

# **BUDGET 2016**

Under the theme “Restoring Confidence and Rebuilding Trust: Let’s Do This Together” the Honourable Minister issued a call for collaboration by all sectors to enable recovery and fix our economy.

- The economy has remained stagnant for the past 5 years;
- Real output in the energy sector declined again in 2015 making this the fourth annual decline in the past five years;
- Activity in the non-energy sector has also weakened, with a loss of momentum in construction, distribution and manufacturing;
- Total energy exports are estimated at only US\$7.5 billion in 2015, a significant decline (41%) when compared with an annual average of US\$12.7 billion in the period 2010 to 2014;
- Balance of payments deficit and a loss in official foreign reserves of \$720 million;
- Trade balance expected to be reduced by approximately 63% in 2015 compared to 2014;
- Reduction in government’s revenue from petroleum of approximately \$8 billion in fiscal 2015;
- Ballooning of the fiscal deficit for 2015 to \$7 billion (4.2 %t of GDP) compared to the budgeted deficit of \$4.3 billion (2.7% of GDP).

## **INCOME TAX**

Increase in Personal Allowance for all individuals from **\$60,000** to **\$72,000**

Persons earning less than \$6000 per month will no longer be subject to income tax and others will enjoy additional disposable income of \$250 per month.

## **BUSINESS LEVY**

Increase in rate of business levy from **0.2%** to **0.6%**

## **GREEN FUND LEVY**

Increase in the rate of Green Fund Levy from **0.1%** to **0.3%**

## VALUE ADDED TAX

The Honorable Minister has noted that the intention is to broaden the VAT base by removing non-essential or luxury items, a notion which is subjective, from the zero rated list. He has not however revealed what these items are. There is a need for further details to evaluate the likely effect of this measure on consumers.

- Reduction of VAT Rate from 15% to 12.5%

In keeping with his party's Manifesto promise, the Honourable Minister indicated the intention to reduce the VAT rate from 15% to 12.5%. This is the first adjustment in the VAT rate since its inception in 1990.

- Increased Registration Threshold from \$360,000 to \$500,000

The Honorable Minister has signalled its intention to increase the VAT registration threshold from \$360,000 to \$500,000. The previous increase in the threshold was in 2013. This measure is likely to be felt more by smaller businesses which wish to register for VAT to be able to claim any input tax suffered.

The impact of this measure will be an increase in the cost of doing business for small businesses which will no longer be able to recoup their input VAT through the VAT system and as such will increase the price of doing business. On the positive side it will relieve those persons of the burden of complying with the VAT legislation.

## AGRICULTURE

The Honorable Minister proposed to exempt from all duties and taxes on inputs into the agricultural sector, including approved chemicals, pest control, approved vehicles, approved fishing vessels and equipment. This measure will be effective from January 1, 2016.

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## **ESTABLISHMENT OF REVENUE AUTHORITY**

The announcement by the Honorable Minister of the intention of the GORTT to introduce the Revenue Authority is in keeping with the GORTT's Manifesto promise to reform

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.