2020 Budget Commentary

"Stability, Strength and Growth"

October 07, 2019

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With Passion and Purpose, we work shoulder to shoulder with you, integrating innovative approaches and deep expertise to deliver real results.

This is our Promise
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Managing Partner’s Message

On behalf of KPMG, it is with pleasure that we present our annual post-budget commentary on Trinidad and Tobago’s (T&T) 2020 National Budget Statement, which was presented by the Honourable Minister of Finance, Mr. Colm Imbert, on Monday 7th October 2019.

The Honourable Minister has delivered the fifth and final Budget speech with a theme of “Stability, Strength and Growth”—a shift from previous years of austerity and prudence.

The Honourable Minister’s budget focused on incentives for energy companies, agricultural sector, life insurance companies and social welfare of citizens.

The positive economic matrices for the recovery of the economy such as the low fiscal deficit of $5.287 billion or (3.1%) of GDP, the debt to GDP ratio of 62% at the end of fiscal year 2019, and the surpluses in the current account of balance of payments, can be attributed to the disciplined economic stance of this Government’s fiscal and monetary policies which remain highly laudable.

Notwithstanding these positive indicators, this budget presentation will be under extensive scrutiny by all segments of society given the upcoming local and general elections. We also anticipate that interested stakeholders will be conducting a thorough post-mortem of prior year’s promises articulated by the Government in its 2015 to 2019 budget presentations and its delivery on those said promises.

Unlike previous year’s presentations, citizens and corporations did not hear of any new taxes or austerity measures.

As the Government enters its fifth and final year in office it is no surprise that there were policies which appealed to the working class with the introduction of increases in stipends and wages across a variety of social programmes such as URP, CEPEP and OJT.

On the other end of the spectrum, we saw policies targeted towards the oil and gas sector in the form of adjusted capital allowances for tangible and intangible assets and loss relief reduction. Additional policies to aid sectors outside of the energy industry are also critical towards the much needed diversification efforts. In 2018, our country’s Ease of Doing Business Ranking has fallen to 105 out of 190 countries. The unfortunate aspect of such rating is that our country will face more setbacks in terms of attracting foreign direct investment.

The budget in many respects remained anti-climactic in that policies geared towards the improvement of the standard of living for the middle-class, who remain the back-bone of our economy remained noticeably absent. A comprehensive strategy and a clear vision is needed to facilitate growth and development of this important sub-population.

Also laudable are the policies geared towards reducing our carbon footprint in the form of the banning of Styrofoam and the nationwide conversion to LED lightbulbs. As a member of a firm subscribed to a number of green initiatives this was undoubtedly a welcomed measure and we hope that the wider society would continue along the trend of adopting environmentally conscious initiatives.
Managing Partner’s Message (cont’d)

In terms of policies introduced in the previous year, one of the most notable was the Government’s drive to collect and ensure compliance with taxes thus enhancing revenue collection. In the current budget presentation it was announced that the additional tax collection arising out of the tax amnesty amounted to $2.382 billion in revenue.

Noteworthy is the fact that this tax amnesty was the highest reaping amnesty in the history of T&T.

As the Honourable Minister noted, the Government’s purpose has remained to stabilize the economy and steer it on a pathway to growth. The Minister’s sentiments throughout the budget are aptly summed up by Bob Marley’s quote, “Some People Feel the Rain - Others Just Get Wet”, which the Minister indicated “means that it is our experiences that mould us and the outcome depends on how we deal with difficulties.”

We hope to see the implementation of much of the initiatives outlined in the budget in order to achieve the growth and transformation of the Trinidad and Tobago economy.

Our post-budget bulletin serves to provide some insights and analyses on the fiscal measures announced in the Honourable Minister’s 2020 Budget Speech and it is hoped that our comments act as a catalyst for discussions on how this budget affects you.

We look forward to your feedback on our publication.

Dushyant Sookram
Managing Partner
Snapshot 2020

Revenue
An increase from the $46.559 billion revised estimate to $47.749 billion

Expenditure
$53.036 billion
an increase of $2.533 billion from 2019 expenditure of $50.504 billion

Budget deficit
A Budget deficit of 3.1% of GDP or $5.287 billion

Economics
Budgeted oil price of US $60.00 per barrel
Natural gas price of US $3.00 per MMBtu
Economic growth estimated at 1.9%

Tax Amnesty
$2.382 billion collected almost five times more than the estimated

VAT Refunds
$3 billion in interest bearing tradeable and transferable bonds to eligible VAT registered businesses to meet VAT arrears

Energy
- Capital allowance for exploration and development for tangible and intangible expenditure to be computed on a straight line basis of 20% per annum effective January 1, 2020
- Reduction in loss relief rate from 100% to 75% of taxable profit effective January 1, 2020
- Increase in investment tax credit for energy companies from 20% to 25% effective January 1, 2020

Life Insurance Companies
Elimination of statutory fund with regard to the taxation of Life Insurance Companies
Economic Overview
Economic Overview

The Honourable Minister exuded confidence in the progress of the T&T economy, presenting this year’s budget under the theme “Stability, Strength and Growth”. Over the past year, the local economy produced a mix of successes and challenges, resulting in flat overall economic statistics. The International Monetary Fund’s (IMF) prediction for growth in the T&T economy remains at nil while the World Bank gives a more optimistic forecast of 0.9%. Meanwhile, relatively higher energy prices and increased activity in the energy sector from BP’s Angelique liquefied natural gas project supported an improvement in the health of fiscal accounts. The fiscal deficit fell to $4.8 billion from October 2018 to July 2019 compared to a $6 billion deficit for same period in the prior year. Headline inflation also remains low and steady, reported at 1.2% as at August 2019.

In the context of improving fiscal balances and sluggish economic growth, the Government announced a budget of $53.036 billion for the fiscal year 2019/2020, running a deficit of $5.287 billion or 3.1% of GDP. This marks an increase in the deficit from last year which stood at $3.945 billion or 2.4% of GDP.

In prior years, we have seen declining levels of Government spending in line with the aim of fiscal discipline and stabilizing the country’s debt levels, from a high of over $64.664 billion in 2015. However, the economic slowdown has necessitated, in the mind of the Government, the implementation of various social and infrastructural stimuli in an attempt to jumpstart the T&T economy. This resulted in an increase in planned expenditure for 2020. The economic injections may also be, in part, associated with the looming election season. Notable winners from the social and infrastructural initiatives are low to middle income earners whose spending will fuel, what is hoped to be an increase in consumption patterns in the remainder of the calendar year. In the absence of official employment data from the CSO, caution should be had in making inferences in respect of data on unemployment, though the Finance Minister attested to low levels of joblessness.
Economic Overview (cont’d)

The budget allocations to various Ministries for 2020 have remained fairly consistent with that of the last two years. The highest allocation was to education and training as the Government maintains the GATE program and other new social initiatives. National Security follows close behind with major policies being directed for the year to modernizing police equipment. Increases were noted in expenditure on the healthcare sector to improve affordability and accessibility to health services.

Expenditure earmarked for housing includes funds for new housing initiatives and additional loan assistance for home builders. The allocation towards rural development and works and transport are expected to spur economic activity in underdeveloped regions with construction projects and community initiatives. While expenditure on agriculture has increased, the industry still remains the lowest recipient of funds. Initiatives and growth in the industry, however, will be aided with full tax reliefs announced by the Honourable Minister.
Meanwhile, in the estimates for 2019, increases in tax revenue are seen most notably from energy companies, in line with the rebound in energy prices. Tax collection from non-energy companies also increased while individual tax receipts remained fairly flat. Decreases were seen in revenue from VAT and business levy, as expected with an economic slowdown. While the 3 month tax amnesty collected a record breaking amount of $2.382 billion, providing a welcomed boost to Government coffers, further efforts to improve tax compliance is essential to sustain the upward trends in revenue.
Vision 2030: Are we on track?
Vision 2030: Are we on track?

In its Vision 2030 Statement, the current Government “envisioned a society where integrity and morality in public life are of the highest priority and the Government serves the public good above all else, and where decisions are made and actions taken by the Government in the best interest of all concerned.”

Acknowledging that several global and national challenges exist, the Government committed to rebuilding the country and economy, restoring confidence, equity and social justice, and improving every area of national life. In so doing the Government believes the country would be restored as the economic powerhouse of the Caribbean, achieve a high level of human development and become a regional leader in virtually every area of endeavour.

With the assistance of the Minister of Planning and Development, Ms. Camille R. Robinson Regis, the Government outlined its strategy by which the economy is to be guided back to socio-economic prosperity. The Framework adopted to achieve this being the National Development Strategy (NDS) 2016-2030, Vision 2030. It outlines the pillars and pathway towards T&T being a developed country by 2030.

The Vision 2030 NDS aims to provide for development in a manner that is structured and wide-reaching catering for the long-term advancement of the nation inclusive of the United Nations (UN) Sustainable Development Goals (SDGs). It is based on five (5) predominant Development Themes as follows:

1. Putting People First: Nurturing Our Greatest Asset;
2. Delivering Good Governance and Service Excellence;
3. Improving Productivity through Quality Infrastructure and Transportation;
4. Building Globally Competitive Businesses; and
5. Placing the Environment at the Centre of Social and Economic Development.


The Strategy therefore comprises three checkpoints being the short- term goals and policies over the five years (2016–2020), the medium-term policies for the period 2016-2025 and the longer-term vision to year 2030. In the first instance, it is hoped that attaining the short-term goals would pave the way for the Government achieving Vision 2030 as articulated.

As the country approaches the dawn of 2020 one wonders whether the policies and initiatives taken by the Government align with the ambitions of the short- term goals to 2020. The achievements to date can be indicative as to whether the Vision Statement is realistic. Listed below are the five development themes and the goals which should be achieved by the Government during the period 2016 to 2020.

1. Putting People First: Nurturing Our Greatest Asset

According to the Vision Statement this theme acknowledges that our citizens are central to our development and in fact are our greatest assets. It envisages that all citizens are afforded equal opportunity to access social services and treated with dignity and respect in a society that shares trust, goodwill, honesty, respect, tolerance, integrity, benevolence, civic pride, social justice and community spirit. The short-term (1-5 years) 2016-2020 goals as stated in the Vision 2030 Statement under this theme are:
Vision 2030: Are we on track? (Cont’d)

Putting People First: Nurturing Our Greatest Asset (cont’d)

- Our society will be grounded in the principles of social justice;
- Social services delivery will be improved to better serve the needs of vulnerable groups;
- Citizens will have access to adequate and affordable housing;
- The healthcare system will be sustainable and modern and deliver higher standards of healthcare;
- Citizens will be empowered to lead healthy lifestyles;
- The family will be protected and supported; and
- T&T will have a modern, relevant and accessible education and training system.

The aim of the above short-term goals are geared towards eradicating poverty, achieving zero hunger, good wealth and well-being, quality education, gender equality, reduced inequalities and sustainable cities and communities by 2030.

1. Delivering Good Governance and Service Excellence

This Development Theme is centred on building the public’s trust in Government structures. Good governance and service excellence are crucial to the achievement of a high quality of life for all citizens and to business expansion - it determines how we live; it affects our healthcare, jobs and determines whether we are safe, drive or use public transport. Critical to the formulation and implementation of national policies and strategies for achieving socio-economic transformation is the need for well-functioning democratic institutions. The short-term, 2016-2020 goals as stated in the Vision 2030 Statement under this theme are:

- Our governance approach will be based on principles of participation and inclusion;
- The public service will have modern, effective and efficient public management systems;
- Public service delivery will be customer focused; and
- Trinidad and Tobago will have modern, legal, regulatory and law enforcement systems.

The aim of the above short-term goals are geared towards reducing inequalities, achieving sustainable cities and communities, peace, justice and strong institutions and partnerships by 2030.

2. Improving Productivity through Quality Infrastructure and Transportation

According to the Vision Statement high quality infrastructure unlocks economic potential, ensures an equitable distribution of growth and opportunities throughout the country. It also boosts productivity and competitiveness, creates employment and attract investment. A first class air, sea and land transport system that has the potential to increase efficiency and improve the lives of all citizens. The short-term, 2016-2020 goals as stated in the Vision 2030 Statement under this theme are as follows:
3. Building Globally Competitive Businesses

It is widely accepted that nations do not compete; firms do. Competitive businesses are, therefore, important to our developed-nation thrust as they innovate, create employment and generate revenue and foreign exchange earnings. When the economy grows, all citizens have opportunities to prosper and the Government has the resources it needs to reduce poverty, improve healthcare, invest in education, and build infrastructure. The short-term 2016-2020 goals as stated in the Vision 2030 Statement under this theme are as follows:

- Macroeconomic stability will be maintained;
- A business environment that is conducive to entrepreneurship and innovation;
- A more attractive destination for investment and trade; and
- Firms are producers of high value-added products and services that can compete in export markets.

The aim of the above short-term goals are geared towards decent work and economic growth, industry innovation and infrastructure, responsible consumption and production by 2030.

4. Placing the Environment at the Centre of Social and Economic Development

The environment is the common thread that supports all sectors which contribute to the social and economic development of the nation. In order to provide a high quality living environment for all citizens, it is critical that a healthy environment is maintained with clean air, clean water and green spaces. As a country, we are to do our best to effectively control waste by reducing, reusing and recycling our materials, managing chemical, electronic and hazardous waste etc. The short-term, 2016-2020 goals as stated in the Vision 2030 Statement under this theme are as follows:

5. Placing the Environment at the Centre of Social and Economic Development (cont’d)

- Environmental governance and managements systems will be strengthened;
- Carbon footprint will be reduced;
- Climate vulnerability will be assessed;
- Comprehensive waste and pollution management systems will be created; and
- Natural resource management will be improved.
The aim of the above short-term goals are geared towards good health and well-being, clean water and sanitisation, and affordable and clean energy by 2030.

One must agree that the Government’s goals are ambitious. The question that must be raised and addressed is whether the Government is on track to achieving them as 2020 will soon be upon us, in fact it is less than 100 days away.
Proposed Fiscal Measures – 2020
# Proposed Fiscal Measures for 2020

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<th>Impact on Tax Payer</th>
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| **Life Insurance Companies: Taxation Reform** | Summary of Proposals  
- Legislative reform for life insurance companies in light of the Insurance Act 2018 which eliminates the Statutory Fund  
- New methodology to replace the existing basis for taxation of life insurance companies |  
KPMG’s view  
- It is hope that the new methodology will result in a simpler method in the tax calculation of life insurance companies and thereby improve tax compliance  
- We eagerly await this new methodology which the Honourable Minister has indicated would have minimal impact on the tax position of insurance companies |  
Who are affected?  
- Insurance companies involved in life insurance business |  
Timing  
- Undisclosed |  
Positive |  
Neutral |  
Negative |  
Key |  
Positive |  
Negative |  
Neutral |

| **Social Measures** | Summary of Proposals  
- Removal of the requirement to submit life certificates twice per year by Government pensioners who were born in T&T and possess computerized birth certificates and associated personal identification numbers  
- Increase in the On-the-Job Training Programme stipends by 10% and increase in the intake to 8000 trainees  
- Increase in the minimum wage from $15 to $17.50  
- Public service pensions to be reviewed with a view to indexing at an appropriate level  
- Increase in wages of CEPEP and URP workers by 15%  
- Increase fees to be paid to CEPEP contractors by 15%  
- Daily-paid workers in the public service with an appropriate minimum length of service would be eligible for the minimum public service pension of $3,500  
- Increase in the value of personal goods that can be imported without incurring customs duties from $3,000 to $5,000 |  
Positive |  
Neutral |  
Negative |  
Key |  
Positive |  
Negative |  
Neutral |
### Proposed Fiscal Measures for 2020 (cont’d)

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<td><strong>Social Measures</strong></td>
<td><strong>KPMG’s view</strong></td>
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<td>• Pensioners would certainly welcome the removal of the inconvenience to submit life certificates</td>
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<td>• Lower income earners would be most grateful for the increase in wages which would certainly redound to their economic benefit but the said measure would be frowned upon by employers as their wage bill would increase and may result in less persons being employed</td>
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<td>• Increase intake of OJT trainees should result in a more productive workforce</td>
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<td>• A welcomed relief for the leisure traveller who can now import more without incurring customs duties</td>
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<tr>
<td><strong>Who are affected?</strong></td>
<td>• Government pensioners who were born in T&amp;T and possess computerized birth certificates and associated personal identification numbers.</td>
<td>Positive</td>
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<td></td>
<td>• Young persons and persons in the lower income bracket</td>
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<td></td>
<td>• Public servants</td>
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<td></td>
<td>• The general public and businesses</td>
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<td><strong>Timing</strong></td>
<td>• Measure already enrolled for government pensioners</td>
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<td>• OJT measures and minimum wage, CEPEP and URP measures to be introduced by 1 December, 2019.</td>
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<td>• Increase in the cap for imported goods to be introduced by 1 January 2020</td>
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<td>• Public service pension review to be completed in fiscal year 2020 along with eligibility for pension plan</td>
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<td><strong>Immigration and Customs Forms</strong></td>
<td><strong>Summary of Proposals</strong>&lt;br&gt;• Elimination of arrival forms at T&amp;T airports being supplemented by advance passenger information using machine readable passports and improved technology&lt;br&gt;<strong>KPMG’s view</strong>&lt;br&gt;• The reduction in the administrative process for persons entering T&amp;T would be most welcomed&lt;br&gt;• As the proposal is expected to improve the efficiency of Immigration and Customs, such resources could be allocated more meaningfully&lt;br&gt;<strong>Who is affected?</strong>&lt;br&gt;• Persons arriving in T&amp;T&lt;br&gt;• Immigration and Customs Officers&lt;br&gt;<strong>Timing</strong>&lt;br&gt;• Announced to take place in 2020</td>
<td>Positive</td>
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<td><strong>Light Bulbs/ Solar Water Heating Equipment</strong></td>
<td><strong>Summary of Proposals</strong>&lt;br&gt;• Removal of all taxes and duties on LED bulbs and appurtenances for five years&lt;br&gt;• Increase in tax credit allowed for purchase of solar water heating equipment tax credit from 25% to 100% up to a maximum of $10,000&lt;br&gt;<strong>KPMG’s view</strong>&lt;br&gt;• This incentive should put us on the right path to preserving the environment&lt;br&gt;• Whilst the credit for solar equipment has been increased by 75%, the cap of $10,000 may act as a disincentive due to the relatively high initial outlay&lt;br&gt;<strong>Who is affected?</strong>&lt;br&gt;• The general public, consumers and businesses&lt;br&gt;• Households investing in solar water heating equipment&lt;br&gt;<strong>Timing</strong>&lt;br&gt;• The date for the introduction of the removal of taxes and duties on LED bulbs and appurtenances was not announced&lt;br&gt;• Tax credit for solar water heating equipment - 1 January 2020.</td>
<td>Positive</td>
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## Proposed Fiscal Measures for 2020 (cont’d)

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<td><strong>Energy Incentives</strong></td>
<td><strong>Summary of Proposals</strong></td>
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<td>• Computation of capital allowance for tangible and intangible assets on a straight line basis over five years of energy companies. The rate of allowance will now be 20%</td>
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<td>• Claim in the utilisation of tax losses from 100% to 75% of chargeable profits by companies engaged in oil and gas exploration and development</td>
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<td>• Increase in the Investment Tax Credit for energy companies from 20% to 25% of qualifying capital expenditure for development activities in mature fields</td>
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<td></td>
<td><strong>KPMG’s view</strong></td>
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<td>• Reduced allowances to energy companies engaged in exploration and production may result in a higher taxable profits. However the revision of the claims allowed may not be a deterrent as the capital expenditure will be written off over 5 years instead of 3 years as currently exist</td>
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<td>• It is expected that Government and economy are to benefit from the anticipated increase in revenue because of the reduction in loss relief that could be claimed</td>
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<td>• Reduction in SPT to be paid to the Board of Inland Revenue. However this reduction can be easily compensated by the adjustment of other allowances mentioned above which may result in a higher taxes in petroleum tax including unemployment levy and green fund levy</td>
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<td><strong>Who are affected?</strong></td>
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<td></td>
<td>• Exploration and Production companies</td>
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<td></td>
<td>• Government of the Republic of Trinidad and Tobago</td>
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<td></td>
<td><strong>Timing</strong></td>
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<td></td>
<td>• Effective from 1 January 2020</td>
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<td><strong>Environmental Measures</strong>&lt;br&gt;Styrofoam’s and Plastics</td>
<td>Summary of Proposals&lt;br&gt;• Ban on the importation of Styrofoam for use in the food service industry and to require manufacturers of food containers to introduce additives to make their products biodegradable&lt;br&gt;• Terminate the use of plastic water bottles in Government offices and substitute them with coolers with filter</td>
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<td>KPMG’s view&lt;br&gt;• The impact of this change can be seen as one for the longer term where the government is seeking to achieve the environment being at the centre of national development. This shift can allow for future transitions as a result of other measures to preserve the environment to be a less resistant one&lt;br&gt;• Manufacturers of food containers are now encouraged to engage in research and development to satisfy this need and fulfil this gap. Additional costs can be incurred by them in this regard. Some reduction in the income of these business may be suffered if the new product is not timely to replace the containers to be banned&lt;br&gt;• The measure can result in less waste disposal which also contribute to further negative factors such as pollution and flooding</td>
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<td>Who are affected?&lt;br&gt;• General public&lt;br&gt;• Manufacturers of food containers and users of these products</td>
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<td>Timing&lt;br&gt;• To be effective from 1 January, 2020</td>
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<td><strong>Creative Industries</strong></td>
<td><strong>Summary of Proposals</strong>  • Increase in the tax allowance from $3.0 million to $6.0 million for the corporate sponsorship of nationals in the local fashion industry; audio, visual or video productions for the purpose of local education or local entertainment; and local production companies in respect of their own productions as well as for companies which sponsor sporting activities or events or sportsmen and art and culture</td>
<td>![Positive]</td>
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<td><strong>KPMG’s view</strong>  • This is a welcomed initiative as it ultimately reduces the corporate taxpayer’s bill whilst maintaining development in local culture. However the tax savings may only be relevant to those businesses which are capable of sponsoring amounts beyond the threshold. The cost savings may therefore only impact high revenue earners making such contributions</td>
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<td>• There is an increased likelihood of the expansion of our creative industries</td>
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<td><strong>Who are affected?</strong>  • Companies  • Playwrights, actors, performers, artistes, sportsmen, film makers, designers</td>
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<td><strong>Timing</strong>  • 1 January, 2020</td>
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<td><strong>Co-operative Societies</strong></td>
<td><strong>Summary of Proposals</strong>  • Amendment to the Co-operative Societies’ Act to increase the current limit of $5,000 imposed on the transfer of shares or interest payable to a nominated beneficiary upon death of a member to $50,000  • Create a new independent authority to govern and regulate the co-operative sector  • Financial credit unions will now be able to offer banking or quasi-banking services, such as encashment of cheques and teller services</td>
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<td><strong>KPMG’s view</strong>  • It remains to be seen whether the regulation of the co-operative society will have a material impact on its performance  • The expansion of services to be performed by financial credit unions will be a welcomed introduction for its members and other stakeholders</td>
<td>![Red and Green]</td>
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## Proposed Fiscal Measures for 2020 (cont’d)

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| **Co-operative Societies (cont’d)** | **Who are affected?**  
- Co-operative societies  
- Members of co-operative societies  
- Nominated beneficiaries of members  
**Timing**  
- 1 January, 2020 | |
| **CARICOM Export Markets** | **Summary of Proposals**  
- Extension of the 150% promotional expenses allowance provision to first-time exporters into the CARICOM market.  
**KPMG’s view**  
- This measure is expected to promote the expansion of foreign markets for the export of certain goods and services.  
- We await the timing under which this measure would be introduced.  
**Who are affected?**  
- First-time Exporters  
**Timing**  
- Not announced | Positive |
| **Agriculture** | **Summary of Proposals**  
- Make Agriculture Industry tax free by the removal of ALL taxes and duties on ALL inputs and resources for farmers registered for agricultural purposes  
**KPMG’s view**  
- It would be interesting to see whether there would be an upsurge in the amount of individuals that would take advantage of this exemption and how it will operate in practice  
**Who are affected?**  
- Commercial Farmers  
**Timing**  
- Not announced | Positive |
## Proposed Fiscal Measures for 2020 (cont’d)

<table>
<thead>
<tr>
<th>Item</th>
<th>Commentary</th>
<th>Impact on Tax Payer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Added Tax Refunds</strong></td>
<td><strong>Summary of Proposals</strong>&lt;br&gt;• Offer $3 billion, in the first instance, in interest bearing Government bonds to all eligible VAT registered businesses to meet VAT arrears.&lt;br&gt;• The new VAT bonds will have a tenor of five (5) years and bear interest at a rate of 1.5 % per annum. The bonds will be tradeable and transferable, to facilitate their use as collateral or to obtain cash</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td><strong>KPMG’s view</strong>&lt;br&gt;• This long awaited measure may be met with mixed views. Although some relief may be afforded, taxpayers may be eager to receive cash refunds or offset against their current liabilities in the BIR system. It obviously demonstrates the Government’s tight cash flow position.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Who are affected?</strong>&lt;br&gt;• Taxpayers with VAT refunds due and owing by the BIR</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Timing</strong>&lt;br&gt;• Further details of this initiative will be provided in the Finance Act</td>
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</table>
Budget Expectations Against Deliverables
### Budget Expectations Against Deliverables

<table>
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<tr>
<th>Issues</th>
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<th>Expectations</th>
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<tbody>
<tr>
<td>Property Tax</td>
<td>During the 2019 budget presentation, the Honourable Minister stated that the valuation of residential properties for the assessment of property taxes commenced with approximately 10,000 houses, so far.</td>
<td>Commercial property owners are anxiously awaiting indication by the Honourable Minister on the planned roll out date for the valuation of other property classes, that is, commercial and industrial. Waiver of 2018 and 2019 property tax.</td>
<td>The Honourable Minister indicated that presently the system has delivered close to 60,000 valuation return forms for residential properties which represents 15% as they move towards the 50% target to create the assessment roll. He went further to explain that it is not feasible to have the assessment roll for residential properties completed before 2020. It was further noted that the assessment of other categories of properties will commence thereafter. No mention on waiver of 2018 and 2019 property taxes however we trust it will be addressed in the upcoming Finance Act.</td>
</tr>
<tr>
<td>VAT Refunds</td>
<td>The Honourable Minister, during the 2019 mid-year budget review announced his plans of discharging arrears to commercial suppliers and contractors as well as liquidating VAT refunds with a view to improving business conditions. To date, many corporate citizens are yet to receive outstanding VAT refunds from the Board of Inland Revenue (BIR) which have caused many to experience cash flow issues.</td>
<td>We anticipated an update by the Honourable Minister with regards to the outstanding refunds and the possible implementation of offsetting refunds against tax liabilities.</td>
<td>The Honourable Minister stated that the Government has been unable to refund those taxes on a regular and consistent basis, as such he proposes to offer VAT bonds which will have a tenor of five (5) years and bear interest at a rate of 1.5% per annum. It is yet to be seen how this measure will operate in practice in alleviating the cash flow issues caused by the delay in payment of VAT refunds.</td>
</tr>
<tr>
<td>Increase in Corporation Tax Rates</td>
<td>Effective January 01, 2018, the Government increased the corporation tax rates from the two tiered rates of 25% and 30% to a flat rate of 30% for companies and 35% for financial institutions. This measure was introduced on the heels of challenging economic circumstances as a means to boost revenue.</td>
<td>We hoped the Honourable Minister in his 2020 budget presentation would have provided some insight as to whether there is any intention to lower the corporation tax rates in the near future given the stabilization of the T&amp;T economy. We also hoped to hear of the tangible benefits reaped from the increased rates in terms of revenue.</td>
<td>There was no update by the Honourable Minister in his 2020 budget presentation.</td>
</tr>
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## Budget Expectations Against Deliverables

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<td><strong>Trinidad and Tobago Revenue Authority (TTRA)</strong></td>
<td>During the 2019 mid-year budget review, the Honourable Minister indicated that the TTRA Bill was submitted to the House of Representatives for debate and passing. The Minister in the Ministry of Finance Ms Allyson West during the 27th sitting of the Senate assured citizens that works in relation to job classification and evaluation exercises were nearing completion.</td>
<td>We eagerly anticipated timelines for the implementation of the long-awaited TTRA and associated legislation. Strengthened and improved administrative efficiencies would be a most welcomed introduction.</td>
<td>The Honourable Minister assured that the policy framework informing the TTRA Bill will be re-laid in Parliament and with the required majority parliamentary support soon. He announced the TTRA will become a reality and fully operational in Fiscal 2020. However we wait with bated breath to see whether this announcement will come to fruition.</td>
</tr>
<tr>
<td><strong>Venezuelan Immigrants</strong></td>
<td>Due to the economic and social crisis in Venezuela T&amp;T opened its doors to migrants who would have entered the country both legally and illegally to register with the Ministry of National Security for registration cards/permits which allow them to work in Trinidad and Tobago for a period of six months. After which, holders of the registration cards will be granted a further six months once successfully assessed by the Ministry of National Security.</td>
<td>There has been general concern on the impact of this measure by the Government and the possible strain on existing economic resources. We had hoped the Honourable Minister would have spoken to the socio-economic plans to provide for the welfare of Venezuelan migrants during and following the expiration of the one (1) year grace period.</td>
<td>There was no update by the Honourable Minister in his 2020 budget presentation.</td>
</tr>
<tr>
<td><strong>Tax Amnesty</strong></td>
<td>A tax amnesty was introduced by the Government from June 15, 2019 to September 30, 2019—which covered all taxes up to December 31, 2018. The Government’s projection was TT$500 million in additional revenue expected to be generated from this initiative.</td>
<td>We hoped the Honourable Minister would have provided details on the actual amount of taxes collected to contrast against their budgeted figure of TT$500 million and the cost to the taxpayers of this Amnesty.</td>
<td>The Honourable Minister commendably announced that the tax amnesty amounted to a welcomed $2.382 billion which is almost five (5) times the original estimate of TT$500 million. However, there was no mention of the revenue forgone for this cash flow initiative. Notably this is the highest reaping amnesty revenue in the history of T&amp;T.</td>
</tr>
<tr>
<td><strong>Other general issues</strong></td>
<td>Plan of action to remedy T&amp;T’s status as a blacklisted country by OECD; Making the BIR’s e-tax online platform conducive for companies that have external tax providers; and Transfer pricing legislation.</td>
<td>We hoped the Honourable Minister would have provided an update on each issue outlined as these have been recurrent topics over the administration’s tenure.</td>
<td>There was no update on these issues by the Honourable Minister in his 2020 budget presentation.</td>
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Regional Round Up
Regional Round Up

What’s happening in the region?

The following is an overview of the budget proposals of our key regional neighbours – Barbados; Jamaica; St Lucia and Guyana - which all echo a resounding theme of adaptability to the fiscal challenges they face.

Barbados

The 2019 Budget Proposals were delivered by the Honourable Mia Mottley, Prime Minister, Minister of Finance, Economic Affairs and Investments of Barbados on March 20, 2019. The Honourable Minister noted that progress was made and key milestones were achieved. They were outlined as follows:

- Approval by the International Monetary Fund (IMF) of the Barbados Economic Recovery and Transformation Plan (BERT);
- Increase in foreign exchange reserves from just over BDS$400 million;
- Domestic debt restructuring where expensive domestic borrowing is swapped for low-cost borrowing from the IMF, the Inter-American Development Bank (IDB), and the Caribbean Development Bank (CDB); and
- Deficit financing of current expenditure has ceased along with a budget surplus.

Furthermore, the Government of Barbados (GOB) is on track to achieve its target of a primary surplus of 3.3% of GDP for the FY2018/19 with already having recorded a surplus as it is well in excess of the set target.

The Prime Minister, underscored that stabilisation, growth and transformation are not three separate steps, but rather they are interconnected. Moreover for growth to transform the economy she outlined the Government’s three critical tasks being the re-building the foreign exchange reserves, dealing with debt, and simply helping people to live. Growth and investment are anticipated over the next three (3) years with some projects being well advanced in their planning applications.

Some noteworthy proposed fiscal measures mentioned in the budget were as follows:

1. **Corporation Tax Measures:**
   The Government has committed to the settlement of corporate tax refunds on a two-fold basis. Amounts up to BDS$10,000 being satisfied immediately and amounts exceeding this cap being settled over monthly instalments.

   An elimination of withholding tax (save for dividends) on payments to non-residents coupled with increases to withholding tax on residents.

   Anti-abuse measures being implemented relate to (i) management fees restriction (effective March 20, 2019), (ii) interest thin capitalization rules (effective September 1, 2019) and (iii) transfer pricing legislation and guidelines.
2. **Personal Taxes Measures:**
The Government has committed to the settlement of personal tax refunds for income years 2011 – 2016. This is also on a two-fold basis with up to BD$1,000 being settled immediately and remaining balances being settled over a 3 year period.

The revised tax bracket rates are now as follows:
- 12.50% for annual taxable income up to BD$50,000 effective July 1, 2019
- 33.50% for annual taxable income of BD$50,001 and over effective July 1, 2019
- 28.50% for annual taxable income of BD$50,001 and over effective January 1, 2020

In addition to the untampered personal allowance of BDS $25,000, further tax credits are to be made available to individuals. These include the Compensatory Income Credit and Reverse Tax Credit for persons earning income between $18,000 to $25,000. However the foreign currency earnings allowance will now attract a minimum effective rate of 10%.

From the measures above, low income earners can look forward to increased disposable income whereas those individuals interested in claiming the Foreign Currency Earnings Allowance will now face a disincentive to repatriating income to Barbados.

3. **Value Added Tax (VAT) Measures:**
The Government has committed to the settlement of VAT refunds for years 2011 – 2016. Again this is on a two-fold basis with up to BD$10,000 being settled immediately and balances being settled over 42 months. Of direct impact companies can look forward to an improvement in their cash flow and accounts from the receipt of these dues.

Effective April 1 2019, a number of supplies previously classified as zero-rated will now be classified as exempt supplies. These include:
- The supply of water or sewerage services by the Barbados Water Authority
- A supply of scheduled goods by an authorised person to a tourist (conditions apply).

Taxpayers who formerly provided relevant zero-rated supplies will be affected as the reclassification to exempt supplies would prevent their claim for input tax. In the face of this change the Government’s refund burden is expected to improve. Increased prices however can be expected from businesses who would now seek to pass on costs.

Further hoteliers will now be required to charge VAT for hotel rooms to foreign travel agents or other foreign persons in the travel trade.

Effective January 1, 2020 VAT on the accommodation sector will increase from 7.5% to 10%. The measure shall generate additional much needed revenue for the Government and will impact guest houses, hotels, inns or any other similar places, including dwelling houses normally let or rented to persons for use as vacation or holiday homes.

VAT on e-commerce is now introduced with an aim of capturing tax on online transactions through payment processors. All consumers and suppliers conducting online purchases can be affected and the online prices of consumers can be expected to be passed on. This measure is effective May 1, 2019.
4. **Initiation of Medical Cannabis:**
The start of the new financial year will welcome the establishment of a Medicinal Cannabis Industry Project Implementation Unit by the Government.

5. **Introduction of a Gaming Industries Tax:**
After acknowledging that the industry was not brought to the charge of tax since 2011, it is proposed that gambling winnings be subject to tax at the rate of 20% and the “net-drop” of all gaming establishments be subject to tax at the rate of 17.5%.

6. **Relaxation of Exchange Controls:**
The following foreign exchange controls were proposed:
- 2% Foreign Exchange Fee will be capped at BDS$100,000.
- Elimination of the surrender requirement of 70% of foreign exchange brought into Barbados.
- Foreign currency proceeds from the sale of assets can be repatriated in foreign currency or to be kept locally in a foreign currency account and not subject to the capital appreciation policy.
- Increase in the annual limit on personal travel facilities from BDS$7,500 to BDS$20,000 etc.

The above is expected to encourage investment in the country along with commercial transactions for purchases in foreign currency.

7. **Room Rate Levy Increases**
This levy shall increase across the board affecting apartments, guest houses, hotel B classes, hotel A classes, hotel luxury classes, vacation rental properties and villas. The increase is effective April 1 2019 and is expected to impact the tourism industry and foreigners.

8. **Basis for Calculating Land Tax**
Proposed for the fiscal year 2019 to 2020 the burden of tax is shifted from income to assets i.e. the value of residential and non-residential property and land. The expectation of this proposal is for a higher proportion of taxes to be borne by higher income earners. Commercial property owners will suffer the highest taxes.
Jamaica

Again in the 2019/2020 budget, Dr. the Honourable Nigel Clarke, Minister of Finance & Public Service announced that no new revenue measures were introduced for this financial year. This supported the thrust to continue the reform of the tax system towards equity, efficiency and simplicity.

The following measures were introduced with the aim of stimulating (i) greater competition, activity in, and access to credit markets, (ii) greater business and economic activity and (iii) economic growth. The measures will also incentivize and will reduce costs of micro and small business thereby encouraging increased risk-taking business activities by micro and small entrepreneurs.

1. Increase in the Annual General Consumption Tax (GCT) threshold;
2. Reform of the Stamp Duty;
3. Reduction of the Transfer Tax payable on the transfer of real property and financial instruments;
4. Increase in the Transfer Tax (i.e. Estate Tax) threshold applicable to the estate of deceased persons;
5. Abolition of the Minimum Business Tax; and

Outside of this announcement however, KPMG observed several developments taking place. These include:

1. Conclusion of the IMF’s visit to the country on 14 June 2019 which took stock of progress on Jamaica’s economic reform program supported by the IMF’s precautionary Stand-By Arrangement (SBA). Some growth points include:
   ▪ Primary surplus in FY2018/19 was in excess of 7 % of GDP for the sixth consecutive year, with public debt falling to about 95 % of GDP at end of March 2019.
   ▪ The reduction in the Cash Reserve Requirement by 5 percentage points this year and the successive policy rate cuts to 0.75 % should support private credit expansion as the Government continues to deleverage.
   ▪ Jamaica’s improved economic growth in FY2018/19 was buoyed by construction and mining. Unemployment is now at an all-time low of 8%.

2. Signing of a Memorandum of Understanding by the Minister on 22nd August with the Economic Programme Oversight Committee (EPOC) to extend domestic monitoring of Jamaica’s Economic Reform Programme (ERP). It will also continue beyond the end of the Precautionary Stand-By Arrangement (PSBA) with the International Monetary Fund (IMF) in November 2019.

3. Spending of J$2B to Improve Public Sector Efficiency. This includes some critical projects to improve efficiency in targeted areas over the next four years. The projects are the modernization of the work permit system, improving the ICT network infrastructure at the Child Protection and Family Services Agency (CPFSA); enhancing cross-border trade; the implementation of a fisheries licensing and registration system; upgrading the GOJ data centre; and the establishment of the GOJ ICT network.
4. Signing of a Memorandum of Understanding (MOU) with the Human Resource Management Association of Jamaica (HRMAJ) by the Public Sector. The HRMAJ is a representative body of human resource professionals in Jamaica.

The MOU provides a mechanism for collaboration between the parties on areas such as development of the human resource practice towards professional recognition and advancement of the training of human resource practitioners within the Private and Public Sectors. The aim is to achieve the enhancement of the human resource profession across both the private and public sectors.

The above measures echo the administration’s commitment to achieving fiscal and social stability which it announced in the 2018/2019 budget by focusing on major investments projects.
The Honourable Prime Minister Allen Chastanet presented St Lucia’s budget address for fiscal year 2019/2020 to parliament on April 15, 2019 under the theme “Growth by Empowerment for a Better Future”.

The theme of the year’s budget comes amid meagre economic growth at a rate of 0.6% in 2018, down from 3.7% in 2017 mainly attributable to falling activity in the construction sector. Unemployment remains stubborn and stands at 20.2% in 2018, though on a downward trend from a previous high of 24% in 2015. The island also recorded a debt to GDP ratio of 64.9% in 2018. This key metric is also on a downward path but remains above the Eastern Caribbean Currency Union’s (ECCU’s) 60% target. Tourism, the most important economic sector for the island, is robust as shown by record-breaking overnight and cruise ship arrival statistics in 2018.

Welcomed in The Honourable Prime Minister’s address was attention to “the experience of the average Saint Lucian” – a focus on quality of life indicators such as healthcare and education which deficiencies tend to be hidden behind traditional headline wealth statistics, in spite of their great impact on the well-being of citizens.

In line with the focus on people centred growth, the budget address was presented with a medium-term development approach, pushing focus and goals beyond the 12 month fiscal period. It is a positive shift away from short sighted development policies common in the small island developing states in the region. The 2019-2022 medium-term development plan is centred on the 6 following areas:

1. Healthcare
2. Education
3. Citizen Safety
4. Tourism
5. Agriculture
6. Infrastructure

Within this framework, the following are highlights of the fiscal measures announced:

1. **Personal Income Tax**

   Reform to the personal income tax regime to reallocate some of the current tax burden from lower income earners to higher income earners, with a zero net effect on overall revenue collection. The reforms are summarized as follows:
   - Increase in the personal tax allowance from EC$18,000 to EC$23,000;
   - Movement from a four-bracket tax system to one comprising the following 3 tax brackets: 10% on the first $10,000, 20% on the next $10,000 and 30% on taxable income above $20,000.
   - Reduction in the number of allowable deductions to four categories with a cap of EC$25,000 on total allowable deductions in a year of income.

2. **Accommodation Fee**

   Consultation is to begin on a regime for accommodation fees for the tourism sector, the revenue from which is to be allocated to the Tourism Authority for marketing and promotion expenses for the island. This measure aims to reduce the debt burden associated with these expenses, generally financed through treasury bonds.
3. **House and Land Tax**

The Government intends to announce, before the end of the calendar year, a regime for the implementation of House and Land Tax to be effective January 2020, following a three year moratorium from 2017 to 2019.
Guyana’s national budget, themed “Transforming the economy, empowering the people, building sustainable communities for the good life” was presented by the Honourable Minister of Finance, Mr. Winston Jordan in Parliament on 26th November, 2018.

This year’s budget came on the heels of continued enthusiasm of first oil slated to begin in 2020. The country has introduced a more long term paradigm to its budgetary spending, coining it the “Green State Development Strategy”, and taking into account social, economic and environmental factors in line with the UN Sustainable Development Goals.

The Government projected revenue of GYD $238.3 billion for 2019, an increase of 9.9% from 2018 was announced— with projected expenditure for 2019 slated at GYD $291.0 billion evidencing an increase of 11.5% from 2018. Capital expenditure is marked at GYD $69.3 billion— thus making this an overall deficit budget of GYD $52.2 billion.

Some of the key fiscal measures announced by the Government are as follows:

1. An Oil and Gas Unit to be introduced in 2019 to ensure that appropriate revenue is collected from petroleum companies;

2. In the Government continued vision of a ‘Green Agenda’ alternate and renewable energy measures were introduced effective January 1, 2019 as follows:
   - Capital expenditure for equipment to be written off in 2 years; and
   - Waiver of import duties and VAT on new equipment.

3. Reduction in the income/corporation tax rate to 25% for non-commercial companies and businesses registered with the Small Business Bureau effective January 1, 2019;

4. Increase in personal allowance to the greater of GYD$780,000 or a 1/3 of the employee’s salary;

5. Increase in old age pension and public assistance to GYD $20,000 and $9,000 respectively;

6. The following tax exemptions became applicable:
   - Excise tax for electric motorcycles
   - VAT & Customs Duty for change over kits
   - Customs duty for hybrid and electric cars w/2000cc
   - Excise duty and VAT on vehicles used by disabled persons;
   - Introduction of final tax on gold imposed on the income of individuals engaged in gold mining on declaration to the Guyana Gold Board;

7. Reduction of the rate of property tax on individuals and companies to 0.5% of net property value for the first GYD $20M of net property and 0.75% on the remainder; and

8. No CGT for individuals who sell their homes and reinvest in newer dwellings of equal or greater value. Further increase in CGT Exemption to GYD $500,000 on the disposal of property and removal of the 25 year limit.
KPMG in Trinidad and Tobago

KPMG in Trinidad and Tobago is a locally owned and operated Partnership and is a member of the global network of professional service firms. We provide audit, tax and advisory services in Trinidad and Tobago.

We are a purpose driven firm and our purpose is to **Inspire Confidence and Empower Change** in all that we do.

With a consistent global approach to service delivery, KPMG member firms respond to clients’ complex business challenges with consistent methodologies and common tools across industry sectors and geographical boundaries.

This stems largely from the fact that the global network of KPMG member firms operates in over 154 countries with more than 200,000 employees and resources can be shared, thus making our skills available as and when they are needed. All KPMG member firms are committed to providing high quality services in an ethical, independent and objective manner.

We recognise that the quality and integrity of our people and our work play a vital role in creating trust with stakeholders and help to sustain and enhance confidence in our profession and capital markets. We reinforce commitments with a set of shared values, a code of conduct and common processes, policies and controls which are consistent globally, so people know what to expect of KPMG wherever we operate.

KPMG in Trinidad and Tobago is a member of the KPMG Caricom grouping which belongs to the KPMG Islands Group (KIG) sub-region. We have strong working relationships with KPMG’s other member firms in KIG located in Bahamas, Barbados, the Eastern Caribbean, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, Isle of Man, Jamaica, Malta and the Turks and Caicos Islands.
Our Tax Team

KPMG can help you assess the effect of the proposed tax changes in this year’s Budget and identify ways to capitalise on its benefits or manage the negative impact on your business. We will keep you abreast of the progress of these proposals as they make their way into law.

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Hamattee is a chartered accountant and tax practitioner with over 6 years tax compliance experience gained from working at the Big 4s in T&T. Her area of expertise include proper tax treatments of tax deductions including capital allowances and incentives, restriction on management charges deductibility, related party transactions, withholding tax implications of cross-border transactions especially in relation to clients in the oil and gas sector.

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Dushyant as Managing Partner of KPMG in Trinidad and Tobago, has the responsibility together with his Partners, Directors and Management for the overall strategic direction and vision of the firm. He is ultimately responsible for all services delivered to our clients.

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Caveat

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.
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KPMG is a global network of professional services firm providing Audit, Tax and Advisory services. We have over 200,000 professionals working together to deliver value in more than 154 countries worldwide.

The Firm has been in existence for over 100 years and we have been operating in Trinidad and Tobago for more than 45 years.

Our Purpose

Inspiring Confidence, Empowering Change

Our Vision

To be the Clear Choice

Our Values

KPMG nurtures a culture based on leadership teamwork and integrity.

We uphold our commitments with shared values which are consistent globally, so clients know what to expect of us wherever we operate. Our core values are:

- We lead by example
- We work together
- We respect the individual
- We seek the facts and provide insights
- We are open and honest in communication
- We are committed to your communities
- Above all, we act with integrity.

Our services include:

AUDIT
- Financial Statement Audit
- Project & Donor-Funded Audit
- Regulatory & Contractual Assurance
- Other Assurance Services
- Accounting Services

TAX
- Corporate & Income Tax Compliance
- International & Domestic Tax Advisory
- Tax Structuring Advice
- Indirect Tax Advisory
- Individual & Employment Tax
- Tax Due Diligence
- Corporate Services

Advisory
- Cyber Maturity Assessments
- Business Continuity Planning
- Strategic Planning
- Business Process Improvement
- Change Management
- Forensic Investigations
- Internal Audit & Compliance
- Data & Analytics
- Liquidations & Insolvency
- Mergers & Acquisitions
- Valuations

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