago.

MUTUAL FUND INDUSTRY

Amendment to the Unit Trust Corporation of Trinidad and Tobago Act 1981 in key operational areas in relation to its mutual fund business.


GAMING INDUSTRY

The Minister stated that the Government is committed to bringing all forms of betting and gaming activities in T&T within a dedicated regulatory framework. A Cabinet-established Committee has been holding extensive consultations with all industry stakeholders and there is now broad agreement on the elements of a regulatory regime. The Minister has indicated that the relevant legislation and the supporting Regulations have been prepared and will be laid in Parliament in the next fiscal year.

As an interim arrangement, the Minister signalled that a new taxation and regulatory framework involving the tagging and taxation of gaming machines will be in place effective from 1 January 2015.

TRINIDAD AND TOBAGO HERITAGE AND STABILISATION FUND

Amendments to the Heritage and Stabilisation Fund Act 2007 Chapter 70:09.



If your company requires further details on any of the fiscal changes please give us a call. Please log onto the following link <http://www.vdkm.com/id4.html> and 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.