



Pre Budget Presentation

T&T Chamber of Industry & Commerce

Gregory Hannays
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Competitive Landscape – Caribbean

Country	Rates of Corporation Tax	Rates of VAT
Trinidad & Tobago	35% / 25%*	15%
Barbados	25% / 15%**	17.5%
Guyana	40% / 30%***	16%
Jamaica	33 1/3% / 25%****	16.5%

* 35% is applicable to companies engaged in the manufacture of petrochemicals.

** 15% is applicable to manufacturing companies and to net rental income derived from residential property.

*** 40% is applicable to commercial companies (with the exception of telephone companies), 30% is applicable to non-commercial companies and companies engaged in the exploration and production of petroleum.

**** 33 1/3% is applicable to regulated entities, 25% to non-regulated entities (additional rate of 5% applicable to non-regulated entities with gross annual income of JM\$500 million and over)

Transfer Pricing

Repeal of Management Charge Restriction and substitute with Transfer Pricing

- ▶ Management Charge Restriction establishes a 2% cap on deductibility of specific charges
- ▶ The restriction is arbitrary at best
- ▶ The effect of the restriction is to disallow legitimate business expenditure
- ▶ Transfer Pricing is in keeping with global best practice
- ▶ The system is fair
- ▶ Leader in the English-Speaking Caribbean with this initiative (Jamaica made similar announcement)

Property Tax

Activation of Property Tax

- ▶ The revised Property Tax was legislated for fiscal year 2010 on the following basis:
 - ▶ Agricultural 1% of Present Market Value
 - ▶ Residential 3% of Present Market Value
 - ▶ Commercial 5% of Present Market Value
 - ▶ Industrial 6% of Installed cost of Plant, Machinery & Associated Buildings

- ▶ Old rates and values, Lands and Buildings generated \$73 million for fiscal year 2009

- ▶ New rates and values, Property Tax was budgeted to generate \$325 million for fiscal year 2010 (revised downwards to \$174 million for fiscal year 2011)

- ▶ Never implemented

- ▶ Implement on a phased basis

- ▶ Rates & values high on a global basis perhaps tax cap for each category of property

Interest Charges under various Acts

Harmonization of interest charges under various statutes to reflect market rates

- ▶ Interest for non-compliance with the taxing statutes are summarized as follows:
 - ▶ Corporation Tax – 20% per annum
 - ▶ Green Fund Levy – 20% per annum
 - ▶ VAT – 24% per annum

- ▶ Rates of interest should be streamlined and made consistent/less punitive

- ▶ Rates should be reflective of market conditions

Losses Carried Forward

Removal of unfettered discretion of the Board of Inland Revenue on utilization of tax losses port change of shareholding

- ▶ Section 7(7) of the Corporation Tax Act allows for losses to be carried forward where there has been no change of control of the company or where the tax authority, in its discretion, is satisfied that the change was not effect for the purposes of tax avoidance.
- ▶ Similar provision in section 12A of the Petroleum Taxes Act.
- ▶ High degree of discretion rests with the Board of Inland Revenue
- ▶ Creates elevated level of uncertainty for taxpayers, particularly where one is commercial desirable of acquiring distressed companies in an effort to resuscitate same

Petroleum Incentives

Investment Tax Credit – SPT

Section 26 of the Petroleum Taxes Act grants an Investment Tax Credit of 20% of qualifying capital expenditure in respect of:

- ▶ approved development activity in mature marine oil fields
- ▶ approved development activity in mature land oil fields
- ▶ the acquisition of P&M for use in approved enhance recovery projects

“Mature oil field” means an oil field that is 25 years or older from the date of its first commercial production

- ▶ The Tax Credit may be claimed only in the quarter in which the expenditure was incurred
- ▶ Surplus Tax Credits may be set off against SPT liabilities in the same financial year and not against any other year
- ▶ This restriction on surplus Tax Credits is a disincentive to incurring expenditure toward the latter part of the financial year and should be removed

Tax Dispute Process

The tax authority can raise an additional assessment to tax within the statute of limitations. Where a taxpayer is in dispute with such an assessment, the process is as follows:

- ▶ Object within 15 days of receipt of the Notice of Assessment
- ▶ Appeal within 28 days of Notice of Determination of the Objection
- ▶ Appeal to the Court of Appeal of T&T
- ▶ Appeal of the Privy Council as final Court of Appeal

The current system administered by the tax authority is protracted and indecisive and has an adverse impact on investment, particularly FDI. There is therefore a need for:

- ▶ Tax Pronouncements
- ▶ Deeper investment in Advance Ruling System
- ▶ Increase independence of Objection Process

Q & A