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Building the Economy 2012 Budget Memorandum

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Foreword

October 2011

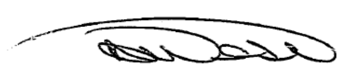
The Honourable Winston Dookeran, Minister of Finance presented to the Parliament the Budget for the Fiscal year 2011/12 on 10 October 2011. In his preamble the Minister referred to the complex and uncertain financial times facing our economy and indicated that his Government required "courage in the face of adversity" to shift the behavioural patterns affecting our growth. In taking "responsibility for our destination" his Government's policy will this year focus on job creation, investment and security.

While the Government appears to be making efforts to re-activate the economy, to date there has not been significant evidence that those efforts have begun to bear fruit and the general perception seems to be that the economy is, at best, stagnant. While it was hoped that the measures proposed in this Budget presentation would have energised the economy and put us on a growth path, the actual presentation seemed light on measures. We must therefore await the contributions of the various line Ministers, most especially that by the Minister of Planning, Economic and Social Restructuring and Gender Affairs who has indicated that he is now ready to launch his Medium Term Policy Framework 2011-14, with the theme "Innovation for Lasting Prosperity."

We have sought to highlight in this document the tax and other initiatives that have been proposed. Some of the issues are indeed complex. However our team is ready and willing to assist you and we are pleased to provide you with this newsletter, which gives our initial thoughts on the potential impact of this Budget.

We look forward to meeting with you and your teams to provide the support required for you and your companies to maximize the opportunities contained within the measures presented.

Sincerely



Allyson West
Tax Partner

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Unless otherwise stated, all currency figures quoted are in Trinidad and Tobago dollars.

Budget Overview 2011/12

While the second Budget Presentation of the Honourable Minister of Finance covered a wide range of issues, at the end of it one was left wondering "so exactly what were the measures announced" and "were some of those measures not mentioned in last year's presentation?"

We will start where the Minister ended with the arithmetic. GORTT's Budget is premised on: -

an oil price of US$75 per barrel which is less than conservative having regard to the fact that the average price for the first three quarters was US $88 per barrel; and

a gas price of US$2.75 per mmbtu which seems reasonable.

The Minister is again projecting real GDP growth of 1.7% although he acknowledges that last year's projected growth did not materialize and in fact the Central Statistical Office anticipates a 1.4% contraction in the economy for the calendar year 2011. He is also projecting an average inflation rate of 7%.

With total revenues projected at $47bn and total expenditure of $54.6bn, the Minister is also projecting a budget deficit of $7.6bn which is expected to be financed almost equally from local and foreign borrowings.

Surprisingly though, the Minister did not report on GORTT's fiscal performance for the last fiscal year. Should this not be an integral part of every Budget presentation if citizens are to understand and be able to measure the performance of the persons they have elected to represent their interests and who are charged with the responsibility of manning the coffers?

GORTT's policy framework is to focus on three priorities – job creation, investment and security (personal and food), and the Minister spelt out some of the measures that are to be implemented to address these areas, although few of them are really novel. The ideas we have largely heard before; where we tend to fall short is on effective implementation and follow through.

In its on-going effort to finance the CLICO bailout, GORTT proposes to introduce a CLICO Trust Fund under a special purpose vehicle (SPV). You may recall that GORTT's most recent offer to certain policyholders and mutual fund investors was to issue them with bonds which would mature over 20 years. This would allow for the recovery of the investments over 20 years, or alternatively allow an investor in need of cash to sell those bonds at discounted amounts to financial institutions and others. The proposed trust is to be established to allow the bondholders to swap bonds for units in the Trust. These units will then be listed on the Stock Exchange and the income and dividends earned by the Trust will be exempted from tax.

Based on earlier pronouncements it would appear that these units will be backed by shares currently held by CLICO in Republic Bank and Methanol Holdings Trinidad Limited. This would allow stakeholders at least the possibility of earning a return on their investment. However, there is no indication that the tax relief will be extended to those investors holding units in the Trust.

While GORTT again refers to its thrust to develop innovation in industry through the proposed Innovation Financing Facility and other measures, it is yet to address the long neglected area of relief for the creation or acquisition of intangible assets. Although the tax law has long recognized the need to allow persons involved in a trade or business to secure relief in respect of expenses incurred to acquire plant and machinery and other tangible assets, relief in relation to intangibles such as copyrights and patents for new inventions which sorely need encouragement, attract no relief.

The National Infrastructure Bank is an interesting concept in the context of a financing sector which is slower to finance entrepreneurial activity than it is to finance consumerism. But whether it will be successful in identifying and financing the right projects to promote our overall development remains to be seen.

In light of the Minister's disclosure that the HDC's waiting list for housing is 129,000 strong and that GORTT will deliver by comparison a mere 4,450 houses during the fiscal year, the other measures targeted to address the housing need, i.e. the reduction in the TTMF mortgage rate and the provision of a $50,000 housing subsidy are unlikely to make a significant dent.

The support to be provided to the differently abled in society, most especially scholarships to enable them to learn a skill to join the job market, is an initiative that we support. It is also important to educate potential employers so that this sector of our society will be welcomed into the job market.

The NIS initiatives concern us. While many may view as positive GORTT's intention to increase the minimum NIS pension to $3,000 a month in line with what is currently paid to persons receiving benefits under the Old Age Pension Act, this measure prompts a myriad of questions including the following: -

Can the NIS fund support that increase?

Will this require a further increase in contributions, over and above the increase that is expected to result from the creation of another income tier?

When 115,000 self employed persons are added to the list of beneficiaries who will also be guaranteed $3,000 a month despite having made significantly fewer contributions than an employed person who has been contributing for their entire working life, who will finance that pension?

What is the benefit of being a life-long contributor to NIS?

Are NIS contributions becoming more in the nature of a special purpose tax which GORTT then applies to benefit all its citizens fairly equally as opposed to a pension fund where one would expect a pension somewhat in line with one's contributions?

Overall, GORTT seems to have placed a greater focus on compliance measures such as: -

the e-payment system to be introduced for the settlement of taxes on income and duties on imports;

electronic invoicing which is unclear, but seems to suggest that VAT registrants will be allowed to issue such invoices and the Board of Inland Revenue will have the facility to receive and audit them electronically;

the NIS and annual corporate filing fee amnesties;

increase on penalties for VAT and other offences.

With the possible exception of the SME initiative, we remain unclear on the initiatives that will revitalise the economy, especially in light of the fact that the amendments to the petroleum tax regime which were introduced in last year's Budget do not appear to have had the desired effect. It is hoped that Minister Tewarie's medium term framework will lend some clarity.

Measures promised and not yet enacted include:-

Removal of tax on capital gains realised on the sale of ESOP shares;

Employees of subsidiaries within a Group to be allowed to participate in ESOP of parent company;

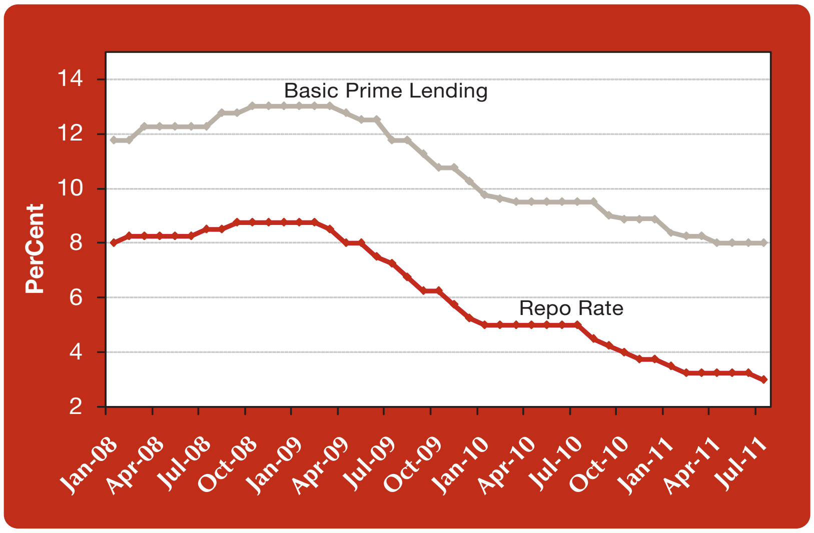
Re-introduction of Land and Building Taxes Act.

Brief Snapshot of Financial Sector economic performance as at July 2011

Interest rate, credit and foreign exchange market

Continued decrease of ‘Repo’ rate (currently standing at a record low of 3%) with three cuts of 25 basis points each in the first seven months of 2011

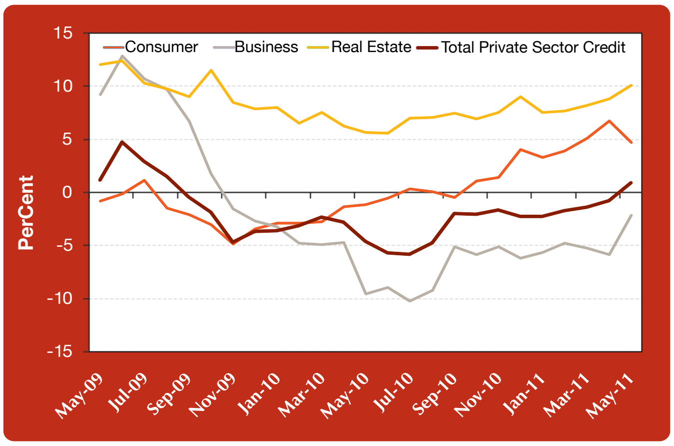
Repo Rate and Commercial Bank’s Prime Lending Rate
(In Per Cent)



Source: Central Bank of Trinidad and Tobago.

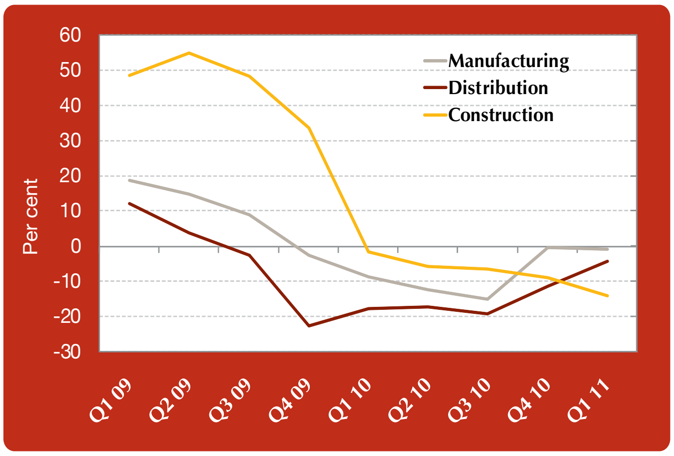
Overall gradual increase in financial sector credit, supported by boost in commercial bank credit to customer despite year-on-year decline in business loans lending

Private Sector Credit by the
Consolidated Financial System
(Year-on-Year Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

Commercial Bank Business Credit to
Selected Non-Energy Sectors
(Year-on-Year Per cent Change)



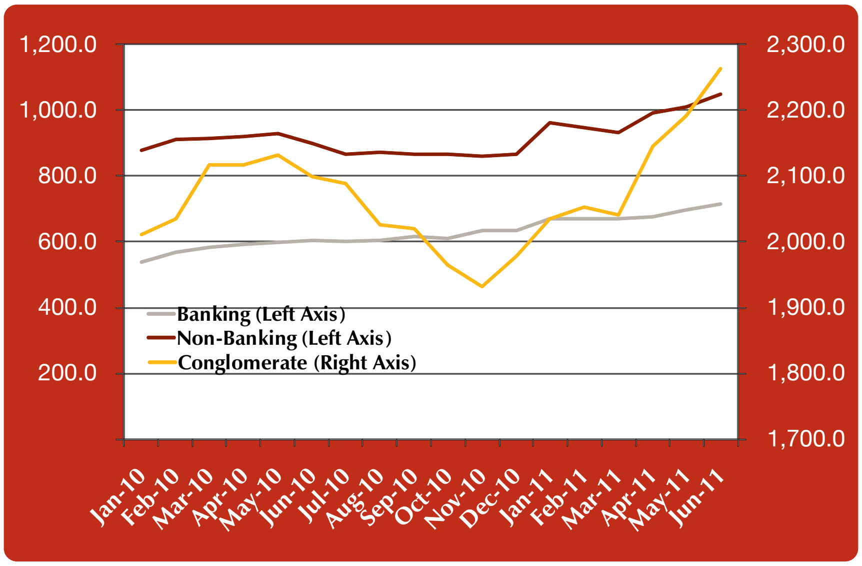
Source: Central Bank of Trinidad and Tobago.

Larger inflows in foreign exchange markets and government tax earnings in foreign exchange owing to rise in energy prices

Capital market

Despite relatively low trading activity, gains in most stock price sub-indices resulting from release of solid financial results by several companies

Trinidad and Tobago Stock Price Indices

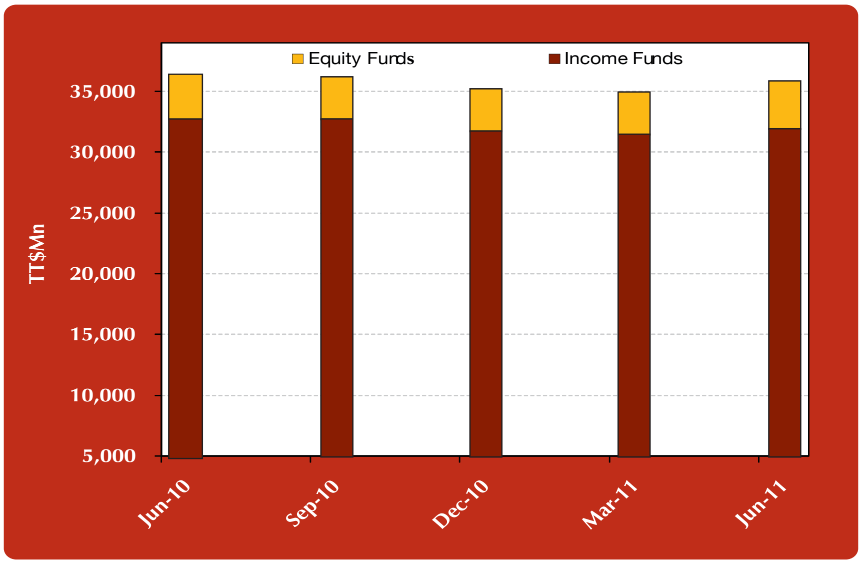


Source: The Trinidad and Tobago Stock Exchange.

Drop in primary bond market activity in the first half of 2011 as well as decrease in secondary bond market trading between January in June 2011

Mixed performances among equity and income mutual funds

Mutual Funds – Aggregate Fund Values

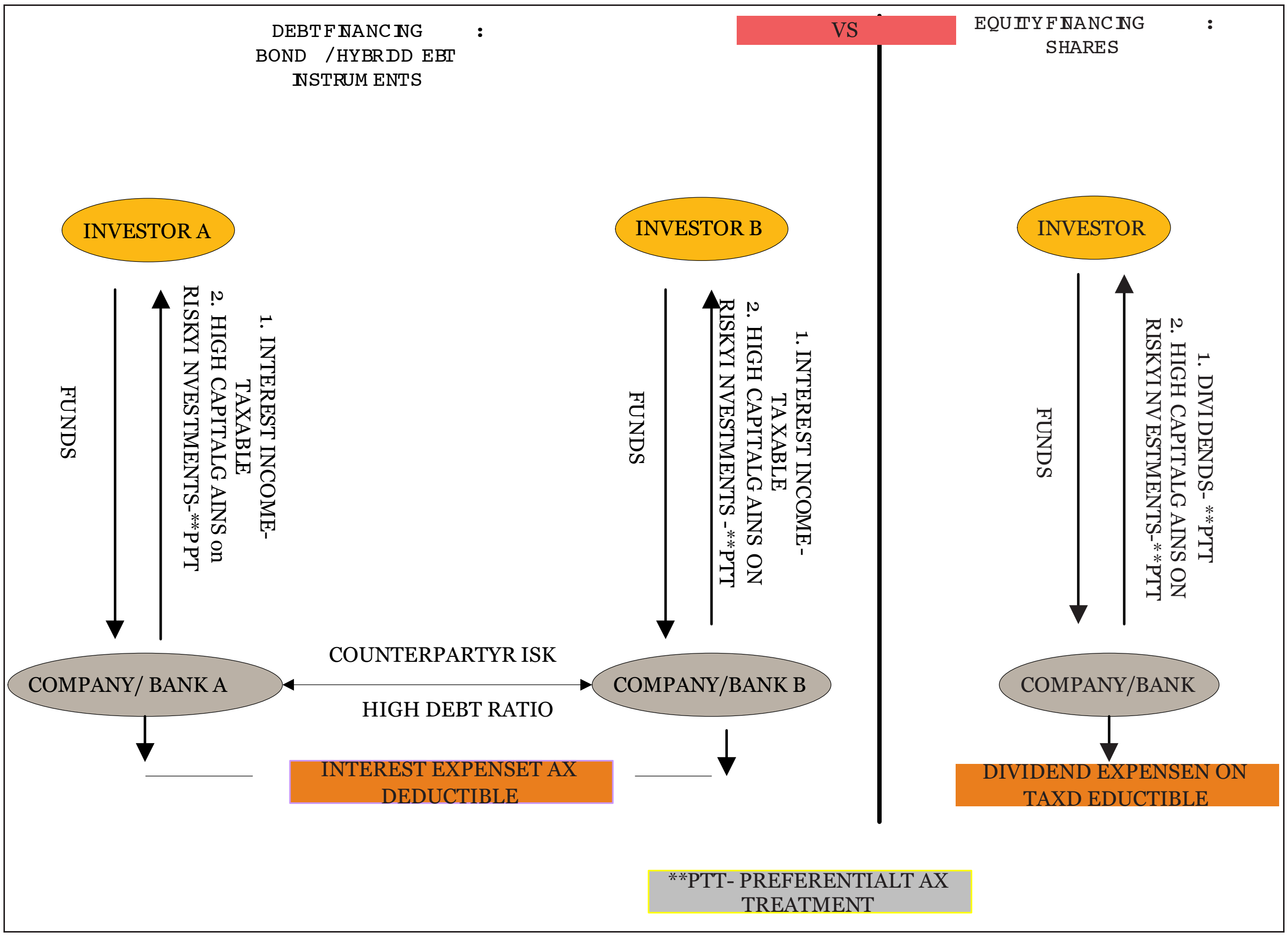


Source: Central Bank of Trinidad and Tobago.

An insight into key Worldwide Tax Issues affecting the Financial Sector

Nexus between tax policies and the stability of financial markets- A view point

How tax measures can encourage high in debtedness / high risk investments and exacerbate the ragility of markets



In a world that is still reeling from the impact of the financial meltdown and still trying to come to terms with the various causes, we have outlined below a perspective for your consideration. Much of what is contained in this article was addressed in greater detail by Geoff Lloyd, an OECD Senior Advisor in his article "Moving beyond the crisis- strengthening understanding of how tax policies affect the soundness of financial markets", and touches on the role that tax policies may have played in decisions that contributed to the meltdown.

The widely acknowledged root causes of the current financial crises are generally identified as being connected to:-

- The boom in credit and asset prices;
- A high appetite for yield and high tolerance of risk;
- Lack of transparency;
- Inadequate regulation; and
- Inadequate governance

While taxation does not generally feature among the causes of the crisis, there is an indication that tax measures may contribute in "exacerbating non-tax incentives to greater leverage, greater risk-taking and to a lack of transparency"

Debt financing bias

Embedded in most national tax systems are preferential treatments applicable to financing effected through corporate debt raising rather than through equity.

This distortion is only partly compensated by the preferential treatment accorded to dividends or capital gains from equity investments over interest income.

While remaining within the confines of regulatory capital rules, in addition to the more standard debt instruments, companies have been resorting to the issuance of certain hybrid, equity-like forms of debt, favouring them over ordinary share capital where it also allowed for a tax deduction.

For regulated financial institutions, "the tax deduction for interest acts as an incentive to maximise debt financing within the limits allowed by the regulators" In this regard it is instructive to note that Trinidad and Tobago, despite references made to same by the previous administration, has no thin capitalisation rules.

Capital gains bias

Further, the preferential tax treatment which applies to capital gains on investments also constitutes an incentive to investing in risky assets, the return on which will take the form of the appreciation in the value of the investments

Tax measures which implicitly encourage high indebtedness and risky investments expose companies to economic fragility and the banking system to substantial counterparty risks- risks which were at the centre of the credit crunch systemic crisis.

"Shadow banking", derivative markets and tax havens- The link

The global integration of markets and the disparity in national based regulations has lead players to seek the most advantageous regulatory environment for financial transactions, thus giving rise to the emergence of a "shadow banking system" defined by Paul Mc Cully of PIMCO in 2007 as "the whole alphabet soup of levered up non-bank investment conduits, vehicles and structures". They include money funds, hedge funds, Special Investment Vehicle companies, mono insurers etc.

Like banks, they borrow short-term and in liquid forms, and lend or invest long-term in less liquid assets, and thus are particularly vulnerable to liquidity risk. However, not being financial institutions, they are more limited in their access to refinancing and thus more susceptible to bankruptcy when an illiquid market hampers the refinancing of their short-term liabilities. These institutions have played a significant role in inflating the pre-crisis bubble through high levels of leverage and risk-taking.

The "shadow banking system" has promoted and widely implemented aggressive and destabilising market practices, including the "absolute return" technique, engineered to guarantee investors profits even when market prices dropped. It has, through the widespread trading of derivatives, siphoned capital away from productive activity into destabilising financial transfers. The practice of "short" selling and borrowing has in effect allowed these institutions to manoeuvre things for investors to "benefit from taxation of what are essentially financial trading transactions at preferential capital gains tax rates."

Tax havens have been jurisdictions of choice for the "shadow banking" activities in that they have offered no or low tax and lax regulations and facilitated the conversion of income to capital or the deferral of income.

Further, many offer secrecy measures which non-tax compliant investors have abused, confident that their home tax authorities would have no evidence of the high returns from their investments

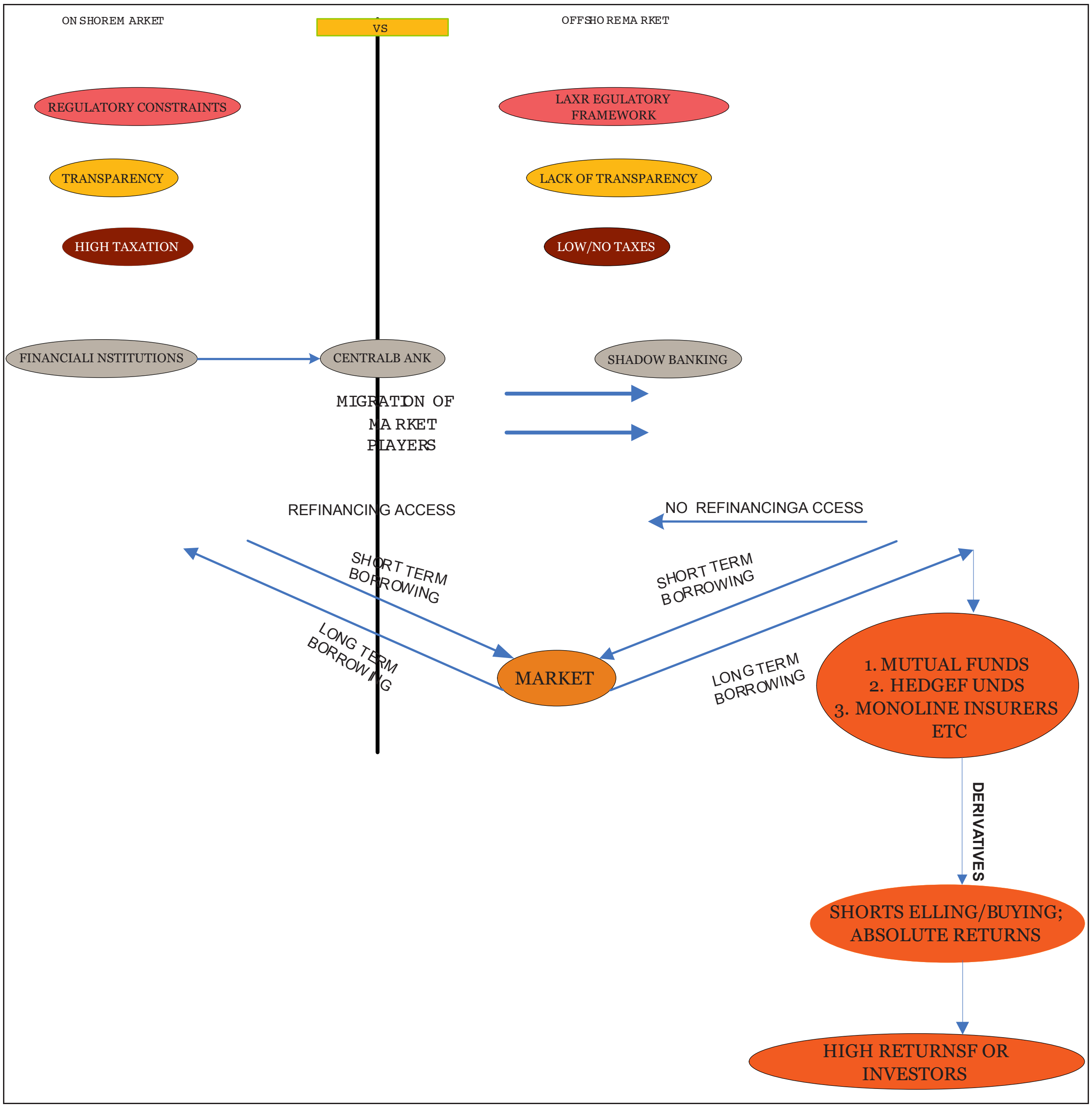
The way forward

"As part of overall strategic response to the financial crisis, priorities in this area could be to raise awareness of the incentives to financial instability caused inadvertently by common features of national tax systems, to evaluate the impact of these incentives, and to identify whether there are well-targeted reforms which might reduce or remove tax distortions to excessive leverage, excessive risk-taking and lack of transparency in future"

Although there has been a reduction in the demand for "shadow banking" services given the wariness of off balance sheet and offshore-based activity as a result of the crisis, this is likely to wear off in time, so the need to regulate that sector remains.

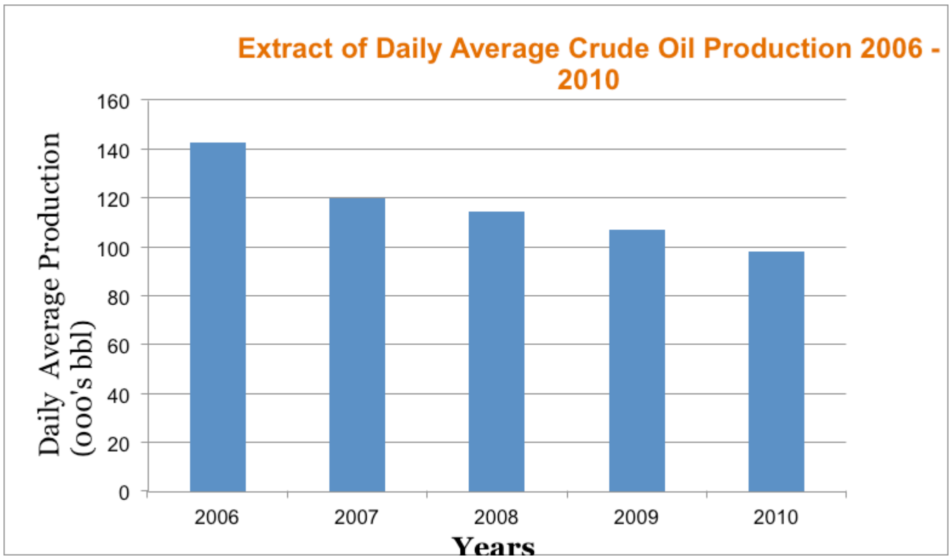
Transparency and exchange of information will contribute to the stability of the financial system.

Pitfalls of Shadow Banking System



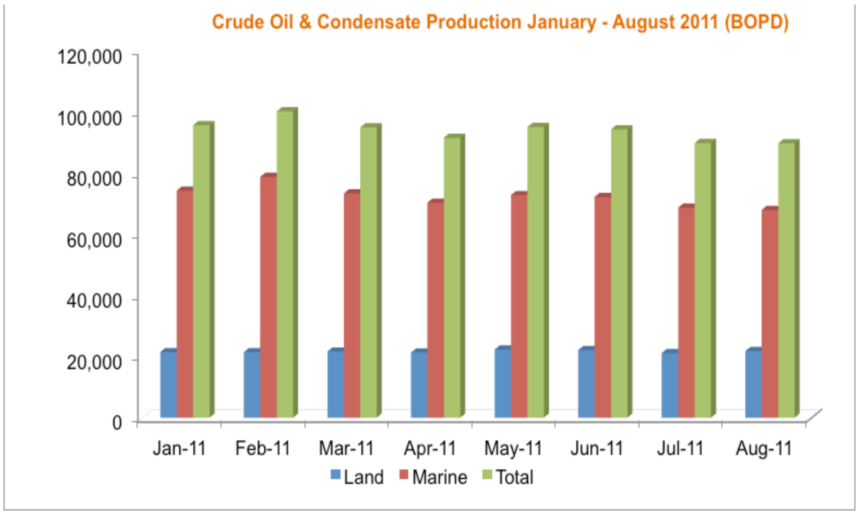
Energy Sector Commentary

In spite of a lot being said by successive governments about reducing our country's dependence on the energy sector and diversification of our local economy away from this volatile sector, it continues to be the single most significant contributor to our economic stability (instability). In recent times, we have heard at least one commentator allude to the fact that with the continuing world economic crisis, should there be another economic meltdown, it is only a revitalized energy sector that will sustain T&T through it all. The sector is faced with the challenge of declining revenues which has resulted mainly from the significant decline in the production of crude oil and the new Minister of Energy & Energy Affairs sounded his intention to address this matter in his inaugural address to the Energy Chamber earlier this year. Over the period 2006 to 2010, crude oil production has slipped constantly from approximately 143,000 bpd to 98,000 bpd. See chart below:



Source: CBTT Economic Bulleting July 2011

The outlook in 2011 shows continued decline with the latest (August 2011) Ministry of Energy & Energy Affairs (MEEA) Bulletin showing monthly Crude Oil and Condensate Production being consistently less than 96,000 bpd for the eight month period with the exception of February when it tipped over to 100,106 bpd. See chart below:



Source: MEEA Consolidated Monthly Bulletins 2011 (January – August 2011)

While production has continued to decline, prices have averaged US$88 for the first three quarters of this fiscal year which compares favourably to the US$65 on which the budget for 2010/2011 was based. In August 2010, the then Energy Minister identified that the immediate issues to be addressed by the current administration for the sector as:

1. Arresting the decline in oil production;
2. Introducing a competitive fiscal and tax regime;
3. Creating an enabling environment to increase exploration activity; and
4. Examining areas of energy efficiency and Alternative Energy.

Although the current Minister endorsed those initiatives he indicated that his number one priority is to increase national oil production and the following strategies have been identified:

- Petrotrin including Trinmar accounted for 44% of national oil production as at June 2011 and therefore Petrotrin's role is pivotal to increasing oil production
- Developing a strategy to monetize the heavy oil reserves;

• Increasing the success rate of bid rounds.

Local content continues to be a major issue for the local service companies in the sector even though there is a policy and the terms of the Production Sharing Contract (PSC) include specific obligations for local content. This is another issue that the new Minister has given assurance will be addressed and it is hoped that this will see the recommended establishment of a unit or agency perhaps within the Ministry of Energy to facilitate and monitor implementation.

The response to the 2010 Deep Water Competitive Bid Round may be considered disappointing as only three of the eleven blocks offered received bids with only one block receiving more than one bid, although some comfort may be taken in the fact that big players in the industry, BP, Repsol YFP, BHP Billiton and Total, all participated.

It would however seem that the efforts made to improve the attractiveness of the bid round by reducing the tax rate for deep water from 50% to 35% and reverting to the conventional PSC model was not sufficient for this high risk and very expensive area of activity.

Other tax incentives were introduced in the 2010 / 2011 budget that are intended to give some much needed impetus to small producers and those producing from mature fields which can also make some input into the quest to increase oil production e.g.

• Revised Supplemental Petroleum Tax (SPT)Regime
• The introduction of sustainability incentives for mature marine and small marine oil fields
• An investment tax credit of 20% on qualifying capital expenditure in respect of SPT for mature oil fields both land and marine.

It is however still early days in terms of assessing their success.

Since there are significant heavy oil resources, there is the need to go after these resources and it may be necessary to examine whether the existing heavy oil allowance of 150% of expenditure is sufficient incentive.

The intention to increase production must also focus on the State's role in facilitating those service providers who supply rigs and other heavy equipment to the industry there was an increase in the amount of VAT refunds paid in the last quarter of 2010/2011, this continues to be a major concern for companies. Foreign investors require certainty and therefore issues such as the timely payment of VAT refunds and also the anomalies that currently exist in the legislation need to be addressed promptly e.g.

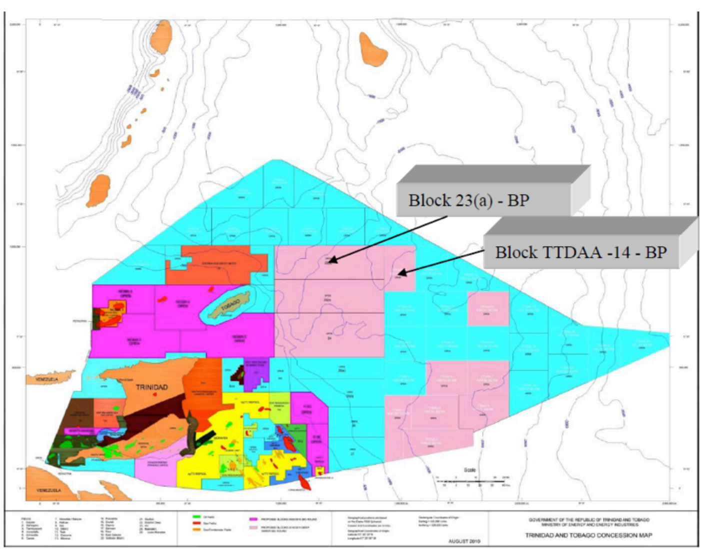
the timing of the commencement of the claim for capital allowances,

the definition of "management charges"

the deduction for SPT purposes of Royalty "paid"

applicability of withholding tax and

permanent establishment trigger also create concerns for this sector.



Sectorial Analysis and Commentary

Agriculture

"Put Trinidad and Tobago on your table", "a food secure nation". These are just a couple of the catch phrases used by the Ministry of Food Production, Land and Marine Resources to highlight the need for increased local food production and the use of local fruits and vegetables. However, if you ask the average householder in T&T whether they have seen a greater supply of or reduced prices on local produce coming into their kitchen, what would the answer be?

The Finance Minister during last year's budget speech highlighted the importance of the agricultural sector in the government's plans to reduce the nation's food importation bill and to increase dependence on local food production. How much closer are we to making this a reality? "Revised" incentives in the agricultural sector to encourage sustainable development and an "ambitious infrastructure programme" were among the many offerings referred to by the Minister. How many of these plans have materialised and how successful have they been at achieving the outlined goals?

Global warming and the resultant changes in climatic conditions have caused a decrease in world food production and an increase in global food prices. The Central Bank in its economic bulletin of July 2011 has indicated that the full effect of the 107.1% increase in wheat prices in the year to June 2011 will be felt in our domestic economy in the next two to five months. We are already feeling the impact of this with the recent increases in bread prices. Similar trends are evident in other imported staples such as rice and dairy products. The Government has put in place its "revised" incentive package to the agricultural sector which includes assistance in the acquisition of vehicles and equipment, land preparation, water for agriculture, agroprocessing, security and guaranteed prices in some sectors viz rice, cocoa, coffee and milk to name a few.

The Minister has indicated that effective January 2011 the criteria for proof of land ownership/tenure which posed a hindrance to farmers being able to access these initiatives has been removed and the Central Bank has reported that farmers experienced increased production of vegetables and fruits in the first half of this year due in part to being able to access these incentives.

> ***"Put Trinidad and Tobago on your table", "a food secure nation"*** *these are just a couple of the catch phrases used by the Ministry of Food Production, Land and Marine Resources to highlight the need for increased local food production and the use of local fruits and vegetables.*

Among the notable achievements in this sector over the last year has been:-

- The commencement of production in three new farms under the Commercial Large Farm Programme. This will take the total number of such farms to five.
- The development by NAMDEVCO of the Farmers Registration and Production Monitoring System for use by the Ministry.
- Refurbishment of 11 fish landing sites.
- Construction of 300 irrigation ponds as part of the Ministry's Water Management Programme.
- Revision of the Government's Agricultural Incentives Programme which was not revised since 1992
- Significant increases in the construction of agricultural access roads
- Introduction of sweet potato fries (from local production) to six KFC outlets.

The sector is however still plagued by following:-

- Flooding which has caused significant losses to farmers and resulted in product shortage and higher food prices.
- Praedial larceny which the GORTT is to address through the introduction of "squads". We await clarification and implementation of this initiative.
- Increased freight costs, lack of insurance for exported products, inadequate storage facilities and the absence of a reliable labour force .
- Lack of youth involvement.

"Construction of 300 irrigation ponds as part of the Ministry's Water Management Programme."

"Flooding which has caused significant losses to farmers and resulted in product shortage and higher food prices."

Commentary on Fiscal / Other measures

For the second straight year GORTT has adhered to its "policy" of no new taxes and no quick fixes in the Budget. It introduced very few tax measures, and none that could be described as revolutionary. It is with relief that we register the resistance of the knee jerk reaction to increase taxes in light of the apparent slow down in the economy. But we are concerned that the opportunity has not been taken to address more of the issues faced by taxpayers in respect of the interpretation of some of the existing tax legislation. The measures to be introduced are as follows:

Petroleum Tax

The Minister in his 2011/12 budget statement has identified the re-energising of the energy sector as one of the growth initiatives intended to increase output, incomes and employment. New investments (2012 to 2014) in traditional energy, downstream industries and alternative and renewable energy (among other areas) is also seen as a strategy with the same objective.

While he has reiterated that there has been a steady decline in crude output and the recent leveling off of gas output, additional measures to reverse this trend appear to be absent.

In last year's budget the Minister introduced the following measures aimed at arresting the decline in oil production:

- Reduction in tax rate from 50% to 35% on profits from deepwater blocks
- Reverting to the conventional PSC model for the deepwater bid round under which the taxes with the exception of withholding tax and stamp duty would be met from the government's share of profits
- Revision of the Supplemental Petroleum Tax regime by the introduction of base rates and a sliding scale mechanism for land and marine operations
- A 20% reduction on SPT rates for small or mature marine oil fields
- An investment tax credit of 20% on qualifying capital expenditure in respect of the SPT for mature land and marine oil fields.

The only additional measure that impacts the players in the industry which was introduced in 2011/12 is the zero –rating for VAT purposes of specified machinery used by service providers who support the activities of the exploration and production companies. This measure is addressed in the section on VAT below.

The Minister in his budget statement has failed to address some of the anomalous situations that continue to exist in the legislation and result in tax disputes between the companies and the Board of Inland Revenue and uncertainty for investors.

Licence Fees

The licence fees for petroleum operations were increased to $40,000 but this is not expected to have any significant impact on the industry.

The increase in the annual licence fees of gas stations is likely to impact owners since such businesses operate with a fixed margin.

Marketing licenses for peddling operations i.e. small wholesalers, have been increased to $1,000 and this measure is also likely to impact the peddlars.

In addition, the Minister indicated his intention to introduce a licence fee of $500 on road tank wagons engaged in the transport of liquid petroleum products.

Penalties for breaches of the Petroleum Act

The Minister has increased the penalties for engaging in petroleum operations without a licence from $3,000 to $30,000 while any contravention of the petroleum regulations will incur a penalty of $150,000 up from $15,000. These measures appear to be aimed at the illegal sale of subsidised diesel by unlicenced persons.

Corporation Tax

1. CLICO Trust Exemption
As stated above, the CLICO Trust, which is to be established to create a market for the GORTT bonds to be issued to CLICO policy- and unit-holders, will have "its income and dividends exempt from tax". Based on the limited information provided, the Trust is expected to earn discount income from the sale or redemption of the bonds that it will receive from the CLICO stakeholders in exchange for units, and dividend income from certain shares that will "back" its units. No other tax benefit/incentive has been announced other than that to be given to the Trust itself. On the basis of that the unit holder under this Trust will be taxable on any income earned under the Trust.

2. NGO Contributions
"To encourage the corporate sector and individuals to substantially increase their contributions to NGO"s" GORTT proposes to amend the legislation to "clarify" their qualification as tax deductible expenses. Currently the legislation allows for the deduction of

- expenditure on artistic work by a national of T&T

- expenditure on the sponsorship or promotion of a sporting event or local sports person

- expenditure on the sponsorship of audio, visual or video productions for the purposes of local education or local entertainment or reflecting local culture for radio or television up to a combined maximum of $2m per annum; and

- covenanted donations to approved charitable and sporting bodies up to a maximum of 15% of "total (taxable) income

It is unclear what amendments the Minister proposes to introduce to "substantially increase" donations to NGOs.

3 SME Public Listing Credit
To encourage small and medium enterprises (SMEs), many of whom are highly leveraged, to veer away from borrowings, which are often expensive, towards often cheaper equity financing, GORTT is proposing to reduce the tax rate payable by those entities on their chargeable profits from 25% to 10%.
It is unclear whether this incentive will also be offered to companies in the petrochemical sector which pay tax at the rate of 35%. To qualify for this relief the SME must satisfy the following criteria

- it must have capital of between $5m and $50m

- it must be listed on the SME (third tier) market to raise capital through an initial public offering (IPO)

- it must have a minimum of 25 shareholders who must hold at least 30% of its share capital.

Given how inventive we "Trinis" can be, GORTT will have to ensure that it minimizes the opportunity for abuse of this incentive by for example ensuring that the legislation doesn't allow a company to qualify if its shareholders are related parties which will therefore leave the effective control in the hands of one or a few shareholders.

Of greater significance though is that GORTT is targeting small to medium enterprises which are likely to be less structured and by definition more risky propositions than their larger counterparts which have to date resisted "going public".

It would seem that there are several significant players in the local corporate world which are well poised to list but have resisted this option so that the current owners can maintain full control and avoid "opening their books to the world". The addition of these players to the stock market would have a greater likelihood of increasing the interest of local investors in the market. One of the ways to encourage this might be to level the playing field between the tax treatment accorded to debt and equity financing. On this issue we would refer you to our article on the financial crisis found at page 11 of this document.

Another measure which may serve to promote greater involvement on the capital market is the introduction of thin capitalization rules which was promised, but not implemented, by the last administration.

4. Alternative Energy Incentives
GORTT has indicated its intention to increase the range of incentives offered to promote the switch to alternative energy by the addition of the following incentives

- an allowance of 50% of the expenditure incurred in the purchase of equipment for the retail dispensing of CNG and LNG up to a maximum of $2m per station. It is not clear whether the maximum quoted refers to the allowance or the expenditure. This will cover the period 1 January 2011 to 31 December 2015 and therefore have retroactive effect. It should be noted that a person who takes advantage of this relief will not be entitled to claim wear and tear on the equipment in question.

- a 50% reduction in import duty on vehicles manufactured to use natural gas and have an engine capacity of less than 2300cc. This too will cover the period 1 January 2011 to 31 December 2015.

- with effect from 1 January 2012, a wear and tear allowance of 130% of expenditure incurred on CNG related expenditure initiatives.

- with effect from 1 January 2011, a wear and tear allowance of 150% of expenditure incurred in relation to solar heaters, wind turbines and photovoltaic systems
the latter two measures have already been enacted in the Finance (No. 2) Act 2010 with an effective date of 1 January

2011 in both cases .
It is unclear how much success has been achieved to date in promoting the use of alternative energy.

5 Transfer Pricing

Income Tax

The measures addressed above in relation to contributions to NGOs and alternative energy are also expected to impact individuals.

Value Added Tax

Persons in the petroleum and related service sectors in particular will welcome the proposed amendment to the Value Added Tax Act to exempt from VAT items imported for a temporary purpose for use in this sector. These items, such as drilling rigs, ships and bunkering vessels are generally extremely expensive pieces of equipment which attract significant amounts of VAT which currently have to be paid over to the Customs Authority and in respect of which the importer experiences inordinate delays in securing refunds. While GORTT has been making an effort to address this issue by allowing these items in free of VAT, this entails a fairly cumbersome process that had to be followed for each individual item imported. This measure will provide long sought after relief from both the burdensome tax with the attendant cashflow challenges and the administrative process to secure relief.

The items which will attract relief are
- drilling rigs
- drill ships
- pipelay vessels and barges
- anchor handling tugs in excess of 35 meters in length
- geophysical survey vessels
- heavy lift installation crane barges
- oil skim vessels
- rig and platform supply vessels in excess of 60 meters in length
- vessels used in bunkering in excess of 65,000 barrels
- floating dry dock in excess of 1000 DWT for repair of anchor handling tugs and platform supply vessels.

While the proposed amendment is welcomed, it would seem that the fundamental issue of the definition of a temporary import may still arise if an item other than those listed above is imported for a temporary purpose and remains in T&T for more than three months.

The Minister also signalled GORTT's intention to increase the VAT threshold from $200,000 to $360,000 in a twelve month period. This will be the second adjustment to the threshold since the introduction of VAT in 1990.

Property Tax

Notwithstanding those issues the Government in the last national budget signaled its intention to revert to the old L&B tax regime which imposed the following rates:-

Classification	Rate
Undeveloped land	$10 per acre
Building	7½% of ATV

The estimated property tax income forgone, based on the Draft Government Revenue Estimate, is as follows :-

Year	Original Estimates - $ Million	Revised Estimates - $ Million
2010	325	24
2011	174	10
2012	15	NA

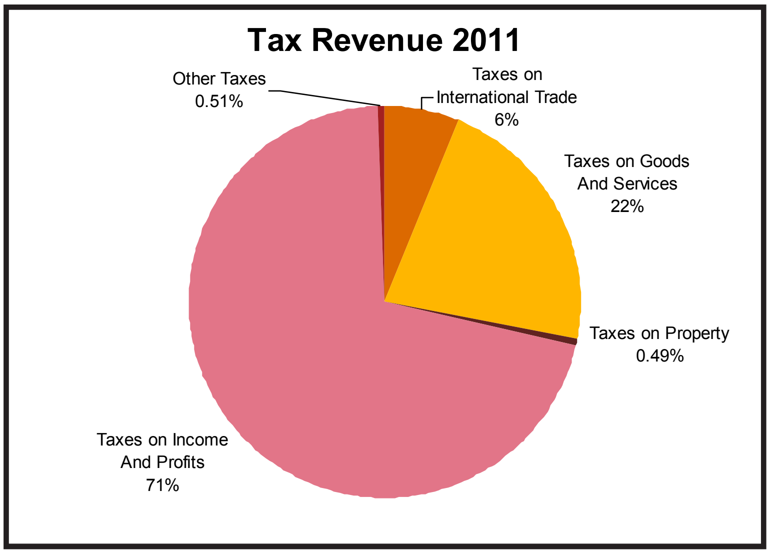
While the attempts made by the prior Government to bring changes to the Property Tax Regime fueled a national controversy, most people would not dispute the fact that the Land and Buildings (L&B) Tax Act 1920, which has been regulating property tax in T&T for the last 90 years, has become largely outdated and inadequate. The rate of taxes imposed and methodology followed in arriving at the liabilities, the infrequency of revaluations and the resultant disconnect between property/ rental values and the values for property tax purposes produced results which did not consider factors such as inflation, the positioning of Trinidad & Tobago as an increasingly modernized society with an improved standard of living and demand for improved services and developmental changes in the global tax arena with respect to the most currently used tax regime features. Similar problems were also experienced with respect to the Municipal Taxes Act which addressed the issue of property tax in the municipalities, even though this Act is of more recent vintage than the L&B Act. There was also considerable disparity in the rates of property tax imposed on the populace.

Since Government continues to look for creative ways to stimulate economic growth and moreso to increase its revenue in a period of economic uncertainty and anxiety, the waiver of property tax in income year 2010 was a (pleasant) surprise to many, even more so was Governments failure to re-institute the tax, or some version of it, in 2011. Of even greater significance is the fact that the Honourable Minister has made no mention of the issue of property tax in his budget presentation 2012.

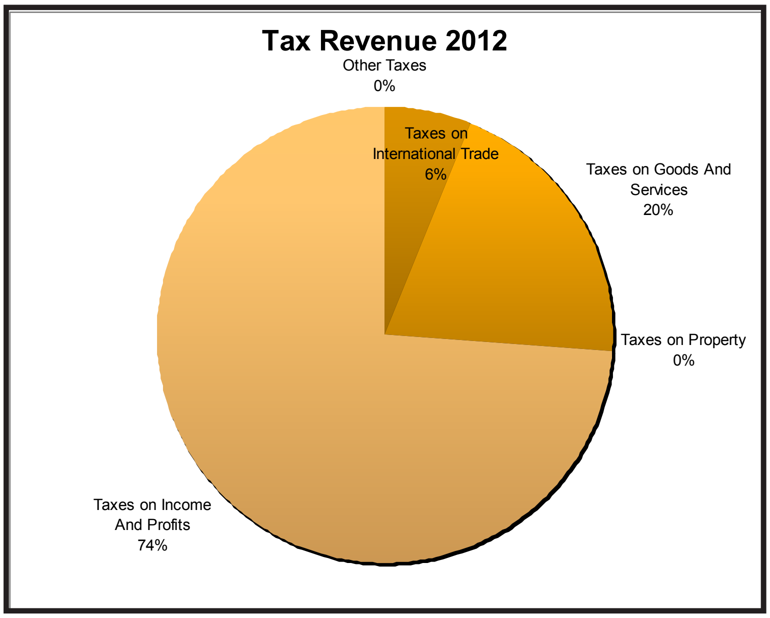
Based on the official estimates, the income lost from this source over the last two years was in the vicinity of $200m. With the vacillation of income from the petroleum and petrochemical sectors in the face of the global economic meltdown, this loss cannot be trivialised.

These estimates reflect approximately 46% decrease in 2011 as compared to 2010 and a further 91% in 2012 as compared to 2011. The revised estimates highlighted in the table above however paint a different picture. In the absence of information on the Government's intention with respect to the future of property tax it is difficult to comment on the trend, or what accounts for the year on year disparity.

Property tax revenue for 2011 was expected to account for a mere 0.49% of the total tax revenue while in 2012 it is estimated to contribute 0% to revenue . This might explain why GORTT has been prepared to date to forgo collection. On the other hand others may argue that herein lies the basis for reform since essentially by subscribing to the archaic system the Government is not fully exploiting the revenue earning capacity of this mechanism.



Source: Draft Government Estimates of Revenue 2011



Source: Draft Government Estimates of Revenue 2012

T&T is lagging behind most of its Caribbean neighbours in the area of property tax. Most jurisdictions in the Caribbean region currently base their property tax regimes on certain inputted values of property (e.g: market value, net property) rather than the rental value of a property, which is seen as antiquated and unfair. This trend is reflective of international practice.

The market value methodology however presents a challenge in developing economies where market values may not be readily available. To address this issue certain Tax Authorities within the region have resorted to an alternate approach based on the cost of replacement of buildings less depreciation.

While in certain territories of our region this approach would only come into play where no data is available for a given property, international advisers suggest a more standardised and simplified approach for developing economies: the adoption at least for a transitory period of a statutory formula to arrive at the “fiscal value” of the property. The key would be for that formula to remain simple and geared toward mass-valuation procedures. That fiscal value could take into consideration factors such as sale transactions, soil quality, development in the zone for land and factors such as characteristics, size, construction cost and a certain level of depreciation for buildings and be adjusted by region.

This technique may be worthy of consideration in T&T as it may serve to neutralise the distorting impact which our petroleum sector earnings would have had on local property prices.

A 1996 IMF report, in comparing an annual rental value to a capital-base value method, declared that both methods identified that “the capital-value base has the advantage of more closely approximating a tax on immovable property wealth and more effectively discouraging speculative withholding of land ready for development.” It is generally recognised that this method is a valuable tool in promoting land use efficiency.

Property taxes are controversial by nature and so it may be prudent to consider a phased introduction of a new regime which allows for a full understanding of the taxes by the population at large and communication of the assessments and the liability in advance of the actual imposition of the tax as we are of the view that much of the protest regarding the recent legislation was prompted by a lack of information regarding the details of the likely impact of the new tax on each person’s tax obligation.

Transfer Pricing

On the heels of the country becoming the 102nd member of the OECD (Organisation for Economic Co-operation and Development) Global Forum on Transparency and Exchange of Information for Tax Purposes, the Government has announced its intention to introduce transfer pricing legislation mirroring the core principles advocated by that organisation. With more than half of the world's trade being controlled by Multinational Groups of Companies (MNEs), the issue of transfer pricing is at the heart of most of the issues that engage the attention of Tax Authorities worldwide, including our own Board of Inland Revenue, whether or not it is identified under that heading. In simple terms, Tax Administrations seek to ascertain the "trueness" of the taxable profits declared by enterprises transacting with related parties. The basic tenet guiding their approach is that transactions between associated enterprises should yield the same tax profits as similar transactions with unrelated parties. This is what is referred to as the "arm's length principle." There exists a variety of methodologies geared toward effecting that comparison and the OECD has in its publication "Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration" listed the most frequently utilised ones. While most players acknowledge that the transfer pricing principles are aimed at addressing market distortions, certain circumstances make the application of the guidelines challenging or even questionable in some circles. Examples:

- where no comparable data exist for a highly specialised / unique product or service
- where being part of a Group affords economies of scales
- where the nature of the transaction is such that it would not have taken place if the parties were not within a Group

The current T&T tax legislation contains a management fee restriction provision which is intended to act as a deterrent to inflated inter-company transactions by limiting the deduction that can be claimed for costs imposed by non-T&T related parties. However the current provision is arbitrary and onerous since it does not give any consideration to the value of these services contracted in the real world and it applies indiscriminately to related parties and third parties alike. It is hoped that this management fee restriction will be removed when the transfer pricing measures are introduced. We await the legislation to ascertain whether this proposed measure will facilitate or exacerbate the tax compliance experience of our multinationals which are accustomed to complying with transfer pricing rules worldwide, but are frustrated by our deductibility restrictions. Issues that the legislation should aim to resolve include the following:-

- what methodologies will be acceptable,
- will it apply to local groups and in this regard it should be noted that this a highly specialised area which generally requires the input of persons with the right expertise.

Appendices

Tax Facts 2012 — Appendix 1

	2012		2011		2010	
Income Tax						
Allowances/Deductions						
Severance Pay	300,000		300,000		300,000	
Alimony paid	No Limit		No Limit		No Limit	
Personal Allowance	60,000		60,000		60,000	
Tertiary Education Allowance	60,000	**(1)**	60,000	**(1)**	60,000	**(1)**
Pension/Deferred Annuity	30,000	**(2)**	30,000	**(2)**	30,000	**(2)**
National Insurance	70%	**(2)**	70%	**(2)**	70%	**(2)**
First Time Homeowners allowance	18,000	**(3)**	18,000	**(3)**	N/A	**(3)**
Donations to Children's Life Fund	15% of total income	**(4)**	15% of total income		N/A	
Contributions to NGO's	TBA		N/A		N/A	
Corporation Tax						
Corporation Tax Rate (Petrochemicals)	35%		35%		35%	
Corporation Tax Rate (Other)	25%		25%		25%	
Small and Medium Size (SME)	10%	**(5)**	0% / 25%	**(5)**	0% / 25%	**(5)**
Business Levy (On Gross Sales & Receipt)	0.2%		0.2%		0.2%	
Green Fund Levy (On Gross Sales & Receipt)	0.1%		0.1%		0.1%	
Initial Allowance	90%		90%		90%	
Arts and Culture Allowance	2,000,000		2,000,000		1,000,000	
Charitable donations & Donations to Children's Life Fund	15% of total income	**(4)**	15% of total income	**(4)**	N/A	**(4)**
Contributions to NGO's	TBA		N/A		N/A	
Petroleum Taxes						
Petroleum Profits Tax						
– Shallow water (shelf/block)	50%		50%		50%	
– Deep water block	35%		35%		50%	
Unemployment Levy	5%		5%		5%	
Supplemental Petroleum Tax	Base & Sliding Scale		Base & Sliding Scale		Sliding Scale	
Investment Income						
Local Dividends Received	Exempt		Exempt		Exempt	
Interest Received (Individuals)	Exempt		Exempt		Exempt	
Value Added Tax						
Registration Threshold	360,000	**(6)**	200,000		200,000	
VAT Exemptions on Offshore Equipment	Yes	**(7)**	N/A		N/A	
Alternative Energy Incentives						
CNG & LNG Filling Station Allowance	50%	**(8)**	130% *		N/A	
Wear and Tear Allowance (CNG)	130%	**(9)**	N/A		N/A	
Wear and Tear Allowance (Solar & Wind)	150%	**(10)**	150%*		N/A	
50% Motor Vehicle Import Duty Relief	50%		N/A		N/A	

Appendix 1 continued...

Note (1) For attendance at foreign universities not Government of Trinidad & Tobago Funded;

Note (2) Maximum $30,000

Note (3) First time homeowners for five years with effect from the date of acquisition;

Note (4) Equal to the amount of donations up to a maximum of 15% of total income in any one year;

Note (5) 10% rate in 2012 would apply to listed SMEs – 0% tax rate applies to "approved small companies" as per the provision of Section 16A of the Corporation Tax Act.

Note (6) Effectively $30,000 per month

Note (7) Offshore Equipment relates to offshore drilling rigs, drill ships and other vessels associated with offshore activity in the Energy Sector.

Note (8) Tax allowance based on the expenditure incurred in the purchase of retail dispensing of compressed and liquefied natural gas up to a maximum of $2m per station excluding installation cost. (From 1 January 2011 to 31 December 2015)

Note (9) Effective 1 January 2012 allowance based on acquisition of plant and machinery and equipment including installation costs, for the purpose of providing a compressed natural gas kit and cylinder installation service or the acquisition and installation in a motor vehicle of a compressed natural gas kit and cylinder.

Note (10) Effective 1 January 2011 allowance based on plant and machinery, parts and materials for manufacture of solar water heaters /wind turbines/solar photovoltaic systems.

Appendix 2

Corporation Tax Computation	2012	2011
Profit as per Financial Statements	40,000,000	40,000,000
Add:		
Depreciation	8,000,000	8,000,000
Donations not under Deed of Covenant	100,000	100,000
Entertainment expense restriction (25%)	37,500	37,500
Legal Fees not deductible	50,000	50,000
	8,187,500	8,187,500
Less:		
Donations to Children's Life Fund	100,000	100,000
Arts and Culture	2,000,000	2,000,000
Wear and Tear Allowance	5,000,000	5,000,000
Initial Allowance (90%)	2,000,000	2,000,000
Profit on Sale of Asset	175,000	175,000
	9,275,000	9,275,000
Chargeable Profit	38,912,500	38,912,500
Corporation Tax @ 25%	9,728,125	9,728,125
Effective Tax Rates	24%	24%

Business Levy

Gross Sales/ Receipts	500,000,000	500,000,000
Business Levy @0.2%	1,000,000	1,000,000

Green Fund Levy

Gross Sales/Receipts	500,000,000	500,000,000
Green Fund Levy @0.1%	500,000	500,000

Assumptions :

Minimum wear and tear allowance of 10% to 25% except for buildings

Donation's to Children's Life Fund is not greater than 15% of the company's statutory total income (200,000/30,000,000 x 100%)= 0.667%

Appendix 2 continued

Small and Medium Enterprises Corporation Tax Computation	2012	2011
Profit as per Financial Statements	250,000	250,000
Add:		
Depreciation	40,000	40,000
Donations not under Deed of Covenant	6,000	6,000
Entertainment expense restriction	2,500	2,500
	48,500	48,500
Less:		
Donations to Children's Life Fund	5,000	5,000
Arts and Culture	5,000	5,000
Wear and Tear Allowance	25,000	25,000
	35,000	35,000
Chargeable Profit	263,500	263,500
Corporation Tax @10% / 25%	26,350	65,875
Effective Tax Rates	11%	26%

Business Levy

Gross Sales/ Receipts	4,000,000	4,000,000
Business Levy @0.2%	8,000	8,000

Green Fund Levy

Gross Sales/Receipts	4,000,000	4,000,000
Green Fund Levy @0.1%	4,000	4,000

Assumptions :

Minimum wear and tear allowance of 10% to 25% except for buildings

Donation's to Children's Life Fund is not greater than 15% of the company's statutory total income (200,000/30,000,000 x 100%)= 0.667%

Appendix 3

Income Tax Computations

Lower Income Person

	2012	**2011**
Income	72,000	72,000
Less:		
Personal Allowance	60,000	60,000
Tertiary Education Allowance	-	-
Pension/Annuity/NIS Contributions	3,600	3,600
First Time Houseowners Allowance	-	-
Children's life Fund	2,400	2,400
Taxable Income	6,000	6,000
Income Tax Thereon	1,500	1,500
Effective Tax Rate	2.08%	2. 08%

Appendix 3 continued

Middle Income Person

	2012	2011
Income	250,000	250,000
Less:		
Personal Allowance	60,000	60,000
Tertiary Education Allowance	45,000	45,000
Pension/Annuity/NIS Contributions	20,000	20,000
First Time Houseowners Allowance	18,000	18,000
Children's life Fund	12,000	12,000
Taxable Income	95,000	95,000
Income Tax Thereon	23,750	23,750
Effective Tax Rate	9.5%	9.5%

Higher Income Person

	2012	2011
Income	800,000	800,000
Less:		
Personal Allowance	60,000	60,000
Tertiary Education Allowance	60,000	60,000
Pension/Annuity/NIS Contributions	30,000	30,000
First Time Houseowners Allowance	18,000	18,000
Children's life Fund	120,000	120,000
Taxable Income	512,000	512,000
Income Tax Thereon	128,000	128,000
Effective Tax Rate	16.0%	16.0%

Appendix 3 continued

Retiree (Over 60yrs)

	2012	2011
Income	100,000	100,000
Less:		
Personal Allowance	60,000	60,000
Tertiary Education Allowanc e	-	-
Pension/Annuity/NIS Contributions	-	-
First Time Houseowners Allowance	-	-
Children's life Fund	10,000	10,000
Taxable Income	30,000	30,000
Income Tax Thereon	7,500	7,500
Effective Tax Rate	7.5%	7.5%

Summary

Effective Tax Rates Comparatives	2012	2011
1. Lower Income Person	2.08%	2.08%
2. Middle Income Person	9.50%	9.50%
3. Higher Income Person	16.0%	16.0%
4. Retiree	7.5%	7.5%

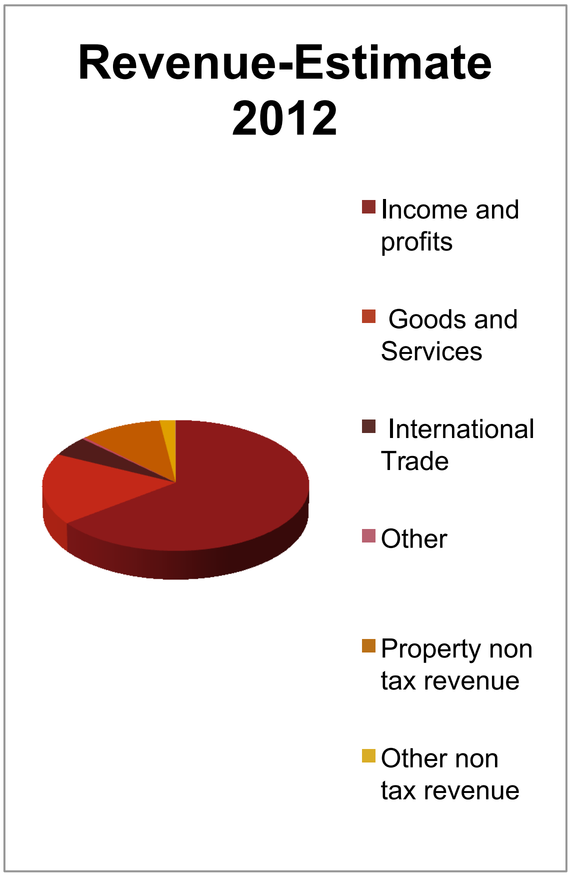
Appendix 4

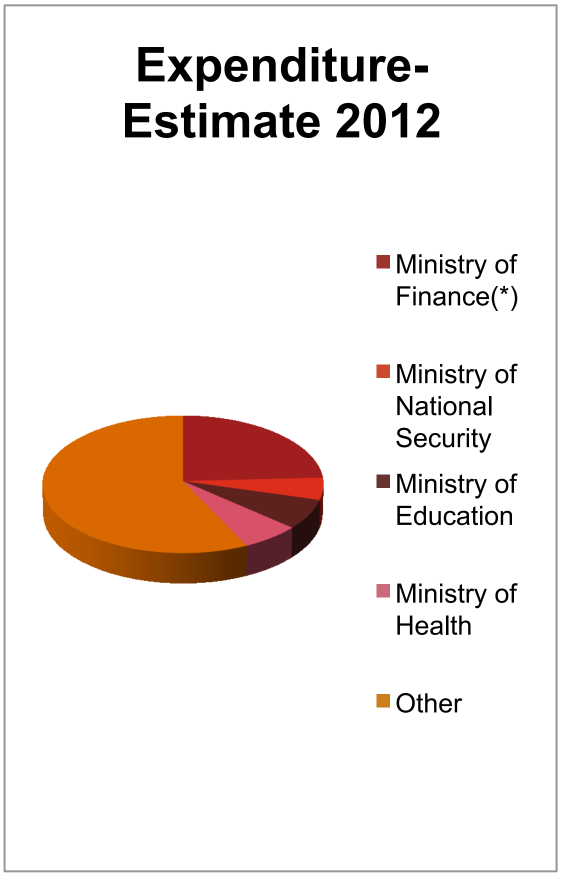
	Revenue $b
Income and profits	29.503
Goods and Services	8.058
International Trade	2.248
Other	0.199
Property non tax revenue	4.736
Other non tax revenue	0.894
Repayment of past lendin g	0.032
	45.670

Source: Details of Estimates of R evenue for the Financial Year 201 2

	E xpenditure $b
Ministry of Finance(*)	13.787
Ministry of National Security	2.968
Ministry of Education	4.011
Ministry of Healt h	3.657
Other	32.583
	57.005

Source : Details of Estimates of Expenditure for the Financial Year 2012



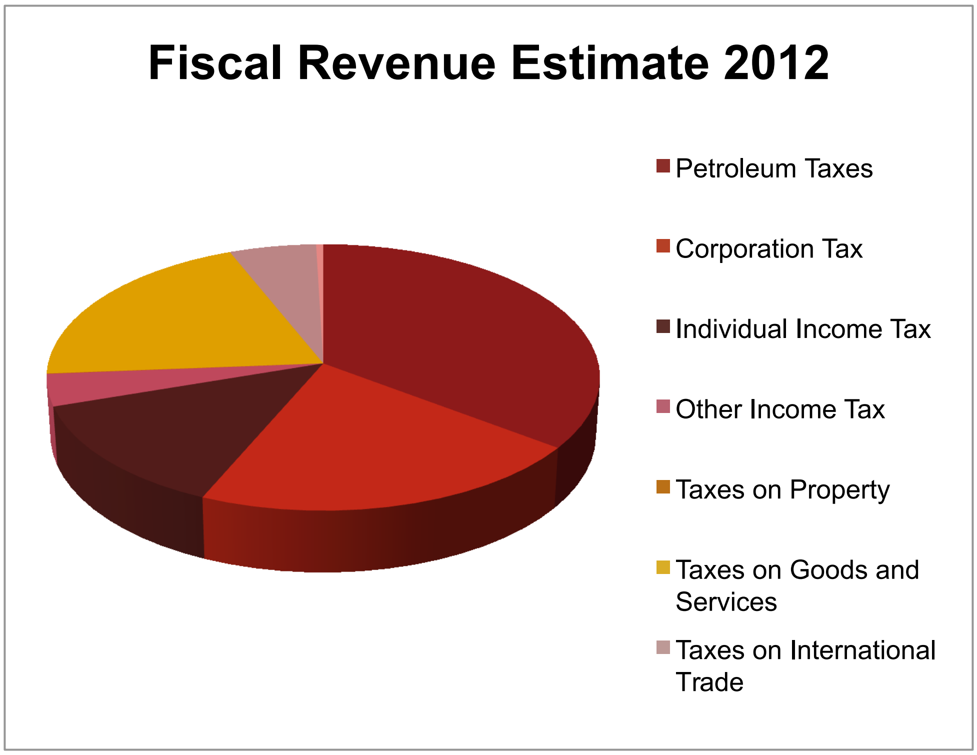


Appendix 4 continued

Fiscal Revenue

	Estimate 2012 $m
Tax on Income / Profit s	
Petroleum Taxes	14,109.95
Corporation Tax	8,487.60
Individual Income Tax	5,351.39
Other Income Tax	1,553.06
Taxes on Property	15.00
Taxes on Goods and Service s	8,058.03
Taxes on International Trade	2,248.08
Other Taxes	184.00
	40,007

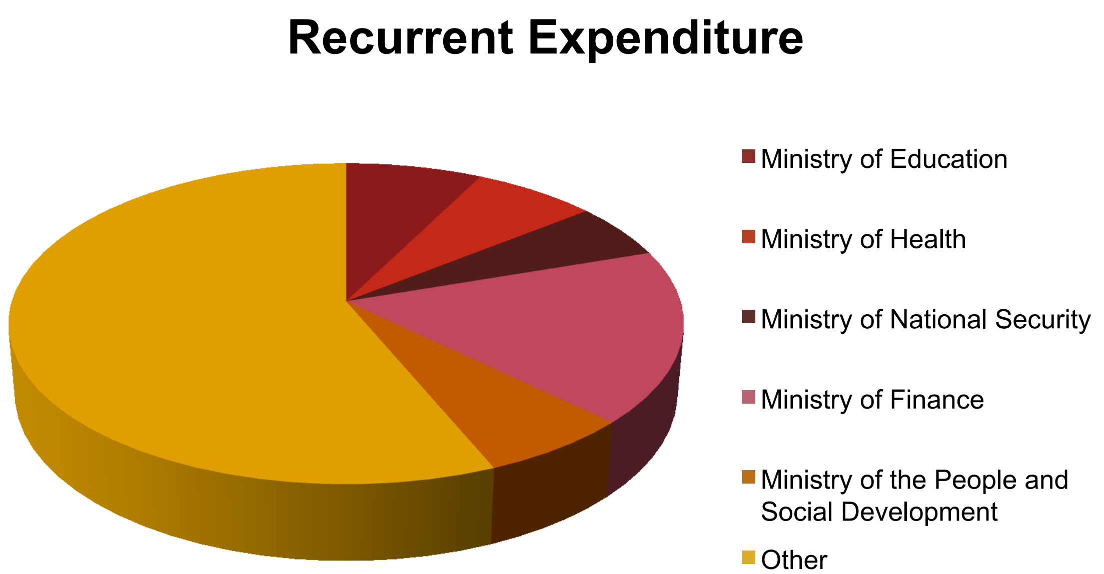
Source :Details of Estimates of Revenue for the Financial Year 201 2



Appendix 4 continued

	Estimate 2011 $m	Revised Estimate 2011 $m	Variance Estimate 2011 Vs Revised Estimate 2011 %	Estimate 2012 $m	Variance Revised Estimate 2011 Vs Revised Estimate 2012 %
Ministry of Education	3,737.89	3,559.21	5%	4,010.95	-13%
Ministry of Health	3,417.96	3,612.28	6%	3,656.90	1%
Ministry of National Securit y	2,806.25	2,585.29	8%	2,967.60	-15%
Ministry of Finance	6,845.32	9,986.85	46%	9,371.03	6%
Ministry of the People and Social Development	3,277.92	3,717.15	-13%	3,472.28	7%
Other	29,011.55	25,908.71	11%	30,235.70	-17%
	49,096.89	**49,369.49**	**1%**	**53,714.46**	**33%**

Source : Details of Estimates of Recurrent Expenditure for the Financial Year 201 2



Appendix 4 continued

Head	Personnel Expenditure	Other	Development Programme	Total
President	2,352,430	21,103,450		23,455,880
Auditor General	26,649,880	14,401,690	2,900,000	43,951,570
Judiciary	137,717,220	201,724,400	90,530,000	429,971,620
Industrial Court	21,005,500	24,778,700	1,170,000	46,954,200
Parliament	20,357,490	107,619,510	13,704,000	141,681,000
Service Commissions	35,712,000	38,554,750	5,026,000	79,292,750
Statutory Authorities' Service Commissions	3,409,445	2,279,072		5,688,517
Election & Boundaries Commission	29,182,000	27,411,000	6,000,000	62,593,000
Tax Appeal Board	2,695,800	6,613,200	2,050,000	11,359,000
Registration, Recognition & Certification Board	2,093,860	2,220,000		4,313,860
Public Service Appeal Board	1,650,000	2,352,200		4,002,200
Office of the Prime Minister	35,002,000	198,109,000	2,500,000	235,611,000
Tobago House of Assembly		1,861,140,000	318,898,000	2,180,038,000
Personnel Department	15,871,860	17,520,390	36,185,000	69,577,250
Ministry of Finance	342,570,896	9,028,466,100	47,787,000	9,418,823,996
Charges on Account of Public Debt		6,605,062,680		6,605,062,680
Pensions and Gratuities		2,382,136,000		2,382,136,000
Ministry of National Security	1,798,098,590	1,169,503,200	492,358,000	3,459,959,790
Ministry of the Attorney General	49,201,300	191,742,050	10,950,000	251,893,350
Ministry of Legal Affairs	35,056,100	67,038,100	10,500,000	112,594,200
Ministry of Food Production, Land and Marine Affairs	293,313,798	508,867,277	143,700,000	945,881,075
Ministry of Education	2,447,537,900	1,563,414,718	76,550,000	4,087,502,618
Ministry of Health	247,844,800	3,409,057,752	213,830,000	3,870,732,552

Appendix 4 continued

Head	Personnel	Other	Development Programme	Total
Ministry of Public Administration	16,694,050	1,491,829,170	226,134,000	1,734,657,220
Ministry of Transport	36,041,382	945,549,950	116,980,000	1,098,571,332
Ministry of Tourism	30,276,000	140,432,280	18,300,000	189,008,280
Integrity Commission	1,936,800	23,785,600		25,722,400
Environmental Commission	2,987,740	4,794,600	2,706,000	10,488,340
Ministry of Public Utilities	36,486,500	2,661,189,200	83,958,000	2,781,633,700
Ministry of Energy and Energy Affairs	30,787,978	1,663,990,595	5,000,000	1,699,778,573
Ministry of Local Government	78,605,900	1,545,730,100	288,390,000	1,912,726,000
Ministry of Trade & Industry	19,797,200	111,634,300	63,350,000	194,781,500
Ministry of the People And Social Development	37,629,735	3,434,651,260	57,950,000	3,530,230,995
Ministry of Justice	18,205,600	126,544,300	8,200,000	152,949,900
Ministry of Tobago Development	11,580,800	16,001,500	4,088,000	31,670,300
Ministry of Housing And The Environment	90,505,280	788,433,850	119,060,000	997,999,130
Ministry of Community Development	19,083,140	145,439,280	26,500,000	191,022,420
Ministry of the Arts and Multiculturalism	10,638,863	493,688,270	39,200,000	543,527,133
Trinidad And Tobago Police Service	1,270,346,600	345,696,300	80,000,000	1,696,042,900
Ministry of Foreign Affairs And Communications	123,712,961	307,515,852	22,000,000	453,228,813
Ministry of Gender, Youth And Child Development	32,036,000	127,085,460	42,200,000	201,321,460
Ministry of the Planning And The Economy	46,453,100	80,984,540	117,420,000	244,857,640
Ministry of Sports	18,222,960	388,046,852	9,250,000	415,519,812
Ministry of Works and Infrastructure	492,955,548	1,036,868,351	150,080,000	1,679,903,899
	8,029,916,556	**45,684,545,316**	**3,290,095,000**	**57,004,556,872**

Appendix 5

Snapshot of GORTT Fiscal Performance - 2012

Current Account

	Estimate 2011 $m	Revised Estimate 2011 $m	Estimate 2012 $m
Revenue			
Tax Revenue	***35,263.40***	***37,951.30***	***40,007.60***
Income and profit	24,962.90	29,532.80	29,502.50
Goods and services	7,845.10	6,126.70	8,058.00
International trade	2,101.00	2,101.00	2,248.10
Other	354.40	190.80	199.00
Non Tax Revenue	***4,959.60***	***5,481.50***	***5,662.20***
Property	4,088.20	4,464.80	4,736.10
Other Non-Tax Revenue	850.70	968.10	894.00
Repayment of Past Lendings	20.70	48.60	32.10
Total Revenue	**40,223.00**	**43,432.80**	**45,669.80**
Expenditure			
Personnel Expenditure	***6,618.10***	***6,492.40***	***7,198.50***
Salaries	4,844.30	4,737.40	5,269.50
Wages	531.00	517.30	571.10
Other	1,242.80	1,237.70	1,357.90
Goods and Services	6,398.90	5,814.80	7,280.60
Minor Equipment	332.50	259.40	330.20
Interest and Other Debt Charges	5,231.70	4,743.90	5,157.00
Transfers and Subsidiaries	16,486.00	19,006.90	19,460.70
Transfers to Statutory Bodies	5,697.30	5,390.70	5,883.30
Acquisition of Physical Assets	116.10	101.60	179.60
Sub - Total	40,880.60	41,809.70	45,489.90
Current Surplus / (Deficit)	(657.60)	1,623.10	179.90
	40,223.00	**43,432.80**	**45,669.80**

Appendix 5 continued

Capital Account

	Estimate 2011 $m	Revised Estimate 2011 $m	Estimate 2012 $m
Current Surplus / (Deficit)	(657.60)	1,623.10	179.90
Capital Revenue	21.10	286.60	16.90
Surplus / (Deficit)	(636.50)	1,909.70	196.80
Financing	5,969.30	1,389.60	6,616.80
Changes in Cash Balances	(248.90)	2,457.50	(156.60)
	5,083.90	**5,756.80**	**6,657.00**
Development Programme	3,009.50	3,542.70	3,050.00
Capital Repayment and Sinking	2,074.40	2,214.10	3,607.00
	5,083.90	**5,756.80**	**6,657.00**

Source: Details of Estimates of Revenue for the Financial Year 2012

Important Notice:

PricewaterhouseCoopers has prepared this Client Newsletter to alert clients on the principal changes announced in the 2011/12 Budget. The changes are outlined in general terms and for information purposes only and therefore should not be acted upon without securing professional advice.

If you have any further questions in connection with the above or would like to explore further how these Budget pronouncements may impact your business or corporate arrangements, please feel free to contact any member of our specialist tax team listed below or your usual PricewaterhouseCoopers Trinidad & Tobago contact.

Your PricewaterhouseCoopers Tax Team:

Allyson West
Tax Partner
Telephone: 1-868-299-0700, Ext 1030
Email: allyson.west@tt.pwc.com

Brian E Jones
Senior Manager
Telephone: 1-868-299-0700, Ext. 1012
Email: brian.ellison.jones@tt.pwc.com

Karen Hackett
Senior Manager
Telephone: 1-868-299-0700, Ext 1035
Email: karen.hackett@tt.pwc.com

Keith Robinson
Director
Telephone: 1-868-299-0700, Ext 1023
Email: keith.g.robinson@tt.pwc.com

Walter Rochester
Senior Manager
Telephone: 1-868-299-0700, Ext 1024
Email: walter.rochester@tt.pwc.com

Fanny Ursulet-Headley
Senior Manager
Telephone: 1-868-299-0700, Ext 1028
Email: fanny.ursulet-headley@tt.pwc.com

Office Locations:

Port of Spain:

11-13 Victoria Avenue, Port of Spain
Trinidad

Telephone: 1-868-299-0700
Fax: 1-868-623-6025

San Fernando:

NEM Building
19/21 Independence Avenue, San Fernando
Trinidad

Telephone: 1-868-299-0700, Ext 5200
Fax: 1-868-657-4993

www.pwc.com/tt