

# BUDGET 2017

Summary of the fiscal policies that will affect your business activities for the coming year as presented by the Minister of Finance and the Economy, the Honourable Colm Imbert on 30<sup>th</sup> September 2016.

## NEW TAX RATE

- Increase in rate of tax for **high income** individuals and companies.
- Chargeable Income up to TT\$ 1m – 25%.
  - Chargeable Income up over TT\$ 1m – **30%**.

## PROPERTY TAX

The property tax will become applicable with effect from 2017 based on assessments to be published by the Board of Inland Revenue in its assessment rolls and at the new rates.

The Minister stated that under the Valuation of Land Act, which still has to be amended, every owner is required to submit a return, which will be used by the Valuations Division of the Ministry of Finance to calculate the annual rental value of the property, failing which the Valuations Division would prepare its own assessment.

Tax under the 2009 Act is computed based on the annual taxable value which is the annual rental value less 10% to cater for periods when property is not rented or landlord does not collect rent.

CLASSIFICATION OF PROPERTY	PROPOSED TAX RATE %
Residential	3
Commercial	5
Industrial	6
Agricultural	1

### *Vacant Land*

CLASSIFICATION OF PROPERTY	PROPOSED TAX RATE %
Residential	3.5
Commercial	5
Industrial	5
Agricultural	2

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## **TAX ON ONLINE PURCHASES**

The Government intends to impose a **7%** tax on online purchases. This tax will only be applicable on the goods that enter the country via courier companies or air freighted directly by the importer. The tax will be due and payable at the bonded warehouses before clearance of goods or directly to customs, in the same manner in which VAT and customs excise are currently collected.

## **VALUE ADDED TAX (VAT) EXEMPTION ON**

Prior to 1<sup>st</sup> February 2016, the items below were zero-rated:

- The repair of yachts and pleasure crafts
- Any service supplied to yachts and pleasure craft, owned by persons who are neither citizens nor resident of T&T.

## **FUEL SUBSIDY**

The Minister proposes to increase the current market price of diesel by 15%, from \$1.98 per litre to \$2.30 per litre. The change in price will take effect immediately.

It should be noted that the price of diesel was previously increased in September 2015 and April 2016 from \$1.50 to \$1.72 and from \$1.72 to \$1.98 respectively, an increase of 15% in both cases. Given current oil prices, the impact of the fuel subsidy has been significantly reduced.

## **ALCOHOL AND TOBACCO**

The 2017 Budget proposes to increase the excise duty on locally-manufactured tobacco and tobacco imported from the Common Markets by 15% effective 20 October 2016.

Similarly, the excise duty on locally-manufactured alcohol and alcohol imported from the Common Markets is proposed to increase by 20% effective 20 October 2016. The current excise rates vary for beers, wines and spirits.

## **GAMING**

The Minister has signaled the government's intent to enact, in 2017, The Gambling (Gaming and Betting) Control Bill, 2016, which was first introduced and read in the House of Representatives on 1 July 2016.

The Gaming legislation is geared towards leveraging every potential source of tax revenue and creating an environment conducive to the generation of quality, sustainable jobs.

The legislation is additionally intended to redress an industry which is currently loosely regulated and the associated negative social effects. The 2016 Bill seeks to establish a License Regime with a comprehensive, robust and stringent regulatory framework, which will curtail fraudulent acts of money laundering and terrorism financing, and meet globally recommended standards required by the Financial Action Task Force and the Caribbean Financial Action Task Force.

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## **HOUSING-INFRASTRUCTURE DEVELOPMENT**

The Finance (No. 2) Act, 2016 enacted the multi-family dwelling tax incentive, which provides that the gains or profits from the initial sale, or premiums and rents derived from the letting of a newly constructed multi-family dwelling, construction of which commenced on or after 1 July 2016, will be exempt from income tax until the year ending 31 December 2025.

Notwithstanding the foregoing, no regulations were subsequently passed allowing investors access to this incentive. The Finance (No.2) Act, 2016 did not provide a definition of the term multi-family dwelling. In the presentation, the Minister proposed to introduce regulation allowing access to the multi-family dwelling tax incentive.

The aforementioned tax incentives are aimed at promoting and encouraging investment in the development of public infrastructure. In the absence of a definition of “multi-family dwelling”, there appears to be no distinction from the term ‘house’ embedded in the current housing tax incentives. We will await further clarification on the process of claiming the multi-family dwelling tax incentive.

## **AGRO-PROCESSING TAX RELIEF**

The Minister is proposing to stimulate the local agricultural sector by introducing an incentive whereby all agro-processing operations will be tax free. The Ministry of Agriculture, Land and Fisheries will be responsible for the certification process. In order to qualify for the tax relief, the following criteria would have to be met:

- At least 75% of the processing of agricultural products must be done in T&T; and
- 75% of the ingredients must be produced or harvested locally.

We await the passage of the legislation to provide further clarity on what constitutes “agro-processing”. It is noteworthy that successive governments have introduced tax incentives for various sectors of the economy that have been ineffective due to the bureaucracy encountered by companies seeking to take advantage of the tax incentives.

## **ELECTRICITY RELIEF**

The Minister has proposed to assist the less fortunate by exempting persons whose monthly electricity bill is \$400 or less from the first \$100 in electricity charges. We note that the Minister has stated that the Government will bear the difference in charges in an arrangement with T&TEC. This measure will take effect from 1 December 2016.

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## **PUBLIC PRIVATE PARTNERSHIP (PPP)**

### **BUSINESS TAX RELIEF**

As the government continues to seek options to implement projects without significant GORTT outlay, it proposes to provide 50% tax relief to private investors who contribute capital through the PPP concept on:

- public infrastructure, services or amenities which are currently provided solely by government; and
- projects that increase productivity and create meaningful employment.

We have always endorsed the concept of implementing GORTT projects via PPPs for a variety of reasons, not least among them being that they are expected to reduce GORTT spending and bring private sector management and other skills to bear in the execution of large projects which potentially allow for a more efficient implementation of GORTT's PSIP projects. For various reasons, this initiative has not gotten off the ground in a meaningful way to date. However, it is hoped that this measure will encourage more private sector players to step up and participate.

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.