Budget insights 2025

Budgeting amidst headwinds: Trinidad and Tobago's path forward

Trinidad and Tobago 2025 national budget commentary

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Tax Leader's thoughts

Trinidad and Tobago (T&T) is undoubtedly at a crossroads and there is growing angst amongst the citizenry as to its future and overall economic trajectory. On the one hand, there are some promising developments in the energy sector which can potentially catapult the economy in the right direction and perhaps bring it closer to its former glory. On the other hand, one has to wonder whether there are enough significant measures being introduced to inter alia:

- achieve the elusive diversification goal away from oil and gas and generate other sustainable revenue sources for the country;
- generate ways to close the running budget deficits and fund the operations of the country such as timely payment of tax refunds without the one-off sale of assets and/or increasing government borrowings;
- address the chronic foreign exchange shortages impacting every facet of life in T&T;
- curtail the scourge of crime and its debilitating effects on the country.

It is against this backdrop that on 30 September 2024, The Honourable Colm Imbert, Minister of Finance, delivered his tenth National Budget presentation of the incumbent Government under the theme “Steadfast and Resolute: Forging Pathways to Prosperity”. Coming on the cusp of general elections, which are constitutionally carded for the next calendar year, the country has high expectations and, in many cases, demand that the underlying socio-economic challenges that the country continues to navigate be addressed in a timely fashion. It is doubtful though whether we are all truly ready for extensive austerity measures and enhanced disciplinary measures to get there. For his part, the Minister has more optimism about the state of the affairs, and he notes that, ‘Our economy is stronger and more resilient now than it was before COVID-19.’

With a projected deficit of TT$5.517bn which continues to be a concern, it is to note that the T&T economy grew by 1.3% in 2023 and in 2024, real Gross Domestic Product (GDP) growth increased to 1.9%. A promising sign indeed despite the challenges in the contraction of the energy sector, and the global geopolitical struggles which have a direct impact on economic trade locally and internationally. The Government is therefore faced with the unenviable task of maintaining economic stability through focusing on, among other things, infrastructural development, security and diversification while addressing current vulnerabilities.

The government, in reality, is continuing to place heavy reliance on the energy sector in spite of its own acknowledgement that to insulate the country from the volatility of revenue contribution from that sector, it needs to diversify the economy away from the sector given the paucity of proven reserves. In particular, the Government seems to be betting heavily on the success of the Manatee and Dragon projects. Manatee is a Shell Trinidad and Tobago Limited (STTL) operated gas field in the East Coast Marine Area (ECMA), which is part of the Loran-Manatee field that straddles the border with Venezuela (Loran being the portion on Venezuela side of the border). STTL made a Final Investment Decision (FID) in July 2024 regarding this field, and once the project comes on stream in 2027, Manatee is expected to produce at its peak approximately 604 million standard cubic feet per day (MMscf/d) or104,000 barrels of oil equivalent per day (BOE/D).

Dragon, on the other hand, will be managed by a consortium of STTL (operator), the National Gas Company (NGC) and the Bolivarian Republic's state-owned company Petroleos de Venezuela SA (PDVSA). Although a 30-year license was issued by the Venezuelan Government, the companies are still waiting on a long-term license from the Office of Foreign Assets Control (OFAC) with regard to sanctions that were issued against Venezuela. Assuming this is granted before the current two-year OFAC license expires in October 2025, and STTL makes a timely FID decision, it is hoped that first gas from Dragon comes to the surface in late 2027/early 2028.

The estimated reserves from Manatee and Dragon are 2.7 trillion cubic feet (Tcf) of gas and 4.2 Tcf of gas respectively and are expected to restore the country's level of gas production. Production from both projects should bring much needed relief to the chronic gas shortages experienced by the petrochemical sector and bolster the Government's coffers. To earn more foreign exchange from the sector, we commend the Government for seeking to encourage some companies operating in the sector to move from settling 50% of their taxes in United States (US) dollars to settling their full tax liability in US dollars. We encourage the expanding and incentivising of the wider business community to consider settling some or all its taxes in foreign currency.

Some other highlights of the budget presentation are discussed below:

Government's efforts to widen the tax net and improve tax compliance

The Government's confidence is no doubt boosted by its recent success at the UK-based Privy Council where T&T's highest court ruled that the transfer of revenue functions to the Trinidad and Tobago Revenue Authority (TTRA) is not unconstitutional. This decision allows the government to move forward with the staffing and operationalisation of the TTRA which is expected to improve revenue collection by more than TT$10bn. While this is a step in the right direction, the true impact will only be realised through a modern collection agency that sheds the inefficiencies that plagued its predecessor, and where fairness and public trust are embedded and jealously guarded.

In this regard, the Government is granting another amnesty for tax and national insurance in an effort to bring non-compliant persons into the tax net. Given the number of tax amnesties over the last two decades, it is unlikely that waivers for tax will be entertained once the TTRA is operationalised.

Addressing the country's blacklisted status

After years of little tangible action, the blacklisting of T&T and the country silently facing the consequences of being blacklisted, it is encouraging and gratifying to learn of the urgent measures being taken to remove T&T from the European Union's (EU) list of non-cooperative tax jurisdictions. This includes a suite of regulatory reforms and other actions including:

- the Base Erosion and Profit Shifting (BEPS) Inclusive Framework (Country-by-Country) Reporting Act, 2024;
- the Tax Information Exchange Agreements Act, 2020;
- the Mutual Administrative Assistance in Tax Matters Act, 2020;

- launch of the second round peer review on the exchange of information on request in June 2024 with an on-site visit in October 2024;
- progress towards signing and ratifying the Multilateral Convention on Mutual Administrative Assistance In Tax Matters in 2024;
- progress towards signing and ratifying the Multilateral Competent Authority Agreement on automatic exchange of financial account information;
- fully proclaiming the Special Economic Zones (SEZ) Act in July 2024, which repealed the Free Zones Act and establishing the SEZ Authority;
- continual monitoring of the anti-money laundering and counter financing of terrorism (AML/CFT) measures.

Enhancing revenue collections through transfer pricing legislation

There have been significant steps taken towards introducing a specific and comprehensive transfer pricing legislation. In the 2024 National Budget presentation on 2 October 2023, the Minister of Finance gave a 24-month timeline for the introduction of a transfer pricing regime. In July 2024, a stakeholder consultation was held with representatives from chambers of commerce, industry associations, energy companies, and tax practitioners, including PwC. The government is now moving to finalise the draft transfer pricing legislation, which has been prepared by the Inter-American Centre of Tax Administrations (CIAT). This legislation is expected to be passed within the next year and once in force, it will effectively regulate related party transactions to ensure these are at arm’s length and aligned with accepted commercial practices.

Diversification plans

The Minister highlighted the initiatives that are geared to support the Government’s thrust at diversifying the economy. These include expanding trade agreement networks, granting further incentives to propel the agricultural, tourism, manufacturing and other sectors. This is a welcomed initiative, but it does not appear to be aggressive enough in the face of the current macroeconomic issues.

The Minister also alluded to the Government’s push to have 30% of energy needs met by renewable sources by 2025, which aligns with global shifts towards sustainability. This move is critical given T&T’s traditionally heavy reliance on fossil fuel. Nevertheless, any such transition must be carefully managed to balance economic stability with environmental goals.

Additionally, it was commendable to see the acknowledgement of the experienced maritime and aviation workforce potentially presenting T&T with an opportunity to generate revenues for the country. We encourage a deeper dive into this and other areas like T&T shore-base support for neighbouring oil and gas countries, given our well-respected talent and experience in the oil and gas sector.

In the short term, and consistent with previous attempts to boost and support the economy, construction and other related capital-intensive projects are in train.

Tax Leader's thoughts

Digitalisation and cybersecurity

Considering all challenges facing the country, T&T cannot afford to be left behind in the digital space. The Government's Trinidad and Tobago International Financial Centre (TTIFC) push to increase cashless payments, make Wi-Fi easily and widely available as well as focusing on cybersecurity is simply not optional if the country wants to increase its attractiveness to investors.

Settling the looming Value Added Tax (VAT) refunds

The issuance of interest-bearing VAT bonds up to TT$3bn in 2025 was announced. Essentially though, bonds will be used for larger VAT refunds owed, but the Government hopes to settle VAT refunds to small and medium-sized companies by remitting the funds by December 2024. The VAT bond issuance will be the third such bond and it is a move to address the perennial issue of VAT refunds. This issue continues to plague companies, in particular companies in the energy sector, with the Minister acknowledging that 80% of the VAT refunds are due to energy companies. While VAT bond issuances have demonstrated that they are an effective way to address the issue and, in some instances, provided much needed lifelines for companies to continue to operate and meet its trade commitments, the root cause for the delay in refunds remain unaddressed. We support a review and revamp of the VAT regime in an effort to determine whether the tax should be replaced by a sales tax and whether a reverse VAT charge can reduce the VAT refund claims being made by companies so that net sales tax is remitted to the state.

Increasing minimum wage for public sector and other social spends

The Minister also announced measures geared at social and public sector reform including the increase in minimum wage for public sector workers from TT$20.50 to TT$22.50 per hour. While a similar increase was not extended to the private sector, the likely knock-on effect is that private employers will be forced to make corresponding adjustments to their wage bill in order to compete with the public sector.

In addition, the Minister, in keeping with the overall approach for prior years, maintained spending for social and other programmes and subsidies which ultimately take financial burdens off citizens.

While it is always a positive move to ensure that more disposable income is in the hands of citizens, it will not mitigate social deviance. As crime continues to be the Achilles' heel in our society, the Government seems to be running out of viable options to address this scourge. It is encouraging to see the many crime fighting initiatives that have been implemented or that are in train. The prevailing view is that in the main, these initiatives are not effective in addressing the crime dilemma since violent crime continues to increase and socio-economic implications threaten social order. There is, therefore, an urgent need for a collective and comprehensive approach to crime starting with the social, cultural and judicial apparatus.

Tax Leader's thoughts

In summary, while the Minister is optimistic about T&T's future and outlook, we are cautiously so. Its success will ultimately depend on how well the Government implements these policies, addresses root causes for some of these issues and manages both internal and external pressures. This path will require immense strength and discipline, but a redound could be to the benefit of all.

"*Hard times create strong men, strong men create good times, good times create weak men, and weak men create hard times.*" — G. Michael Hopf, Those Who Remain

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Budget economics 2025 overview

Budget economics 2024 overview

Interest rates*

30 September 2024	
Discount rate	5.50
Prime lending rate	7.50
Prime lending rate (average)	7.57
Overnight interbank rate	0.57

*Source: Central Bank of Trinidad and Tobago

Inflation rates*

July 2024	
Headline	0.3
Core	0.0
Food	1.4

*Source: Central Bank of Trinidad and Tobago

Budget economics 2025 overview (continued)

Oil price of US$77.80 per barrel

Gas price US$3.59 per MMBtu

Total revenue for fiscal 2025

has been budgeted at $54.224bn

Total expenditure for fiscal 2025

has been budgeted at $59.741bn

Fiscal deficit for 2025

is $5.517bn

Budget economics 2025 overview (continued)

Oil revenue	**$14.174bn**
Non-oil revenue	**$35.039bn**
Capital revenue	**$4.011bn**
Total revenue	**$54.224bn**

Allocations:

Education and training
$7.512bn

National security
$6.113bn

Health
$7.571bn

Works and transport
$1.410bn

Public utilities **$3.221bn**

Housing
$0.750bn

Rural development and local government
$1.771bn

Infrastructure
$1.862bn

Agriculture
$1.184bn

Proposed fiscal measures

Proposed fiscal measures

Energy sector overview

The energy sector remains a significant contributor to T&T's economy and as mentioned by the Honourable Minister, '*The energy sector will be a major contributor to our economic survival for years to come.'* The Minister estimates that foreign direct investments (FDI) in the upstream sector will be US$2bn for 2024 and US$2.3bn for 2025. The energy sector, therefore, remains a main source of government revenue and foreign exchange earner for the country. The budget is based on an oil price assumption of US$77.80 per barrel and a natural gas price assumption of US$3.59 per MMBtu with an anticipated oil revenue of TT$14.174bn.

The Honourable Minister highlighted the following projects and initiatives which are anticipated to increase production and Government earnings from the energy sector:

- The bp Trinidad and Tobago (bpTT) Cypre and Ginger developments;
- The bpTT and EOG Resources Trinidad Limited (EOG) joint ventures on the Mento/Reggae Blocks;
- EOGs Osprey East development project;
- Touchstone Exploration (Trinidad) Limited's Cascadura field;
- Woodside Energy's Calypso deepwater project;
- Shell Trinidad and Tobago Limited's Manatee project;
- cross border developments such as – Dragon and Cocuina-Manakin gas fields;
- bid rounds - 2018/19 Shallow Water, 2021 Deep Water, 2022 Onshore and Nearshore and the 2023 Shallow Water. With plans to launch a Deep-Water Bid Rounds before the end of 2024;
- atlantic's restructuring which increases the Government's shareholding, allows third parties to utilise the liquified natural gas (LNG) facility and provides a market-related pricing arrangement, which will allow the Government to achieve a higher return from the exports of LNG;
- reallocating acreage to allow lease operators to produce oil from inactive fields;
- adjustments to the oil and gas taxation regime to stimulate further exploration and production;
- potential restarting of the Pointe-a-Pierre Refinery by private investors;
- the introduction of legislation to encourage energy companies to remit their taxes in United States dollars (USD) (currently, only 50% of energy sector taxes are paid in USD) which is targeted to increase foreign exchange reserves.

Overall, the energy sector in T&T is poised for growth, with significant investments and projects underway. However, addressing the challenges of volatile prices and declining production will be crucial for sustaining this growth. The need for a stable and attractive regulatory and fiscal environment to encourage investment remains a challenge as the Government must strike a balance between tax incentives and revenue collection.

Proposed fiscal measures (continued)

Energy Sector Overview cont'd

The proposed engagement with the Energy Chamber of Trinidad and Tobago within the next three months to discuss appropriate adjustments that can be made to the oil and gas taxation regime is a welcomed approach. Multinationals spend millions on exploration activities with the likelihood of finding no commercial quantities of hydrocarbons. Therefore, incentivising such activity, either through accelerated capital allowances or uplifts in capital expenditure, ought to encourage investment in the sector.

With regard to renewable energy, the Government aims to achieve 30% of energy needs via renewable energy by 2030. Some notable solar projects and initiatives mentioned were:

- the Brechin Castle Utility-Scale Solar PV Facility, which is anticipated to be operational by 2025;
- the granting of renewable energy licences for 12 sites which have been developed as part of the Global Climate Change Alliance Plus initiative for the installation Solar PV Panels;
- the commercial-scale Solar Park at Piarco International Airport which was launched in July 2024;
- the installation of solar photovoltaic systems in 25 schools and community centres designated as emergency shelters, which is expected to be completed by December 2024;
- establishment of an inter-agency committee to design, issue and evaluate a Request for Proposal document for Utility Scale Solar Projects on non-utilised state lands;
- a renewable energy system to be installed at the Port of Brighton in 2024, promoting the La Brea Industrial Development Company Limited (LABIDCO) as a green port and supporting its eco-port certification efforts;
- implementation of a Solar-Powered Sustainability Project in schools for fiscal year 2025;
- the installation of solar-powered panels for power generation and plans for a solar-powered drip irrigation system at the Ministry of Agriculture, Land and Fisheries site.

Renewable energy is crucial for T&T as it offers a sustainable solution to meeting energy needs while reducing dependence on fossil fuels for energy generation. Harnessing resources like solar can significantly lower greenhouse gas emissions and contribute to global efforts to combat climate change. Embracing renewable energy is a strategic move towards a cleaner, healthier and more sustainable future.

While we have highlighted some key aspects mentioned in the Budget, we will be publishing a deeper analysis of the energy sector in which we will discuss the risks and opportunities for T&T.

Proposed fiscal measures (continued)

Property Tax

The suspension of the Land and Building Tax Regime from 2010 significantly impacted the quantum of revenue available to both the Central and Local Government to finance essential services and development projects. It is estimated that the country lost around TT$500m per annum in taxes. That being said, and after all the issues being faced, property tax is being rolled out in a phased approach starting with residential property.

In 2024, in response to public feedback, the following key measures were introduced by the Government, as part of the smoothening of the Property Tax regime:

- the property tax rate was reduced from 3% to 2% with respect to residential property, as a move to alleviate the financial burden associated with the tax;
- the deadline for BIR to issue Notices of Assessment for Property Tax was extended to 31 October 2024, since the Government is cognisant of some of the issues being faced with the completion of the valuations and assessments for residential properties;
- the deadline for property owners to pay their property tax was extended by two months, from 30 September 2024 to 29 November 2024, as a gesture and to align with the extension of time to issue assessment;
- in light of the move toward digitisation and a cashless economy, an online payment solution for property tax was announced and is expected to be implemented by 31 October 2024.

During the Budget presentation, the Minister of Finance once again sought to demystify the property tax by:

- outlining that at least 50% of the residential properties attracted property tax ranging from TT$432 to TT$1,080 annually - a conservative number;
- providing a practical numerical example for the calculation of the tax. For e.g., a property with an annual rental value of TT$24,000 would attract tax of TT$36 per month (that is, TT$24K x 90% x 2% / 12).

As of 20 September 2024, property tax amounting to TT$91m was remitted by 89,441 property owners.

The budgeted property tax number for fiscal 2025 is TT$125m.

In our upcoming article on property tax, we will outline some of the key features of the regime, along with concerns and possible considerations to alleviate them.

Proposed fiscal measures

Proposed measure

The Government proposes to grant a Tax and National Insurance (NIS) Amnesty.

Commentary

The Honourable Minister announced a tax and NIS amnesty from 1 October to 31 December 2024.

This initiative provides taxpayers, including both individuals and businesses, with an opportunity to regularise outstanding tax obligations and ensure compliance before the full implementation of the TTRA, without being subject to penalties and interest. By extension, this would also serve as a revenue boosting opportunity for the Government whilst increasing compliance.

The proposed amnesty is likely to significantly reduce the financial burdens of businesses that have been struggling to meet their tax obligations.

However, it would be remiss not to note that this is the Government's seventh amnesty since 2010, with the most recent in 2023, which exceeded its target of TT$500m in revenue and bolstered the Government's cash flow during a period of declining oil and gas prices.

An amnesty serves as a prompt for businesses to revisit their overall tax strategies and compliance frameworks. The period for companies to capitalise on the amnesty is three months and, as such, it is critical for companies to urgently review their affairs to allow for timely compliance. In particular, companies should take into account the sentiments echoed by the Minister that future amnesties are not likely on the horizon given the numerous amnesties in the last decade as well as the implementation of the TTRA. Considering this, it is also imperative that companies adopt robust tax compliance practices to mitigate future exposure.

We await the coverage of the proposed amnesty, however, in the past most taxes have been covered.

Like the tax amnesty, the NIS amnesty is intended to foster compliance, in particular for those companies that have not fully rebounded from economic fallout from the C-19 pandemic and to further increase contribution revenue to administer NIS pensions.

While we await the details of this measure, we urge companies to engage in a thorough tax health check to ensure that they are compliant with all tax obligations and, where applicable, to capitalise on the current amnesty to regularise their affairs.

Proposed fiscal measures (continued)

Proposed measure

Issuance of VAT bonds

Commentary

The Honourable Minister announced the Ministry's intention to issue another iteration of interest-bearing VAT bonds to the tune of TT$3bn by 31 January 2025. He noted that a large majority of the said bonds are to be used to service companies in the energy sector trading in zero-rated items, which have accumulated significant VAT refunds. By contrast, the Honourable Minister advised that small and medium-sized enterprises (SMEs) would receive cash refunds by 31 December 2024.

The issuance of a new iteration of interest-bearing VAT bonds signals a targeted fiscal response aimed at alleviating the significant backlog of VAT refunds owed to businesses. This measure, designed to ease cash flow constraints for VAT-registered entities, also enables the Government to manage its liabilities more effectively. The issuance of these bonds offers companies an alternative to waiting for cash refunds, allowing them to secure immediate liquidity while earning interest.

It was also noted that small and medium enterprises who are owed refunds will be paid in cash by 31 December 2024.

This marks the Government of T&T's third iteration of the VAT Bond initiative. Previously these bonds were issued with coupon rates of 3.15% (first iteration) and 3.3% (second iteration), paid interest semi-annually and were both oversubscribed, displaying the desire from taxpayers for this facility.

Nonetheless, businesses that are owed substantial VAT refunds will benefit from an improved cash flow position, as they can redeem these bonds or trade them on the secondary market. This is particularly crucial for companies who traditionally experience high VAT refund delays due to their large volume of zero-rated and VAT-exempt supplies. The interest-bearing nature of these bonds provides an additional financial incentive, reducing the financial burden created by delayed refunds.

Many companies have, in practice, encashed their bonds with financial institutions in exchange for the full face value or a limited discount in an effort to secure their operational and other commitments. However, the cash-in of VAT bonds by larger energy players has undoubtedly created a foreign exchange vortex. The Minister has indicated that upcoming changes to the VAT Bond programme will address these challenges.

At the core, the Government's honouring of VAT refunds in the form of a VAT Bond programme shows their commitment to ensuring that the commercial viability of companies is not jeopardised based on cash flow constraints from taxes. It also speaks to the economic and revenue lacuna being faced by the Government. Thus, more extensive review is required to address all the root causes, including considering revamping of the VAT system and introducing sales tax at a reduced rate; and introducing reverse VAT/sales tax charges to ensure that VAT collections are net of refunds owed.

Proposed fiscal measures (continued)

Proposed measure

Introduction of transfer pricing legislation in the short to medium term

Commentary

In the 2024 Budget, the Minister of Finance signalled that the Government intended to introduce a specific transfer pricing regime within 24 months. The Minister indicated that the government would achieve this in a shorter time frame. The Minister indicated that draft transfer pricing legislation has been prepared by the Inter-American Centre of Tax Administrations (CIAT) and that this will be finalised soon for presentation to Parliament.

The Transfer Pricing legislation will be modelled after the principles embodied within the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration which is underpinned by the Arm's Length Principle. The Arm's Length Principle requires parties to conduct transactions on the same terms as if the transaction was between unrelated parties.

This legislation is welcomed since, at present, the Board of Inland Revenue (BIR) relies on general anti-avoidance provisions to challenge related party transactions which often results in unreasonable assessments. Arguably, these transactions would otherwise be permissible under a comprehensive transfer pricing regime, which guides the taxpayer and the tax authority on the appropriate transfer pricing methodology. The legislation should also replace the 2% management fee restriction which arbitrarily limits the deductibility of certain payments made to non-resident related parties to 2% of turnover, without any consideration to the nature of the payments or the actual technical services provided to the T&T company.

The Minister considers transfer pricing to be a mechanism that allows multinational corporations to manipulate prices to reduce their tax burden by shifting profits to low-tax jurisdictions. In our view however, transfer pricing legislation provides greater clarity to related party transactions using established tests, principles and methodologies. Transfer pricing allows the parties to set appropriate prices for the goods and services exchanged between related parties having regard to risk, rewards, assets, intellectual property and expertise, etc. It should not be regarded as a tax avoidance mechanism.

Proposed fiscal measures (continued)

Proposed measure

The Government recently passed the Base Erosion and Profit Shifting (BEPS) Inclusive Framework (Country-by-Country) Reporting Act, 2024

Commentary

The passage of this Act is one of the many actions that the Government is required to take to remove T&T from the EU's list of uncooperative jurisdictions. The BEPS Inclusive Framework requires multinational enterprises (MNEs) to file detailed Country-by-Country reports with information such as income and taxes in the jurisdictions where they operate. It is underpinned by the OECD BEPS Action 13 which requires that, "*MNEs provide all relevant governments with needed information on their global allocation of the income, economic activity and taxes paid among countries according to a common template.*"

A covered MNE was one which earned more than the equivalent of US$850m or €750m. The T&T legislation requires MNEs to maintain records for six years and requires the Registrar General to send a list to the BIR at least once every six months with the names of enterprises registered under the Companies Act, Registration of Business Names Act and the Non-Profit Organisations Act.

The BIR is empowered to request companies to disclose information so the BIR may determine whether the companies are in compliance with the legislation (even if the information is located outside of T&T).
The transfer pricing documentation is complemented by the Country-by-Country Reporting as it gives tax authorities a holistic picture of how and where income and taxes are being reported to ascertain whether companies are engaged in profit shifting and other tax avoidance activities.

Although it has been assented to, the legislation has not been proclaimed yet, since among other things, the BIR is expected to issue guidelines with respect to the manner and form of reporting.

Proposed fiscal measures (continued)

Proposed measure

The passage of the Tax Information Exchange Agreements Act, 2020 and the Mutual Administrative Assistance in Tax Matters Act, 2020

Commentary

The Tax Information Exchange Agreements Act, 2020 provides for the exchange of tax information under tax information exchange agreements that T&T has entered into, whereas the Mutual Administrative Assistance in Tax Matters Act, 2020 allows the government to implement the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, including for the exchange of financial account information under the Common Reporting Standard (CRS).

A tax information exchange agreement is an agreement between the Government of T&T and another state, where they provide each other with financial and other information for the purposes of enforcing tax legislation. The exchange is done through the competent authorities in each jurisdiction based upon requests.

The Convention allows for the sharing of personal information of individuals among member states without first obtaining their consent for such sharing, even though it may amount to a breach of that person's right to privacy (provided the relevant legislative procedures are complied with).

T&T has submitted the confidentiality questionnaire to the Convention on Mutual Administrative Assistance Coordinating Body and successfully completed the second round of follow-up questions. With this completed, the Government is optimistic to sign on to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters later this year.

In the age of ultra-high net worth individuals, passive income, cross border payments and digital/remote workers, governments find themselves at a disadvantage with respect to the non-reporting and under-reporting of income. The international exchange of information is another tool in the arsenal to assist governments receive what they consider to be their fair share of taxes.

This suite of legislation (transfer pricing, country-by-country reporting and exchange of information) serves several purposes:

1. Widen the tax net and spread the tax burden;
2. Satisfy the criteria to remove T&T from the EU list of non-cooperative jurisdictions;
3. Close the revenue gaps and tax loopholes.

The exchange of information is crucial to global tax transparency, so taxpayers are encouraged to take a holistic view of their tax matters.

Proposed fiscal measures (continued)

Proposed measure

Sporting equipment – All sporting equipment will be exempt from taxes and duty, with the exception of clothing. This measure will take effect from 1 January 2025.

Commentary

The Minister announced an exemption of all sporting equipment from taxes and duties, with the exception of clothing. Businesses engaged in the import and sale of sporting goods will experience an immediate reduction in import duties on equipment, excluding sporting apparel. The reduction in import duties will ultimately result in the reduction of the prices for these goods thereby driving sales.

A natural consequence of this is that manufacturing businesses that produce sporting equipment locally could face more competition from imported goods now that duties and taxes have been removed, thereby resulting in declining sales.

We await further clarification and details in the forthcoming Finance Act, which will provide additional guidance on the implementation of this fiscal measure, including the classification of the particular items as reflected in the Custom Duties Act, Value Added Tax Act and the Online Tax Act.

Proposed fiscal measures (continued)

Proposed measure

Electric vehicle charging equipment - All electric vehicle (EV) charging equipment and related accessories will be exempt from all duties and taxes. This measure will take effect from 1 January 2025.

Commentary

The Minister announced a proposed measure for the full exemption from duties and taxes on all electric vehicle charging equipment and related accessories, effective 1 January 2025.

Businesses that import, sell or install EV charging infrastructure will benefit from the removal of customs duties and VAT. This will result in lower acquisition costs, thereby making it more affordable for individuals and companies to adopt EV charging technology.

This measure may also create opportunities for service-based industries to expand into the importation of EV infrastructure and installation and maintenance services.

This proposed measure could accelerate the transition to electric vehicles, both for individuals and for companies with large transportation needs, such as logistic and delivery services. Companies that adapt early by investing in EV infrastructure may gain a competitive advantage in reducing operational costs, particularly if future fuel subsidies are removed.

This measure could be seen as part of a broader strategy to decarbonise the economy and reduce reliance on fossil fuels, while aligning with corporate environmental, social, and governance (ESG) sustainability goals.

Retailers and shopping centres could seize this opportunity by offering EV charging at a cost, as an added service differentiator to attract customers.

Businesses with fleets could consider commencing planning to transition to electric vehicles, as the reduced infrastructure costs may improve overall return on investment (ROI).

Once additional new exemption guidelines become available, companies should ensure that they are compliant with them by working closely with tax advisors to understand the exact classifications of qualifying equipment. Any grey areas regarding accessory eligibility should be clarified as further regulations are announced.

We will continue to monitor the development of this measure and its specific legislative details, particularly in the upcoming Finance Act.

Proposed fiscal measures (continued)

Other fiscal-related measures

Online numeracy programme for adults
This measure will establish an Online Numeracy Programme through the Ministry of Education, which will provide classes via the School Learning Management System to support the numeracy skills among adults including employees at the Community-Based Environmental Protection and Enhancement Programme (CEPEP), Unemployment Relief Programme (URP) and correctional institutions.

National digital literacy project
The Government will collaborate with a suitable NGO to provide essential digital skills and knowledge to vulnerable groups, including adolescents and young adults, under a National Digital Literacy Programme.

Digital literacy certification for students
The Ministry of Education will implement a comprehensive digital literacy certification programme for students at various levels of the education system. This project will enhance the development of the human capital and promote equitable digital inclusion.

Solar powered sustainability project in secondary schools
The Ministry of Education will implement a Solar Powered Sustainability Project in 26 secondary schools.

Agriculture internship programme
The Government will be establishing an agriculture internship programme which would provide an opportunity for 30 associate degree graduates of Eastern Caribbean Institute of Agriculture and Forestry (ECIAF).

CSEC remedial mathematics programme
The Ministry of Education will implement an After-School Caribbean Secondary Education Certificate (CSEC) Mathematics Tuition Project at 26 Secondary Schools of Focus as a strategic intervention to address the declining mathematics pass rates.

Minimum wages of government workers
The minimum wage earned by public sector employees will increase from TT$20.50 an hour to TT$22.50 an hour – an increase of TT$2.00 per hour, or 9.8%.

Public Sector wage negotiations
For the three-year period 2020-2022, the Government will offer public sector workers an increase of 5%.

Book grant
The TT$1,000 book grant that was provided in 2024 will be repeated in 2025 using the same means test.

Housing and village improvement programme (HVIP)
The Government will increase the price paid for starter houses in the HVIP to TT$200,000 for the basic unit on flat land, with further adjustments for houses built on difficult terrain.

Agriculture
In consultation with the Minister of Agriculture, Lands and Fisheries, the Minister of Finance is proposing to conduct a comprehensive review of all items used in agriculture, with a view of removing any ambiguities in relation to the definitions and laws pertaining to tax concessions for agriculture.

Tax facts

Tax facts

Income tax—Allowances/deductions

Income tax—Allowances/deductions	Proposed 2025	2024
Tax rate (Chargeable income ≤$1m)	25%	25%
Tax rate (Chargeable income > $1m)	30%	30%
Personal allowance	$90,000[1]	$90,000[1]
Tertiary education allowance	$72,000 [2]	$72,000 [2]
Pension/deferred annuity	$60,000 [3]	$60,000 [3]
National insurance	70%	70%
First time homeowner allowance	$30,000 [4]	$30,000 [4]
Stamp duty threshold	$2,000,000 [5]	$2,000,000 [5]
Contributions under a Deed of Covenant	15% of total income [6]	15% of total income [6]
Venture capital tax credit	30% of investment [7]	30% of Investment [7]
CNG kit and cylinder tax credit	25% of total cost [8]	25% of total cost [8]
Solar water heating equipment tax credit	25% of total cost [8]	25% of total cost [8]
Tax credits on National tax free savings bonds	25% of $5,000 [9]	25% of $5,000 [9]
Severance pay exemption limit	$500,000 [10]	$500,000 [10]
Alimony paid	No limit	No limit
Guest house approved capital expenditure deduction	No limit	No limit

Income tax—1	Effective January 1, 2023 the Personal allowance of $90,000 will be available to all resident individuals and non resident individuals receiving pension income accruing in or derived from T&T.
Income tax—2	For attendance at foreign universities not GORTT funded. Claim limited to $72,000 per year w.e.f 1 January 2019.
Income tax—3	Maximum claim of $60,000 effective 1 January 2022.
Income tax—4	First-time homeowners deduction for five (5) years for properties purchased/constructed with effect from the date of acquisition.
Income tax—5	Stamp duty threshold for first time home owners increased to $2,000,000 w.e.f 2021.
Income tax—6	Contributions under a Deed of Covenant include donations to approved sporting bodies, charitable organisations and/or The Children Life Fund.
Income tax—7	Any unrelieved credit on the Venture Capital Investments can be carried forward if unrelieved in the first year.
Income tax—8	The credit is 25% of the cost of the equipment up to a maximum of $10,000.
Income tax—9	Any unrelieved credit on the National tax free savings bonds can be carried forward if unrelieved in the first year.
Income tax—10	Approval must be obtained from the BIR.

Tax facts

Tax facts

Corporation tax—Allowances/deductions (1 of 2)

Corporation tax—Allowances/deductions	Proposed 2025	2024
Corporation tax rate (Petrochemicals)	35%	35%
Corporation tax rate (Other)	30%	30%
Corporation tax rate (Commercial Banks)	35%	35%
Corporation tax rate (Exporters of local goods)	25% [1]	25% [1]
Operator/SEZ Enterprise/Single Zone Enterprise	15%	15%
Small and Medium Enterprises (SME) (First five years from the listing on the Trinidad & Tobago Stock Exchange)	0% [2]	0% [2]
SME (Five years following the listing)	15% [2]	15% [2]
SME (Core business related to technology solutions, digitalisation and construction)	25%	25%
Business Levy (On gross sales & receipts)	0.60% (0.3% SME - five years following listing)	0.60% (0.3% SME - five years following listing)
Business Levy (On gross sales & receipts)	Exempt (Export sales of non-petrochemical manufacturing companies)	
Green Fund Levy (On gross sales & receipts)	0.30% (0.15% SME - five years following listing)	0.30% (0.15% SME - five years following listing)
Initial allowance (Manufacturing companies)	90%	90%
Scholarship allowance	Expense incurred	Expense incurred
Art and culture/sportsmen/sporting activities	Expenses incurred [3]	Expenses incurred [3]
Promotional allowance	150% uplift	150% uplift
Audio/Visual/video production allowance	150% uplift [3]	150% uplift [3]
Fashion allowance	150% uplift [3]	150% uplift [3]
Production company allowance	150% uplift [4]	150% uplift [4]
Energy service company allowance	150% uplift	150% uplift
Covenanted donations to charity	15% of Total Income [5]	15% of Total Income [5]
Employees training/retraining	150% uplift	150% uplift
Approved property development company (Construction of building used for commercial and industrial purposes)	20%	20%
Investment in tech start-up and new tech business	150% uplift [6]	150% uplift [6]
Technology solution and digitalisation	150% uplift [6]	150% uplift [6]
Creation of employment in a technology industry	150% uplift [6]	150% uplift [6]

Corporation tax—1	Exporters of local goods where the annual revenue is over $500K.
Corporation tax—2	A tax rate of 0% would apply for the first five years from listing on the T&T Stock Exchange and five years following the listing at a rate of 15%. Standard rate of tax thereafter.
Corporation tax—3	Tax deduction up to a maximum of $12m. Aggregate of all claims restricted to $12m.
Corporation tax—4	Allowance only available to production companies. $8m limit.
Corporation tax—5	Covenanted donations to charity include approved sporting bodies, charitable organisations and/or The Children's Life Fund
Corporation tax—6	Tax deduction up to a maximum of $3m.

Tax facts

Corporation tax—Allowances/deductions (2 of 2)

Corporation tax—Allowances/deductions	Proposed 2025	2024
Research and development (R&D) capital allowance	40% of expenditure	40% of expenditure
Apprenticeship allowance	150% uplift	150% uplift
Manufacturing tax credit	-	One time tax credit of $50,000
Electronic payment providers and e-Money Issuers	-	One time tax credit of $50,000
Cybersecurity Investment Tax Allowance	Expenses incurred [7]	Expenses incurred [7]
Corporate Sponsorship - Public and Private schools	150% uplift [8]	150% uplift [8]

Corporation tax—7	Tax deduction up to a maximum of $500,000 effective January 1, 2024 to December 31, 2025
Corporation tax—8	150% tax allowance up to $500,000, effective January 1, 2024

Tax facts

Investment income

Investment income	Proposed 2025	2024
Local distributions (dividends, mutual fund income, etc.)	Exempt	Exempt
Interest (individuals)	Exempt [1]	Exempt [1]
Gains or profits from sale of residential house sites	Exempt [2]	Exempt [2]
Sale/rental income from commercial buildings/	Exempt [3]	Exempt [3]
Multi-storey car parks	Exempt [3]	Exempt [3]
Premiums and rents from letting of newly constructed multi-family dwelling	Exempt [4]	Exempt [4]
Gains or profits from the initial sale of newly constructed multi-family dwelling	Exempt [5]	Exempt [5]

Investment income—1	Interest income as per Section 8 of the Income Tax Act.
Investment income—2	Construction must have commenced on or after 1 October 2012 and relates to persons in the business of property development. Profits exempt until 31 December 2025.
Investment income—3	Construction must have commenced on or after 1 October 2012. Profits/rental Income exempt until 31 December 2025.
Investment income—4	Construction must have commenced on or after 1 July 2016. Income exempt until 31 December 2025.
Investment income—5	Construction must have commenced on or after 1 July 2016. Profits exempt until 31 December 2025.

Tax facts

Tax facts

Petroleum

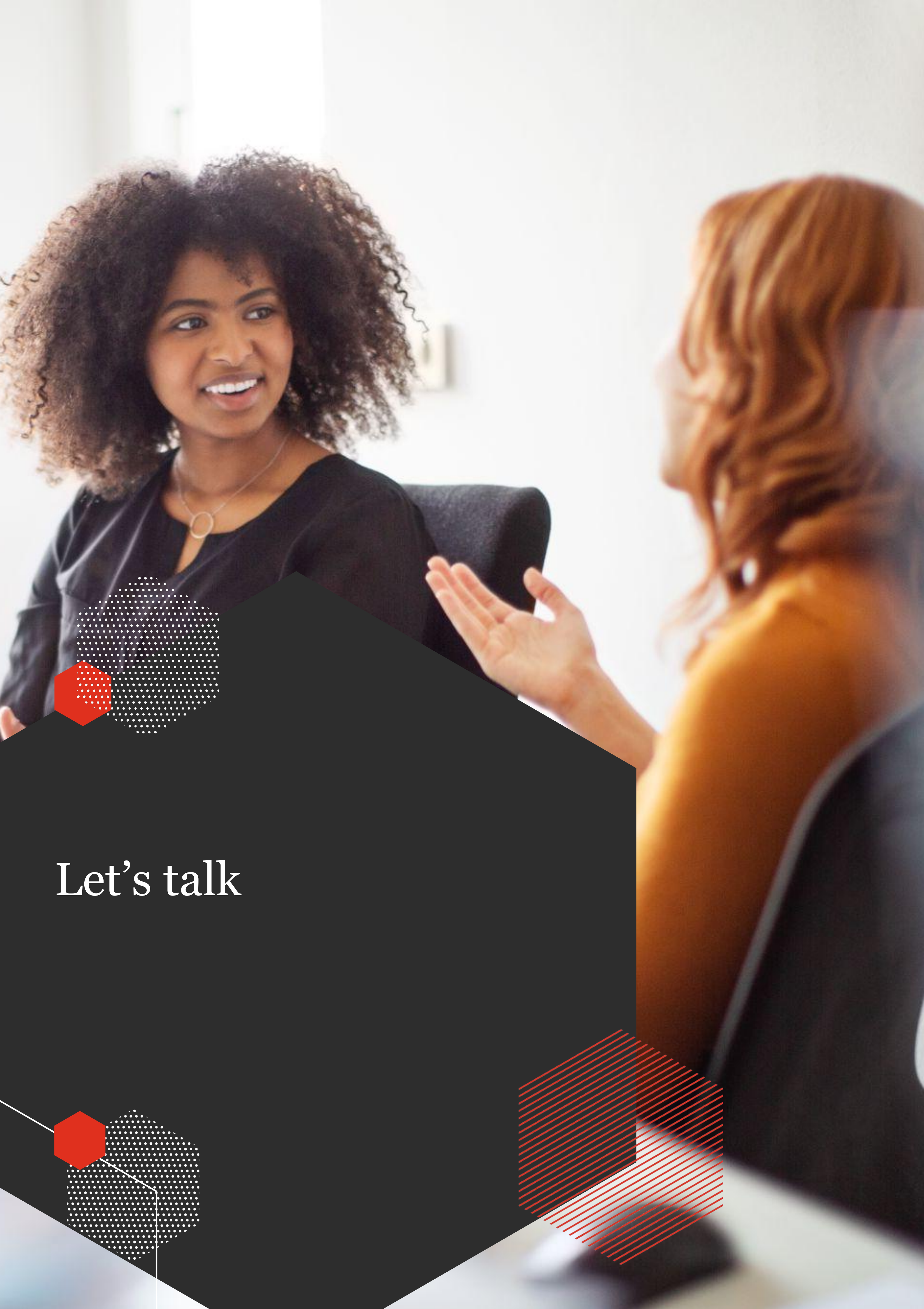
Petroleum	Proposed 2025	2024
Petroleum Profits Tax (PPT)—Petroleum operations	50%	50%
Petroleum Profits Tax (PPT)—Petroleum operations—Deep water block	30%	30%
Unemployment Levy	5%	5%
Tax losses brought forward (PPT)	75% relief	75% relief
Royalty	12.5% of the fair market value of crude oil and natural gas won and saved	12.5% of the fair market value of crude oil and natural gas won and saved
Supplemental Petroleum Tax (SPT)	Computed on gross income from disposals of crude oil. Allowances and tax credits available. Varying rates from 0–55%	Computed on gross income from disposals of crude oil. Allowances and Tax Credits available. Varying rates from 0–55%
Investment Tax Credit	30%	30%
Sustainability Incentive	25%	25%

Tax facts

Alternative energy incentives

Alternative energy incentives	Proposed 2025	2024
Wear and tear allowance (CNG)	130%	130%
Wear and tear allowance (Solar & Wind)	150%	150%
New and used electric commercial vehicles (not older than 3 yrs) Engine size 179kw	Duty, Motor Vehicle Tax Exempt—VAT 0%	Duty, Motor Vehicle Tax Exempt—VAT 0%
New and used hybrid commercial vehicles (not older than 3 yrs) Engine size <1599cc.	Duties, Motor Vehicle Tax Exempt and VAT—0%	Duties, Motor Vehicle Tax Exempt and VAT—0%
All new and used CNG commercial vehicles (not older than 3 yrs) Engine size, 1599cc.	Duties, Motor Vehicle Tax Exempt and VAT—0%	Duties, Motor Vehicle Tax Exempt and VAT—0%
Private passenger vehicles—Engine size >1599cc but <1999cc	Increase M/V Tax and Duties by 25%	Increase M/V Tax and Duties by 25%
Motorcycles—Engine size—300cc	Duties & taxes exempt	Duties & taxes exempt
Electric vehicle charging equipment and related accessories	Duties & taxes exempt	-

Alternative energy incentives—1	130% of cost of acquiring plant, machinery and equipment for the purpose of providing a CNG kit and cylinder installation service or on the acquisition and installation in a motor vehicle of a CNG kit and cylinder.
Alternative energy incentives—2	Effective 1 January 2011, allowance based on plant and machinery, parts and materials for manufacture of solar water heaters/wind turbines/solar photovoltaic systems.



Let’s talk

Tax and legal services

Our vision is to build a sustainable and competitive advantage by offering unique, efficient and professional tax solutions to our clients. We believe that in order to maximise client satisfaction, a broad understanding of the tax laws and our client's needs is required.

PwC offers a wide range of tax, corporate secretarial and commercial transaction support services and we utilise subject-matter experts to cater to a variety of clients and their unique needs. This will allow our clients the opportunity to focus on their core competencies in growing their businesses.

Our services extend beyond our borders, as we continue to provide advice to companies operating in Trinidad and Tobago on all of the services outlined as follows.

Tax consulting services

These assignments are all encompassing and include tax advice related to all transactions or issues undertaken as part of the business operations of a client. It extends to cross-border and other tax implications such as tax treaty issues arising on a transaction. Additionally, our experienced team of tax professionals advises on special areas including:

- Corporate finance and funding arrangements
- Acquisitions and merger tax implications
- Debt restructuring and debt workouts
- Transfer pricing arrangements and other relevant International tax initiatives impacting cross-border transactions
- Commodity and financial derivative issues
- Thin capitalisation rules
- State and Central Government proposals for the introduction of incentives to attract foreign direct investment as well as Regional/Government proposals for reorganisation of taxing authorities.

Compliance services

Corporate Tax returns

Preparation and/or review of tax returns, advising on areas of exposure and recommending solutions for addressing same. Additionally, we can support with review and regularisation of tax records with the Board of Inland Revenue to ensure that the Tax Authority's records are in order.

Value Added Tax returns

Preparation of monthly/bi-monthly Value Added Tax (VAT) returns and associated refund claims if required. Maintenance of a VAT refund monitoring programme for our clients geared towards expediting the receipt or refunds by identifying and clearing up any queries by the Inland Revenue Division on a timely basis.

Quarterly instalments

We support our clients by computing quarterly tax instalments due and payable and where applicable, we make the appropriate applications to the tax authorities for adjustment of these instalments.

Tax and legal services (continued)

Personal Income Tax returns and related advisory services

Preparation of personal income tax returns for expatriate personnel and advising on all executive and employee compensation and other personal tax matters.

Tax audit and dispute resolution audits/objections/appeals

We provide assistance, advice and support throughout the audit, objections and appeal stages by liaising with the tax authorities on behalf of our clients.

Tax accounting and payroll accounting support

We can assist with the preparation of the relevant tax and payroll accounting documentation.

Corporate Secretarial Services Incorporation

Incorporation of both external and local companies. We provide advice to clients on general corporate matters and concerns.

Tax registration

We facilitate the tax, VAT and social security (National Insurance) registrations.

De-registration

We can facilitate the de-registration of both external and local companies from the Companies Registrar and the Tax Authority.

Maintenance of company portfolio

We prepare and file on behalf of the company Annual Returns, filings in relation to corporate changes in corporate instruments as well as other statutory filings and liaise with the Registrar of Companies to address queries relating to corporate documents filed by the company.

Advise and prepare other statutory requirements in accordance with the Company's Act including supporting our clients with the beneficial ownership requirements.

Amalgamations and other corporate restructurings

Preparation and filing of the necessary documents with the government authorities to effect a required amalgamation or other corporate restructurings. We can also advise on methods of share dispositions and provide the relevant support services for each method including the valuation of shares; drafting of share instruments for review and execution by the company and having same assessed and stamped for duty by the Board of Inland Revenue.

Work permits/renewals and other Immigration related support services

Prepare and submit work permit applications and renewals for expatriate personnel, including facilitating the advertising, interviewing and evaluation process required by the Ministry of National Security. We can also provide support for endorsements, visas and visa waivers and other relevant immigration services.

Liquidation and dissolution

We can assist with, and advise on, voluntary and involuntary winding-ups.

Let’s talk

Connecting PwC tax services to your business

Tax services

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We offer a range of tax services and employ extensive tax and corporate secretarial expertise to cater to a variety of clients and their unique needs. This allows our clients the opportunity to focus on their core competencies in growing their sustainable businesses.

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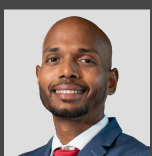

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Thank you

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