

## Trinidad and Tobago issues Mid-Year Budget Review 2020

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### Executive summary

Trinidad and Tobago's Honorable Minister of Finance, on 12 June 2020, presented the 2020 Supplementary Appropriation and Mid-Year Review in the context of the extraordinary circumstances brought about by the novel Coronavirus (COVID-19).

This Alert highlights the key aspects of the Minister's presentation.

COVID-19 has wreaked havoc across the globe and has significantly disrupted economic activity in an unprecedented fashion. Trinidad and Tobago (T&T), having recorded its first case of COVID-19 on 12 March 2020, was not immune from the catastrophic effects of this virus and the Government moved swiftly to introduce a wide range of measures to mitigate the contagion risks.

These containment measures which included a Stay at Home Order, the closure of non-essential businesses and schools and the lock-down of ports of entry (airports and seaports) have adversely affected domestic commercial activity. Similar actions by other nations sought to curtail global demand for crude oil, natural gas and associated products resulting in the considerable softening of energy related commodity prices, thereby exacerbating the financial challenges of T&T.

It is against this backdrop that the Minister of Finance in his Mid-Year Review 2019/20 revised the forecast of the fiscal deficit to \$14,533 million.<sup>1</sup>

The revised budgeted deficit to September 2020, which increased from 3.15% to 8.8% of GDP, is driven, in the main, by lower than expected revenue of approximately \$9,200 million. While the Minister of Finance went to great lengths to outline the specifics underpinning each of the fiscal response measures aimed at the poor and vulnerable, business continuity and preserving employment, no mention was made of the plans and/or initiatives to address the precipitous fall-off of revenue and in particular, the elephant in the room, the state of the downstream energy sector, including the closure of petrochemical facilities at Point Lisas and the refinery.

As the Government cautiously relaxes measures and slowly reopens the economy, the Minister of Finance expects a contraction of 2.4% in 2020 but expects the economy to rebound at the rate of 4.7% in 2021, with inflation remaining stable at sub 1% levels.

## Detailed discussion

### Domestic economic activity

Central Bank of Trinidad and Tobago (CBTT) data for the period October 2019 to March 2020 shows that compared to the same period in the prior year, Public Revenue has decreased substantially across all categories as a direct result of lower global energy prices and the economic disruption caused by the COVID-19 pandemic.

Public Expenditure, which changed to a much lesser degree, focused on combatting the pandemic by providing healthcare and monetary alleviation to the affected public and business community. Consequently, Government's Overall Balance which remains negative, has increased.

Data from the CBTT shows a modest rebound in economic activity in the fourth quarter of 2019 (pre COVID-19) following four consecutive quarters of negative growth.

### Fiscal measures

#### Tax refunds

As part of its response to the COVID-19 pandemic and with a view to providing cash to individuals and businesses, the Government accelerated the payment of Income Tax and Value-Added Tax (VAT) refunds in cash. The Government also began issuing VAT Bonds in settlement of outstanding VAT refunds. In his Mid-Year Budget Review, the Minister of Finance highlighted the following:

- ▶ The payment of Income Tax refunds totaling \$240 million to approximately 25,000 individuals. The Minister indicated that all outstanding individual Income Tax refunds have now been cleared.
- ▶ The initial payment, in cash, of VAT refunds of \$250,000 or less totaling approximately \$260 million followed by the payment, in cash, of VAT refunds between \$250,000 and \$500,000 amounting to a further \$200 million.
- ▶ The issuing of almost \$900 million in VAT Bonds over a period of two weeks.
- ▶ In total, approximately \$1.6 billion in Income Tax and VAT refunds had been settled in cash and bonds.
- ▶ Consideration is also being given to the accelerated payment of Corporation Tax refunds either in cash or bonds.

### Corporate documents amnesty

The Miscellaneous Provisions [*2019 Novel Coronavirus (2019-nCoV)*] Act, 2020 provides for a waiver of all penalties in respect of the late filing of corporate documents in the Companies Registry where such documents are filed prior to or during the period 27 March 2020 to 31 July 2020.

### International Exchange of Financial Information

The *Tax Information Exchange Agreements Act, 2020*, the *Income Tax (Amendment) Act, 2020* and the *Mutual Administrative Assistance in Tax Matters Act, 2020* were recently passed in Parliament and assented to by the President.

The enactment of this legislation should be viewed in the context of an increasing thrust spearheaded largely by the Organisation for Economic Co-operation and Development (OECD) for the worldwide implementation of the exchange of financial information. Such sharing of information is intended to assist governments in combatting tax fraud and evasion.

The said legislation will seek to ensure that T&T is compliant with the Common Reporting Standard for the Automatic Exchange of Financial Account Information in Tax Matters as developed by the OECD. This will provide for the sharing of financial information between the Board of Inland Revenue (BIR) in T&T and foreign tax authorities.

It should be further noted that T&T is one of the few remaining countries on the European Union's (EU) list of non-cooperative tax jurisdictions (the List). It is anticipated that the enactment of this suite of legislation, as well as the repeal of the *T&T Free Zones Act* with appropriate grandfathering

provisions and its replacement with the proposed Special Economic Zones legislation, should result in the removal of T&T from the EU's List.

### **Revenue Authority**

The Trinidad and Tobago Revenue Authority Bill, 2019 was passed in the Senate with the support of the Independent Senators thereby garnering the requisite three-fifths majority for passage. The Bill has been introduced for debate in the House of Representatives. It is notable, however, that the Bill was not supported by the Opposition in the Senate and such support by the Opposition would be necessary in the House of Representatives in order to achieve the required three-fifths majority for passage.

### **Property tax**

In his Budget Statement delivered on 7 October 2019, the Minister of Finance indicated that there was a 50% threshold for the creation of the Assessment Roll which was required for the commencement of residential property taxation. He further indicated that it was not feasible to expect that the Assessment Roll for residential properties would be completed before the year 2020. The assessments for other categories of property would only commence after the completion of the Assessment Roll for residential properties.

### **No new taxes/tariffs**

No new taxes/tariffs or fuel increases were announced.

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### **Endnote**

1. Unless otherwise noted, currency references in this Alert are to the TT\$.

## Government Stimulus Package

ACTION/RESOURCE	ELIGIBLE PERSONS & FINANCIAL ASSISTANCE RENDERED
SALARY RELIEF GRANT	<p>A person is eligible for the Salary Relief Grant in the sum of \$1,500 per month for three months if all of the following conditions are met:</p> <ol style="list-style-type: none"> <li>1. The person is between the ages of 18 to 65 years.</li> <li>2. The person is a citizen/permanent resident of T&amp;T during the period of the grant.</li> <li>3. The person has suffered involuntary termination, suspension or loss of income between 19 March to 30 June 2020 as a result of the COVID-19 health crisis.</li> <li>4. The person has no other source of income.</li> <li>5. The person is registered under the National Insurance System (NIS) and his/her former/present employer is registered under NIS.</li> </ol>
INCOME SUPPORT GRANT	<p>Any citizen/permanent resident of T&amp;T outside the NIS who has suffered involuntary termination, suspension or loss of income between 19 March to 30 June 2020 would be entitled to \$1,500 per month at a maximum of three months.</p>
RENT ASSISTANCE GRANT	<ul style="list-style-type: none"> <li>▶ For persons who are terminated from their job or are now experiencing reduced salary, a Rental Assistance Grant in the sum of \$2,500 per month for a period of three months in the first instance, and up to six months if needed.</li> <li>▶ If rental support is needed beyond the six months, the grant will be reduced to \$1,500 per month and then an additional reduction to \$1,000 per month for any additional months needed.</li> <li>▶ Total period of rental assistance is 12 months.</li> </ul>
FOOD SUPPORT GRANT	<p>Persons who are already in receipt of a Food Card will be topped up for a period of three months and over.</p>
TEMPORARY FOOD SUPPORT CARDS	<p>Where a family is registered with the School Feeding Programme, the Food Card support of \$510 per month will be given for a period of three months in the first instance.</p>
PUBLIC ASSISTANCE GRANT	<ul style="list-style-type: none"> <li>▶ Persons who are already in receipt of Public Assistance Grant will receive extended support for a three-month period.</li> <li>▶ An increase of \$150, \$300, \$450 or \$500 per month will be given based on the size of the family requesting the extended support.</li> </ul>
DISABILITY GRANT	<ul style="list-style-type: none"> <li>▶ Persons who are already in receipt of Disability Grant will receive extended support for a three-month period.</li> <li>▶ An increase of \$150 per month will be given.</li> </ul>
INCOME TAX REFUNDS	<p>Persons owed income tax refunds in the amount of \$20,000 or less would be issued tax refunds during the period.</p>
VAT REFUNDS	<p>Businesses owed VAT Refunds up to a maximum refund of \$250,000 will be issued such VAT refunds.</p> <p>Businesses owed VAT Refunds at a minimum of \$250,000 but not more than \$500,000 will be issued such VAT refunds.</p> <p>VAT refunds owed to businesses that surpass \$500,000 will be issued transferable, three-year VAT Bonds bearing interest at a rate of 3.3% per annum.</p>

ACTION/RESOURCE	ELIGIBLE PERSONS & FINANCIAL ASSISTANCE RENDERED
SPECIAL FOREX WINDOW THROUGH EXIM BANK	Established importers of pharmaceuticals, hygienic products, food, Personal Protective Gear (PPE), etc., are entitled to access US\$25m per month for a maximum of three months.
CREDIT UNION GRANT	<ul style="list-style-type: none"> <li>▶ Credit Union members will receive loans bearing interest at a rate of up to 50% of existing rate (e.g., rates will decrease from 12% to 6%).</li> <li>▶ Members are entitled to \$5,000 per month for three months.</li> </ul>
CHURCH GRANT	<ul style="list-style-type: none"> <li>▶ Churches will receive grants in the amount of \$10m per month for three months.</li> <li>▶ Food supplies to be delivered to persons in their community.</li> </ul>
RELIEF OF TAXIS AND MAXIS OPERATIONS	<ul style="list-style-type: none"> <li>▶ Registered maxi taxi owners were allowed one-off grants in the amount of \$2,000.</li> <li>▶ 15,000 registered active taxi owners were allowed one-off grants in the amount of \$750.</li> </ul>
TOBAGO GRANTS	<p>Tobago Regional Health Authority (TRHA): to aid small businesses that are registered under the Enterprise Development Programme.</p> <p>Tobago House of Assembly: to cater for COVID-19 related expenses.</p> <p>Tobago Hoteliers – Upgrades to the hotel in preparation of post COVID-19 undertakings.</p>
DEFERRALS ON MORTGAGES	Suspensions for a period of up to three months in the first instance and can extend to six months for customers who have mortgages with Home Mortgage Bank and Trinidad and Tobago Mortgage Finance Company.
DEFERRALS ON MORTGAGES AND RENTALS	Suspensions for a period of up to two months in the first instance and can possibly extend for renters with the Housing Development Corporation.
INITIATIVES OF COMMERCIAL BANKS	<p>Customers of commercial banks eligible to the following:</p> <ul style="list-style-type: none"> <li>▶ Deferral on loan and mortgage instalments for three months</li> <li>▶ Waiver of penalty/interest on overdrafts</li> <li>▶ Reduced interest rates on credit cards</li> </ul>
INITIATIVES OF CENTRAL BANK	<ul style="list-style-type: none"> <li>▶ Reduction of the reserve requirement for commercial banks from 17% to 14%</li> <li>▶ Decrease in Repo Rate from 5.0% to 3.5%</li> </ul>
DAILY STIPENDS FOR TEACHERS	<ul style="list-style-type: none"> <li>▶ Teaching assistance (Primary) – \$400 per day for 23 days and provided to 85 staff members.</li> <li>▶ Teacher 1 – \$500 per day for 23 days and provided to 681 staff members.</li> <li>▶ Head of Department – \$550 per day for 23 days and provided to 33 staff members.</li> <li>▶ Senior Teacher – \$600 per day for 23 days and provided to 57 staff members.</li> <li>▶ Vice Principal – \$650 per day for 23 days and provided to 9 staff members.</li> <li>▶ Principal – \$900 per day for 24 days and provided to 476 staff members.</li> </ul>
GRANT FOR SMALL TO MEDIUM SIZE ENTERPRISES WITH LESS THAN TT\$1M IN ANNUAL REVENUES	For businesses with less than TT\$1m in annual revenues, the National Entrepreneurship Development Company Limited (NEDCO) will be given the authorization to administer a grant facility.
SOFT LOAN PROGRAMME	<ul style="list-style-type: none"> <li>▶ This program specifically targets Small to Medium Enterprises with annual gross revenues in the amount of \$1m to \$20m.</li> <li>▶ The funds being advanced are to cover salary payments, working capital and purchases of raw materials.</li> </ul>

## Status of Fiscal Measures Budget Statement 2020

PROPOSED MEASURES	IMPLICATIONS	STATUS
PROMOTIONAL ALLOWANCE	150% Promotional Allowance extended to first-time exports to the CARICOM market.	Enacted in the <i>Finance Act, 2019</i>
CREATIVE INDUSTRIES	<p>Tax allowances granted to companies will increase from \$3m to \$6m to sponsor the following:</p> <ul style="list-style-type: none"> <li>▶ Arts and culture</li> <li>▶ Sporting Activities</li> <li>▶ Fashion Industry</li> <li>▶ Audio, visual, or video production for the purposes of local education, or local entertainment and production companies in respect of their own local productions.</li> </ul> <p>An increase from \$2m to \$4m with respect to the deduction granted to production companies for the sponsorship of third-party sporting activities and artistic work.</p>	Enacted in the <i>Finance Act, 2019</i>
SOLAR WATER HEATING EQUIPMENT	Increase in the tax credit from 25% to 100% of the incurred cost for the purchase of solar water heating equipment, up to a maximum of \$10,000.	Enacted in the <i>Finance Act, 2019</i>
TAXATION OF LIFE INSURANCE BUSINESS	Introduction of a new methodology for the taxation of life insurance companies.	Enacted in the <i>Finance Act, 2019</i>
INVESTMENT TAX CREDIT	Tax Credit increased from 20% to 25% for energy companies.	Enacted in the <i>Finance Act, 2019</i>
CAPITAL ALLOWANCES	Amendment to the capital allowances regime applicable to the upstream energy sector.	Enacted in the <i>Finance Act, 2019</i>
LOSS RELIEF RESTRICTION	Restriction on the claim for loss relief of up to 75% of taxable profits in respect of companies within the upstream energy sector.	Enacted in the <i>Finance Act, 2019</i>
PERSONAL ALLOWANCE AT AIRPORTS	Increase in the personal allowance granted to travelers from \$3,000 to \$5,000.	Enacted in the <i>Finance Act, 2019</i>
CO-OPERATIVE SOCIETIES	Increase in the limit on the amount payable from \$5,000 to \$50,000 to a designated beneficiary upon death of a member of a Co-operative Society.	Enacted in the <i>Finance Act, 2019</i>
MINIMUM WAGE	Increase in the hourly rate to \$17.50.	Enacted in Legal Notice No. 341 of 2019
ON-THE-JOB TRAINING (OJT)	Increase of stipend by 10%.	Implemented by Ministry of Labour and Small Enterprise Development

PROPOSED MEASURES	IMPLICATIONS	STATUS
VAT BONDS	Settlement of outstanding refunds through distribution of VAT bonds.	Enacted in Miscellaneous Provisions ( <i>Heritage and Stabilisation Fund, Government Savings Bonds and Value Added Tax</i> ) Act, 2020 & the Value Added Tax (Bond-Payment Refund) Regulations, 2020
AGRICULTURAL SECTOR	Establishment of the agricultural sector as tax-exempt.	Not implemented
SPECIAL ECONOMIC ZONES (SEZ)	Establishment of a SEZ regime to replace existing Free Zones regime.	Not implemented

For additional information with respect to this Alert, please contact the following:

**Ernst & Young Services Limited, Port-of-Spain**

- ▶ Wade George, *Executive Chairman*      wade.george@tt.ey.com
- ▶ Gregory Hannays      gregory.hannays@tt.ey.com
- ▶ Colin Ramsey      colin.ramsey@tt.ey.com
- ▶ Anna Mouttet      anna.mouttet@tt.ey.com
- ▶ Nassim Mohammed      nassim.mohammed@tt.ey.com
- ▶ Susan Ramsamooj      susan.ramsamooj@tt.ey.com
- ▶ Gina Chung      gina.chung@tt.ey.com
- ▶ Alicia Pereira      alicia.pereira@tt.ey.com
- ▶ Gale Riley      gale.riley@tt.ey.com
- ▶ Andy Martin      andy.martin@tt.ey.com
- ▶ Marc Roper      marc.roper@tt.ey.com
- ▶ Amanda Shaw      amanda.shaw@tt.ey.com

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