

FISCAL MEASURES IN THE 2006-2007 BUDGET

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INTRODUCTION

The National Budget for the 2006-2007 fiscal year was presented in Parliament on Wednesday, October 4 2006 by the Honourable Prime Minister and Minister of Finance, Mr. Patrick Manning. The announced fiscal measures for this period are detailed below and will take effect from January 1 2006, unless otherwise indicated.

REVENUE MEASURES

1. Direct Taxation

A. Taxation on Individual Incomes

- i. The tertiary education tax allowance for students attending universities abroad will increase from \$18,000 per annum per person to \$60,000 per annum per household.
- ii. Lump sum death benefits will be exempted from income tax only if the pension plan is approved by the Board of Inland Revenue.
- iii. Deductions for losses from other sources of income such as rental income against income from employment or professions will no longer be allowed. The set-off of losses from any trade, business or farming against income from employment or professions is still prohibited.
- iv. Where an employer makes a motor vehicle or equipment available to an employee, a taxable benefit will accrue to the employee (50 per cent of the wear and tear or rental value of the motor vehicle or equipment) regardless of the employer's choice to claim the wear and tear allowance.
- v. The wear and tear allowance on the costs of converting a house into an approved guest house will be removed.

B. Taxes on Corporations

- i. Previously, the wear and tear allowance could only be granted if land and building taxes were paid in the same year of income in which the claim for the wear and tear grant was made. This stipulation will be amended so that the claim for wear and tear would be allowed once the taxes have been paid, not necessarily in the particular income year.
- ii. The list of assets for which a capital allowance claim could be made will be amended to include buildings, structures and improvements completed on or after January 1 1995 and industrial buildings and structures acquired prior to January 1 2006.
- iii. The Human Resource Development Allowance of 150 per cent of all expenses incurred in the training and re-training of employees will be removed.
- iv. The deduction for expenses incurred in the production of tax exempt income will be disallowed.

2. Indirect Taxation

- i. Value Added Tax (VAT) and import duties will be removed from telecommunication equipment acquired for internet and broadband services (for an initial 2 year period) and computer peripherals such as cables, speakers, mouse pads and anti-glare screens.
- ii. With immediate effect, the import duty on rum, beer and other alcoholic products imported from the Caribbean Common market and from extra-regional sources will be increased by 15 per cent and 30 per cent, respectively.

- iii. Excise duties on locally manufactured rum, beer and other alcoholic products will be increased by 15 per cent, with immediate effect.
- iv. The excise duties on tobacco products, the import duty on tobacco products of Common market origin and the tobacco tax on tobacco products from extra-regional sources will be increased by 15 per cent, respectively with effect from October 4 2006.
- v. Stamp duty on the transfer of residential property will be reduced as follows:

Property Value	Applicable Rate of Stamp Duty	
	Existing	New
\$1,500-\$350,000	2%	Exempt
\$350,001-\$450,000	5%	Exempt
\$450,001-\$550,000	7.5%	5%
\$550,001-\$650,000	10%	7.5%
Over \$650,000	10%	10%

3. Other

- i. The importation of slot machines will be banned with immediate effect.

EXPENDITURE MEASURES

- i. Effective, October 1 2006, Old Age Pensions will be renamed Senior Citizens Grant and will have one qualifying income ceiling of \$2,150 per month. The system will be revised as follows:
 - A person whose income is less than \$1,000 per month, will receive a

Senior Citizens' Grant of \$1,150 per month and an additional allowance of \$100 monthly. This person had received a monthly pension of \$1,150 previously.

- Individuals whose monthly incomes range between \$100 - \$1,000, will receive a Senior Citizens' Grant of \$1,150 per month. These persons had received a monthly pension of \$1,050 previously.
 - Individuals whose income exceeds \$1,000 per month, will be subject to a pro-rated payment system so that for every \$1 earned in excess of \$1,000, there will be an equivalent decrease in the amount of the grant per month.
 - The maximum amount paid as Senior Citizens' Grant will be \$1,150 per month.
- ii. The disability grant will be increased from \$800 to \$900 with effect from October 1 2006.
 - iii. Retired public servants will receive a minimum pension of \$1,150 per month.
 - iv. A new housing subsidy was introduced for persons earning between \$1,440-\$8,000 per month. This increase in subsidy is estimated to cost \$450 million. Additionally, the mortgage could be increased by a maximum of \$15,000 to assist in the purchase of household appliances.