



Focus on Tax Measures for FY 2013

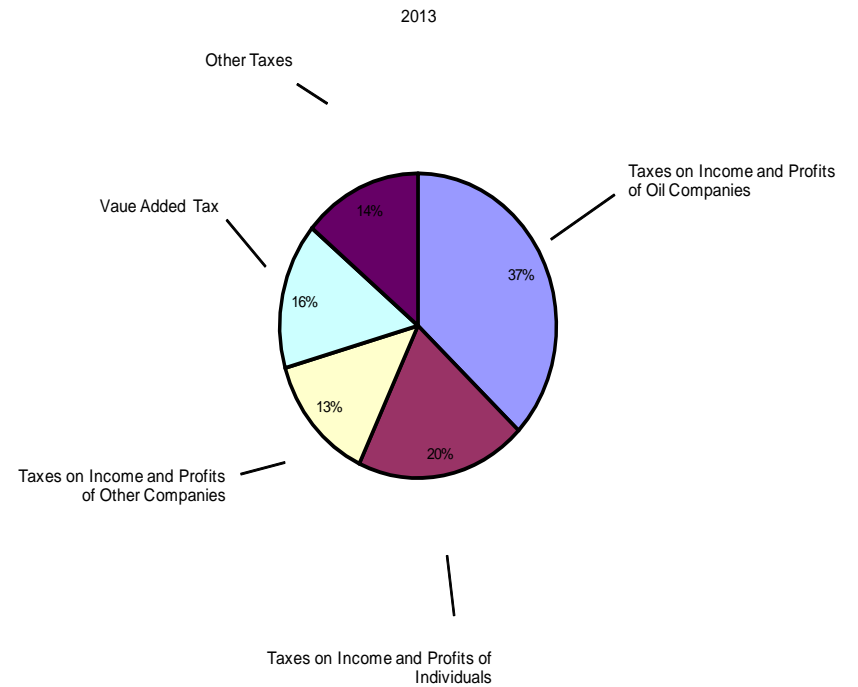
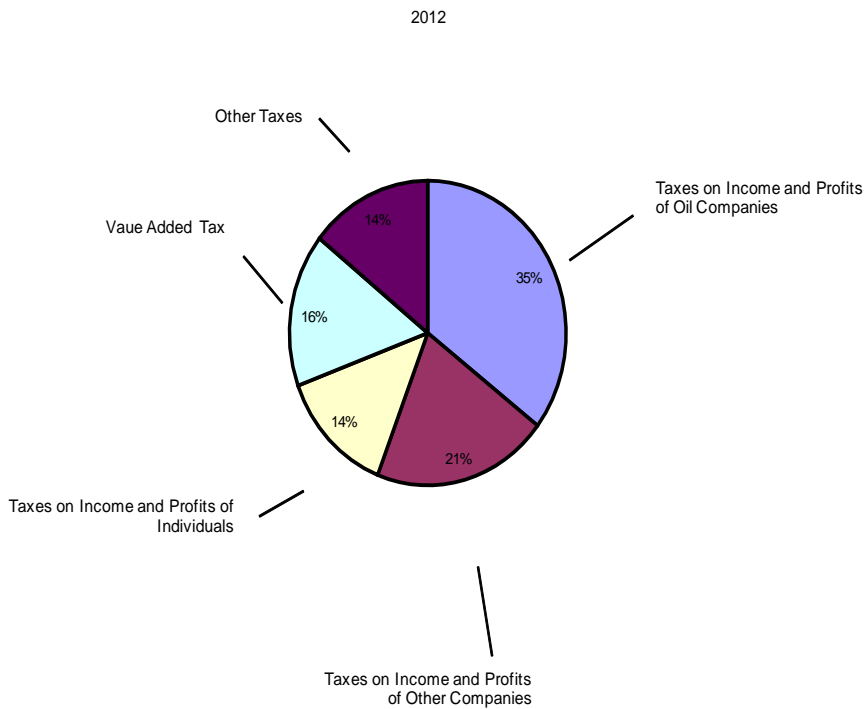
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Proposed Measures

- ▶ Energy Tax Measures
- ▶ Construction and Property Development
- ▶ Financial Services – Shared Services Hubs
- ▶ Tax Reform
 - ▶ Transfer Pricing
 - ▶ Property Tax
 - ▶ Taxation of Life Insurance Companies
 - ▶ Capital Allowances on Intangibles
 - ▶ Examination of Corporation Tax Loss Regime
 - ▶ Streamline Systems/Interest Rates Due Dates
 - ▶ Administrative Reform of BIR

Tax Revenues



Energy Tax Measures

Current Tax Regime				Proposed Tax Regime			
Weighted average crude prices US\$	Marine		Land and Deepwater	Weighted average crude prices US\$	Marine	Land and Deepwater	Approved New Fields
	License and contract issued prior to 1 Jan 1988	License and contract issued on or after 1 Jan 1988					
0.00 — 50.00	0%	0%	0%	0.00 — 50.00	0%	0%	0%
50.01 — 90.00	42%	33%	18%	50.01 — 90.00	33%	18%	25%
90.01 — 200.00	SPT Rate = Base SPT Rate + 0.2% (Price — US\$90)			90.01 — 200.00	SPT Rate = Base SPT Rate + 0.2% (Price — US\$90)		
200.01 and over	64%	55%	40%	200.01 and over	55%	40%	47%*

* Assumed that the SPT rate is capped at crude oil price of US\$200.

Energy Tax Measures

Uplift in exploration costs

- ▶ The Minister of Finance has proposed the introduction of an uplift of 40% on the tax base (for the purpose of claiming capital allowance on an amortized basis) of exploration costs incurred in undertaking approved projects in deep horizons for the purposes of Petroleum Profits Tax and Unemployment Levy. Such uplift would be granted for a period of five years.
- ▶ The above uplift on exploration costs would serve to benefit companies, which have interests in deep horizons contracts and licenses (which are mostly located within on-land and near-shore acreages) and would improve the economics of such fields.
- ▶ The above fiscal changes would not impact companies, which are party to tax-indemnified Production Sharing Contracts.
- ▶ Overall, the above initiatives are welcomed and a step in the right direction.

Construction and Property Developments

▶ Tax Exemption on Sale of Newly Constructed Houses

- ▶ An exemption from income tax on the gains or profits derived from the initial sale of newly constructed houses by any person registered as a trader in such houses, where the cost of construction of a house, exclusive of the cost or value of land, would not exceed \$1,500,000, where construction commences after 1 October 2012. The tax exemption will be operative for a period of 3 years beginning with the date of passage of the required legislation.
- ▶ The measure proposed by the Minister has the dual effect of widening the scope of houses which would qualify for such tax exemption while at the same time, putting a limit on the tax exemption period which did not previously exist.

▶ Tax Exemption on Sale of Developed Lands for Residential Housing

- ▶ An exemption from income tax on the gains or profits derived from the initial sale of land developed for residential housing where the development of such lands commences after 1 October 2012 and the sale is consummated prior to 31 December 2015.
- ▶ It is uncertain as to what specific criteria will have to be met in order for persons to qualify for the exemption. Moreover, the legislation enacting this provision should seek to clarify the trigger for the commencement period

Construction and Property Developments

▶ Tax Incentives for Construction of Commercial Buildings

- ▶ It was proposed that an exemption from Corporation Tax be provided for a period of 5 years in respect of the profits earned in the construction and rental of commercial buildings to be constructed within the next 5 years, including multi-storied car parks.
- ▶ The Corporation Tax Act (CTA) of T&T currently provides via section 16 thereof for an allowance of 15% of the capital expenditure incurred in the construction of qualifying buildings or structures by an approved property development company subject to specific conditions being met. Moreover, persons are entitled to an annual wear and tear allowance at the rate of 10% (reducing balance) on the capital expenditure incurred in the construction of a building or structure used in the trade or business.
- ▶ It is worthwhile to note that given the existing incentives which are available to commercial property developers, the tax exemption benefit may be marginal where minimal profits are generated during the initial years of operation of the building.

Financial Services – Shared Services Hub

- ▶ Hubs would consolidate regional back office operations of financial services entities located within Trinidad and Tobago
- ▶ Benefits to T&T include:
 - ▶ Employment of skilled labour
 - ▶ Generation of construction activity
 - ▶ Diversification of the economy
- ▶ Incentives that should be considered are:
 - ▶ Exemption from tax on foreign source income
 - ▶ Customs duties and VAT exemptions on building materials and equipment
 - ▶ Zero rating of VAT on services to financial services institutions

Tax Reform

- ▶ The Minister announced a comprehensive review of the tax system. Items that should be included in the review are:
 - ▶ Implementation of transfer pricing
 - ▶ Enactment of a single system of property tax
 - ▶ Revision of the life insurance taxation regime
 - ▶ Allowances for intangible expenditure (e.g. bespoke software)
 - ▶ Examination of corporate tax loss regime
 - ▶ Streamlining of the taxation system
 - ▶ Filing dates
 - ▶ Penalties
 - ▶ Interest rates
 - ▶ Administrative reform of the BIR

Questions?