

*Recommendations for  
Taxation Incentives  
for building  
Diversification of  
the Economy*  
July 2012

---

# ***Tax Incentives***

A Government sponsored concession/grant/subsidy through the tax system aimed at promoting certain behavior

---

## *Advantages*

- The tax incentive may promote the desired result
- The Government doesn't need to find cash or expend energy/resources to achieve its result
- Ideally persons with the skill and expertise undertake the desired activity thereby increasing the likelihood of success
- The investor supplies the capital for the activity and as a general rule GORTT's contribution only comes if and when the activity starts to produce a return
- It provides evidence that the country is friendly to foreign investors

---

## *Disadvantages*

- It's not generally possible to measure the impact/success of incentives
- The cost is not generally tracked as is direct Government expenditure and therefore not subject to on-going reconsideration and validation
- Because it is an indirect grant the benefits do not always reach the intended beneficiary
- Because they are generally short term, the activity may cease when the incentive comes to an end

---

## *“Necessary Evil”*

- There does seem to be a link between incentives and the level of FDI
- Countries are competing for FDI and given a relatively level playing field governments feel the need to offer incentives to give themselves an edge.
- The amount of incentives we have to offer will therefore depend on where we rank as an FDI attractor in the absence of those incentives
- The 2012 World Bank report ranks us at no 68 behind Antigua and Dominica

---

## ***Non-tax Factors***

Other than tax incentives, issues that impact our ranking include:-

Availability of energy

Ease of doing business

Educated affordable work force

Proper infrastructure

Easy tax system

Cost of financing

Ease of repatriation of funds

---

## *Disincentives to Investment*

2% restriction

Close company legislation

Taxation of capital gains under employee share plans

Taxation of interest in employee saving plans

---

## ***Incentives to stimulate desired activity***

### Options to consider

- Thin capitalisation rules together with regionalization of the exchange to stimulate stock exchange activity
- Encouraging downstream activity through tax incentives – reduced CT rate
- Research and development cost relief



---

## ***Non Tax Measures***

Certainty through binding tax rulings with prospective changes

Speedy resolution of disputes perhaps through ADR

Aligning tax assessment/collection activity with GORTT policy

---

# *Closing Statement*

**WARNING: The following disclaimer and copyright notices must be customised for your local territory - if you need assistance with appropriate wording, contact your local Risk Management or Office of General Counsel.**

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC – Trinidad & Tobago, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2012 PwC – Trinidad & Tobago. All rights reserved. In this document, “PwC” refers to PwC – Trinidad & Tobago which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.