

BUDGET 2018

The theme chosen for the 2018 National Budget Presentation “Changing the Paradigm” reflects well the unanimous view that Trinidad & Tobago is now at a critical junction and that swift measures need to be taken if our economy is to recover.

The Minister of Finance, the Honourable Mr. Colm Imbert, was explicit in detailing the very significant economic challenges faced by Trinidad & Tobago, which are characterized by the following elements:

- A dramatic decline in oil and gas taxes denominated in US\$ and in the price for petroleum products.
- A persistent excessive demand (vs supply) for forex, which can be remedied by allowing the free floatation of the exchange rate, which will drive inflation and wage demands but potentially curtail sales.
- The very high level of government expenditure that individuals and businesses have become addicted to and which cannot be sustained without continuing to adversely impact the country’s debt profile.

INCREASE IN CORPORATION TAX RATE

The Minister announced that effective 1 January, 2018 there will be a harmonisation of the corporation tax rate to 30% applicable to all companies (excluding energy and commercial banks). The rate of 30% was introduced in 2016 and was applicable to companies (non-energy) with chargeable profits in excess of TT\$1m. Currently, companies with chargeable profits less than TT\$1m are subject to tax at the rate of 25%. With the harmonisation of the rate all non-energy companies (excluding commercial banks) will be subject to tax at the rate of 30%.

INTRODUCTION OF NEW CORPORATION TAX RATE FOR COMMERCIAL BANKS

In the past, commercial banks enjoyed the same tax rate as manufacturing and other non-energy companies. However, the Minister announced the introduction of a new rate of 35% applicable to all commercial banks.

EXPORT ALLOWANCE FOR THE MANUFACTURING SECTOR

The Minister is proposing to re-establish an export allowance for manufacturers. He indicated that a framework would be established which would allow for a reduction of tax on revenues generated from incremental exports to existing markets. He stated that further details would be provided in the Finance Act, 2018. It should be noted that an export allowance previously existed for exports of products from manufacturing and processing industries, as well as certain specified services, but excluding the following:

- Approved products for the duration of the tax holiday period under the Fiscal Incentives Act
- Crude petroleum and petrochemicals
- Petroleum products and petroleum based products
- Re-exports

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Exports to CARICOM jurisdictions were also excluded from the original export allowance which was computed using the formula:

Export Sales/Total Sales x Total Sales Profits

In the above formula, “Total Sales Profits” is equivalent to the chargeable profits of the company.

INCREASED DUTIES AND TAX ON MOTOR VEHICLES

The government proposes to maintain the removal of all taxes and duties on hybrid passenger vehicles and extending these concessions to CNG passenger vehicles with engine sizes under 1599 cc only.

The government also proposes to increase the motor vehicle tax and customs duty by 25% on private passenger vehicles with engine sizes exceeding 1599 cc and not exceeding 1999 cc.

These measures will take effect from October 20th 2017, however there will be a moratorium up to December 31st 2017 for private passenger vehicles already in transit or already landed in Trinidad and Tobago.

REMOVAL OF DUTIES & TAXES ON MOTOR CYCLES

The government seeks to encourage the use of motor cycles as they are fuel efficient and do not create traffic congestion. As such, all motor cycles with engine sizes under 300 cc will be exempt from all duties and taxes. This measure will take effect from October 20th 2017.

IMPORT DUTIES AND FEES ON TYRES

Currently, new tyresutilized on motor cars attract a customs duty of 30%, while used pneumatic tyresdo not incur customs duties. This has led to mislabelling and tax evasion, says the Finance Minister.

- As such the customs duty on all tyreswill now be 30% whether new or used.
- The importation of new tyresutilized on buses and lorries will remain at 15%.

This measure will be implemented on October 20th 2017.

The Government will also implement an environment tax on tyresof \$20 per tyreto cover the cost of proper disposal. This measure will be implemented on December 1st 2017.

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FUEL SUBSIDY

The price of diesel will now be increased from \$2.30 to \$3.41 per litre, and super gasoline increased from \$3.58 to \$3.97 per litre with immediate effect.

Later in 2018, the Government intends to have fuel prices fluctuate with the international prices of oil and refined products.

Retail Margins for Fuels

With a view to improving the cash flow and profitability for businesses operating within the Liquid Petroleum Fuel industry, as well as promoting competition among service stations and the creation of enhanced and sustainable jobs, the Minister proposes to increase wholesale margins as follows:

- Regular Gasoline, Super Gasoline and Premium Gasoline – From \$0.145 per litre to \$0.195 per litre; and
- Diesel and Kerosene – From \$0.095 per litre to \$0.145 per litre.

The Minister has advised that this measure will be implemented with immediate effect.

The Minister stated that the previous margins, which were last reviewed in 2009, are insufficient to keep the industry in operation whilst simultaneously hindering competition and dissuading new entrants into the market.

MOTOR VEHICLE INSPECTION

The Minister expressed his concern that the proprietors of the vehicle inspection stations have been providing services at considerably low fees. Please note private vehicles five years and older from the date of manufacture must be inspected every two years. In light of this, it has been proposed that there be an increase in the fee for inspections of private motor vehicles from \$165 to \$300. This increase is expected to take effect from 1 December 2017.

INCREASE IN TAXES GAMBLING INDUSTRY

The following measures were introduced:

- Increase in tax on all mechanical games of chance from 20% to 40%
- Introduction of 10% tax on all cash winnings administered by NLCB
- Flat device tax of TT\$ 120,000 annually
- Increase in gaming tax under the Liquor License Act from TT\$ 3,000 to 6,000 for amusement game
- Increase taxes on gaming tables and other devices by private members' club.

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LICENSE FEES & PENALTIES FOR PRIVATE HOSPITALS

The Minister proposes to significantly increase license fees and penalties payable by operators of private hospitals. In his speech, the Minister advised that the license fee applicable to all private hospitals is \$150 per year. The license fee proposed, will be based on the number of beds at the institution and is as follows:

- Less than 30 beds \$25,000 per year
- Over 30 beds but less than 60 beds \$50,000 per year
- 60 beds and over \$100,000 per year

Institutions classified as Hospitals for the Convalescent or Chronically-ill, Home for the Elderly or Hospital for any designated disease, or specified disease or disorder or illness will continue to pay the existing license fee of \$150 per year as stated by the Minister.

NEW INCENTIVES FOR FARMERS

To encourage farmers in the establishment of larger farms, the Minister announced Government's intention to amend section 14 of the Income Tax Act to remove the restriction on agricultural acreage to include within the exemption from tax agricultural holdings in excess of 100 acres. This measure is to come into effect 1 January, 2018.

This measure will benefit farmers and encourage the development of larger farms which ultimately will boost the development of the agricultural sector. This measure may potentially result in the reduction of the food import bill and in local food prices. This is a welcomed measure as Government seeks to diversify the economy and stimulate economic growth. The Government is also proposing a grant of TTD100,000 to new and existing farmers. Whether these measures are sufficient to encourage agriculture is yet to be seen but is certainly a step in the right direction. Appropriate checks and balances need to be put in place to ensure that these grants are used for the intended purpose.

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.