

FISCAL MEASURES IN THE 2007-2008 BUDGET

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INTRODUCTION

The National Budget for the 2007-2008 fiscal year was presented in Parliament on Monday, 20th August, 2007 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, 2008 unless otherwise indicated.

REVENUE MEASURES**1. Direct Taxation****A. Taxation on Individual Incomes**

- i. The personal tax allowance for contributions to pension plans; deferred annuities and national insurance payments will be increased from \$12,000 per annum to \$25,000 per annum.
- ii. The NIS contribution rate will gradually rise from its current level of 9.9 per cent of insurable earnings to 10.5 per cent as of January 07th 2008, then to 10.8 per cent as of January 04th 2010 and finally 11.4 per cent of insurable earnings as of January 2nd, 2012. A lump sum payment of \$3,000 will be made to retired public servants for the months of October to December 2007 to compensate for the proposed rise in NIS rates. The amendments to the NIS system formed part of the 7th Actuarial Review of the National Insurance System.
- iii. An amnesty will be provided for the late filing penalty on Income Tax, Corporation Tax and Value Added Tax returns as well as on interest and penalty due on the payment of: Income Tax, Corporation Tax, Business Levy, Green Fund Levy, Health Surcharge, VAT and Land and Building Tax. This amnesty is conditioned upon taxes/levies being paid and outstanding returns being filed by 30th April, 2008.

B. Taxes on Corporations

- i. In addition to the existing Wear and Tear Allowance an accelerated Wear and Tear allowance will be introduced for companies that provide childcare facilities at work. The maximum allowance for this accelerated allowance is \$500,000 and the normal Wear and Tear allowance can be claimed by an employer on the residue remaining on the capital cost incurred in setting up these facilities.
- ii. There will be an across the board reduction in the rate of withholding taxes. The standard rate was reduced to 15 per cent from 20 per cent. With respect to dividend payments to non-resident shareholders, the rate reduced from 15 per cent to 10 per cent and to non-resident parent companies, the rate fell from 10 per cent to 5 per cent.
- iii. Manufacturers will receive an increase in the initial allowance relating to expenditure incurred on acquiring plant and

machinery from 60 per cent to 75 per cent.

2. Indirect Taxation

- i. The airport departure tax of \$100 will be removed and replaced with a Passenger Service charge that will be included in the cost of each individual travel ticket.
- ii. The common external tariff of 5 per cent will be removed from powdered milk and cream and the import surcharge reduced from 5 per cent to 0 per cent on turkey parts, ducks, geese or guinea fowl.

3. Other

- i. The relief from customs duties and motor vehicles taxes will now be available to nationals who have resided abroad for a continuous period of at least two years as opposed to the previous five year stipulation.

EXPENDITURE MEASURES

- i. The disability grant will be increased from \$900 to \$1,100 per month and the income qualifying ceiling rose from \$3,600 to \$12,000 per annum. This would take effect from October 1st, 2007.
- ii. The public assistance grant which ranges from \$470 to \$1,090 per month will be revised upwards to range from \$650 to \$1,250 per month. Grants to households with one person will increase from \$470 to 650 per month; households with two persons would benefit from an increase of \$190 per month to \$900 per month; grants to households with three persons which were \$920 per month will

rise to \$1,100 per month and grants to households with four person and above will grow from \$1,090 per month to \$1,250 per month. This would take effect from October 1st, 2007.

- iii. The income qualifying ceiling for the Senior Citizens Grant (formerly old age pension) was increased from \$2,150 to \$2,500 per month and higher allocations provided to each of the three income classifications. Grants to Senior Citizens with incomes of \$100 or less will increase by \$300 per month to \$1,650. Monthly incomes up to \$1,000 will rise from \$1,250 per month to \$1,550 and monthly incomes in excess of \$1,000 will grow by the difference between the income qualifying ceiling of \$2,500 per month and the monthly income received. This measure will take effect from October 1, 2007.
- iv. The minimum public service pension was increased to \$1,650 per month¹ and minimum retirement pension payable under the National Insurance System (NIS) to citizens of Trinidad and Tobago increased from \$200 to \$2,000 per month. The increase in NIS pension payments would be accompanied by an increase in the maximum level of earnings on which contributions and pensions will be calculated from the current ceiling of \$4,377 to \$8,300. This would take effect from 7th January, 2008.
- v. The minimum wage payment will be increased from \$9.00 to \$10.00 per hour and employees

¹ Minimum public service pension was increased to \$1,150 per month in the 2007 but this was never enacted. There was no minimum before fiscal 2007.

of the Unemployment Relief Programme (URP) and Community-Based Environmental Protection Enhancement Programme (CEPEP) will receive a wage increase of 15 per cent effective January 1, 2007.

OTHER MEASURES

- i. The coverage limit for depositors' claims from the Deposit Insurance Corporation will be increased from \$50,000 to \$75,000 without an increase in the premium level.
- ii. Several amendments were made to the Income Tax Act including: the introduction of the filing of
- iii. returns for Financial Services Tax, Insurance Premium Tax and Hotel Accommodation Tax. The current threshold for the settlement of tax liabilities will be extended from \$3 to \$100 and from \$3 to \$25 for tax refunds. All penalties incurred for the non-payment of taxes will be reduced to 25%. The tax exemption for lump sum death benefit payments made under approved pension plans would be extended to include similar payments under deferred annuity plans. The interest due on outstanding tax liabilities will be computed from the day after the due date of the payment of the tax or a date as determined by the board of Inland Revenue.