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October 5th, 2020

RESPONSE TO THE NATIONAL BUDGET 2021

The Trinidad and Tobago Chamber of Industry and Commerce (T&T Chamber) recognises the unprecedented economic challenges which have impacted the National Budget 2021. The budget is based on the oil price of USD45/barrel and gas price of USD3 per mmbtu, which appears reasonable at this point. While the Minister has projected revenue estimated at \$41.361B, and expenditure \$49.573B with a fiscal deficit of \$8.209bn for fiscal year 2021, we believe more detail is required with regards to the income from non-energy as it appears high. We also would have liked to see more effort towards tightening government expenditure to reduce the deficit.

The T&T Chamber has consistently advocated for an enabling environment to sustain and develop our business sector, particularly our manufacturing sector, which is crucial to foreign exchange earnings and diversification. The T&T Chamber thanks the Minister for adopting some of the recommendations made in our submission earlier this year.

The Minister acknowledged the challenges faced by the gas value chain, and the need to become competitive. It is critical that the work being performed on the gas value chain be completed quickly to ensure long term sustainability of the sector.

The positive adjustment to the Supplemental Petroleum Tax (SPT) regime will have a significant impact on small producers, where we expect increased activity. We are also encouraged by the statement that the Petroleum Act will be reviewed. Hopefully this can be done sooner rather than later.

The Government's push to start the energy transition is also encouraging. However, greater focus must be made on energy conservation and reducing wastage. We encourage the government to lay out a clear long-term plan for the energy transition, which if successfully done, will create opportunities for investment.

In particular, we look forward to the continued digitalisation of government services to improve the ease of doing business and efficiency in the judicial system through virtual courts.

We are disappointed that more was not done to address VAT and tax refunds, such as introducing net offs and a separate ring-fenced fund. While the Minister has mentioned that a second tranche of VAT bonds will be issued, we await the details on timelines and value. The

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current VAT and tax refunds situation must be made current; otherwise it will continue to have a debilitating effect on businesses.

We welcome the announcement of the Electronic Funds Transfer Window to pay taxes and customs duties online. We call on the Opposition to support the establishment of the TTRA, failing which priority must be placed on alternative mechanisms to widen the tax net.

As it relates to property taxes, the T&T Chamber has continuously advocated for the 6% tax to apply strictly to physical property and not on installed plant, machinery and equipment. It is counterintuitive to implement measures to encourage manufacturing activity while taxing machinery and equipment used in factories.

We are happy to see the action taken to develop the agriculture and agro-processing sectors as we believe that the \$4 billion food import bill is unsustainable. We are heartened to hear that for the next five years the highest level of priority will be given to improving T&T's food security by providing the appropriate funding and addressing the institutional challenges faced by the sector.

We recognise the need to implement social support for Tobago which has been hard hit. We are disappointed that our recommendation to repeal the Foreign Investment Tobago Land Acquisition Order was not done as this will continue to stymie construction, employment generation and hinder economic growth on the island.

We recognise steps had to be taken to dampen demand for foreign currency, however, we require more information to evaluate the measures.

We are pleased that our recommendation to increase the Corporation Tax holiday for SMEs which list on SME Stock Exchange was accepted. We believe this, along with the measure to allocate 20% of government housing construction to SME contractors, is a positive step.

We welcome measures to stimulate economic activity such as the incentives to drive activity in the construction sector and the increase in the personal tax allowance which will provide more disposable income and create aggregate demand.



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We view the liberalisation of the retail fuel market and the privatisation of operations of the Port of Port of Spain as progressive steps towards more public-private partnerships, which will improve efficiencies in these areas.

We believe the Government has done their best to act prudently, given the challenges they are working with. The T&T Chamber now looks forward to the details of all the measures which will emerge during the Budget debate.

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FROM THE MARKETING AND COMMUNICATIONS DEPARTMENT