TAX BOOKLET

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Table of Contents

Foreword

This booklet briefly explains the tax laws in Trinidad and Tobago and it is intended as a guide for persons who are subject to the applicable taxes. It is not designed to answer all questions which may arise, nor is it meant to be a complete description of the tax legislations.

The information contained herein provides you with an overview of the taxes levied in Trinidad & Tobago including deductions and rates by way of exemptions and allowances etc.

Aegis Business Solutions Limited (Aegis) has prepared this tax booklet for UC&CS with the most recent changes announced in the Trinidad and Tobago 2012/13 Budget on 1 October 2012. These changes are outlined in general terms and are for information purposes only. It is therefore not to be acted upon without securing professional advice.

This publication is distributed with the understanding that Aegis is not responsible for the result of any actions taken on the basis of this publication.

It is current as at November 2012 and updates will be provided periodically to supplement this booklet.

Introduction

Tax is a fee charged or levied by a government on a product, income, or activity. Taxation is the means by which governments finance their expenditure by imposing charges on citizens and corporate entities. One of the most important uses of taxes is to finance public goods and services. Governments use taxation to encourage or discourage certain economic decisions. Individuals and companies are required to register with the Board of Inland Revenue (BIR) and obtain a BIR file number before taking up employment or starting operations in Trinidad and Tobago.

Non-residents must visit the International Tax Unit of the BIR for evaluation and to determine their tax liability in Trinidad and Tobago. A non-resident is a person who is employed or a company that is operating in T&T for a period of less than 183 days in any year. Non-residents are subject to tax on their total income unless they qualify under a specific legal exemption.

Individuals and businesses are required by law to pay various forms of tax. Individuals pay P.A.Y.E. and Health Surcharge on their income. Businesses must pay VAT, Corporation Tax, Business Levy, Green Fund Levy, and other Miscellaneous Taxes. There are different procedures for paying taxes, depending on whether the payee is an individual or a business.

In order to pay taxes, all individuals, whether they are self-employed or employed by someone else, must have a BIR file number. The employer will deduct taxes from an employee's salary and pay them to the government on their behalf.

Businesses must have a BIR file number in order to pay taxes. They must also have a PAYE file number in order to deduct and remit taxes from employees. Businesses and professionals must make payments directly to the BIR.

Payment can be made at the Cashiers' Unit of the Board of Inland Revenue located in Port-of-Spain, San Fernando and Tobago or at any District Revenue office between the hours of 8:00 am and 3:00 pm, Monday to Friday, except public holidays.

The Principal Taxes

The various types of taxes levied in Trinidad & Tobago are:

INCOME TAX DEDUCTIONS

INDIVIDUALS

P.A.Y.E:

Salary and emoluments cash or non-cash are subject to 'Pay As You Earn' (P.A.Y.E.) which is deducted by the employer at the time of payment of salary or other emoluments. P.A.Y.E. is charged on an individual's chargeable income at a flat rate of 25%. Salary of non-residents arising from work performed here also attracts P.A.Y.E. but may be exempt under restricted provisions in Double Taxation Treaties.

The individual who is resident and domiciled in Trinidad & Tobago is subject to tax on his world-wide income. In the case of income arising outside of Trinidad & Tobago to persons who are not ordinarily resident or not domiciled in Trinidad & Tobago, tax is payable on the amount received in Trinidad & Tobago; but where the employment or office of such person is exercised in Trinidad & Tobago, gains or profits from such employment are taxed in Trinidad & Tobago whether received in Trinidad & Tobago or not.

Pension plans, individual retirement plans, savings plans and profit sharing plans which are not approved by the Board of Inland Revenue do not secure tax benefits under the law for the employee.

- **Computation**

  The computation of P.A.Y.E. for 2008 to 2012 is as follows:

  Annual Gross Income - Annual Tax Deductions = Chargeable Income
  Chargeable Income is taxed at the rate of 25%.

Health Surcharge:

Health Surcharge is a tax levied on an individual's income. The following are the two rates of payment:

- Where the monthly/weekly income is more than $469.99/$109.00 respectively – the rate is $8.25 per week (*based on the number of Mondays in the period*).

- Where the monthly/weekly income is less than $469.99/$109.00 respectively – the rate is $4.80 per week (*based on the number of Mondays in the period*).

Payment of Taxes

In respect of employees, tax is deducted monthly from the employment income under the P.A.Y.E. regulations and remitted by the employer by the 15th of the following month.

Where contributions remain unpaid after the 15th day of the following month, a 25% penalty will be applied. Interest shall also be applied at the same time on the sum (contributions due and penalty) at the rate of 20% per annum (prorated) charged on the outstanding amounts until it is paid.

Returns and contributions are made to the Board of Inland Revenue monthly for employees and quarterly for persons with income other than employment income.

In respect of the self-employed, these are payable quarterly on 31st March, 30th June, 30th September, 31st December and on or before 30th April in the next year the remainder of the tax if any.

CORPORATIONS

Corporation Tax:

A tax that must be paid by a corporation based on the amount of profits generated. The current rate is 25% and it is based on the chargeable profit; however companies engaged in the oil and gas industry are charged tax at the rate of 35%.

The Taxes and payment

Estimated taxes based on the previous year's profits are payable by quarterly installments on 31st March, 30th June, 30th September, 31st December and the remainder on or before 30th April in the next year. Unpaid amounts or short payments can attract interest of 20%. In other cases, taxes are payable 30 days after receipt of a notice of assessment.

Taxation of Corporations

Under the Corporation Tax Act, corporations or companies include unincorporated associations but not partnerships. Resident corporations are taxed on their world income. Branches of non-resident corporations are taxed only on branch income. They are, however, allowed deductions for head office expenses incurred in relation to the branch. Branches are subject to withholding taxes on after-tax profits (less investments) whether remitted or not. Residence is determined by central control and management of the affairs of the company and this is usually, but not necessarily, where the Board of Directors meet.

Taxation of Non-Resident Companies

A non-resident company is liable to corporation tax on income arising or derived from any trade or business carried on by it in Trinidad and Tobago. Additionally withholding tax is levied on (a) remittances in respect of Trinidad source income of a non-trading nature earned by non-resident companies and (b) profits of branches of non-resident companies (after making deductions for corporation tax) which are not re-invested (other than in replacement of fixed assets) to the satisfaction of the Revenue. A corporation is considered to be resident where its "mind or management" is ordinarily situated.

Territorial Rules

The Corporation is resident where its central management and control takes place. Control is exercised where the Board of Directors meets and makes decisions, unless the Board is itself controlled by a third party. The worldwide income of resident companies or entities is taxed. Branch income is taxed as if the branch is a separate entity. All branch profits, unless re-invested in specific activities, are deemed to be remitted and subjected to withholding taxes.

Business Levy:

Business levy is a tax on gross sales and receipts calculated at a rate of .2% payable quarterly. Final liability is offset by corporation tax payable at year end. The company is exempted for the first 3 years from registration of the business. In order for a company to pay Business Levy the Gross Sales has to be $200,000 and over. Late payment of Business Levy has an interest rate of 20% on payment which is pro-rated.

Green Fund Levy:

Green fund levy is a tax on gross sales and receipts of companies and unincorporated associations at the rate of .1% payable quarterly. Late payment of Green Fund Levy has an interest rate of 20% on payment which is pro-rated.

Unemployment Levy:

Unemployment levy is a tax at the rate of 5% on the profits of companies which are subject to the Petroleum Taxes Act.

Petroleum Profits Tax:

Petroleum profits tax is a tax at the rate of 50% on the profits earned by businesses in the course of petroleum operations falling under the Petroleum Taxes Act.

Supplemental Petroleum Tax:

Supplemental petroleum tax is a tax levied on the gross income of companies liable to petroleum profits tax at specified rates. The tax is based on the weighted average annual crude oil price.

Withholding Tax:

Withholding tax is a tax based on various income payments to non-residents. Rates vary from 15% - 5% and may be reduced further by Double Taxation Treaties. The following rates of withholding tax now apply to non-treaty Countries:

- **Individuals**: 10% on dividends; and 15% on royalties, interest and other payments
- **Companies**: 10% on dividends; 5% to a parent company; and 15% on interest, royalties and other payments.

For late payment the Penalty is charged at 25% and Interest at 20%.

Value Added Tax (VAT):

Value added tax is imposed on imports and on the commercial supply of goods and prescribed services levied at 15% of the value of the supply. The value of goods imported into Trinidad & Tobago is the total of:

- the value of the goods determined according to the Customs Act (c.i.f.); plus
- any duties, taxes (other than VAT) and other charges that are charged and payable upon entry of imported goods.

Output tax is the amount claimed from a person in respect of tax on commercial supplies made to that person in the tax period. A taxable person is entitled to a credit for so much of his input tax as is allowable. This may be said to comprise tax incurred by him in respect of specified supplies and imports.

All businesses earning a gross income of $360,000.00 per annum and over are required to be registered as VAT traders. Registration is with the VAT Office, Board of Inland Revenue.

VAT returns are due at the end of every 2-month period (6 times per annum) and must be submitted within 25 days from the end of the period. The difference between output tax and input tax is payable or refundable. For late payment of VAT penalty is 8% and interest is 2% per month. Failure to file a vat return before the due date incurs a penalty of $1,000.00.

Exclusions from VAT

Zero-Rated Items:

Zero rating allows the removal of the effects of the VAT from a particular good or service, usually for social and economic reasons. Certain items are subject to zero rating - a variety of basic foodstuffs, agricultural imports including fertilizers, herbicides and fungicides.

Exempt Services:

Specified services are exempted, and although not subject to tax, suppliers do not receive input tax credits. The main exempt services are:-

- Medical, dental, hospital, and other health-related services;
- Most education;
- Bus and taxi service and postal service; and
- Insurance, banking and stock brokerage

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OTHER TAXES

Motor Vehicles Tax:

Motor vehicle tax is applied at varying rates levied on sale of motor vehicles. Import duties on motor vehicles are imposed by reference to engine capacity. A transfer fee is imposed on transfer of used vehicles based on the age of the vehicle. Tax is imposed by reference to engine size for all vehicles.

Customs Duties:

Custom duties are levied at varying rates on customs entries in respect of imported goods according to their classification in Schedules to the relevant legislation. There are exemptions in relation to specific goods. In all cases the basis is the c.i.f. value of the goods at the time of import.

Excise Duties:

Excise duties are charged on the manufacture of beverages at varying rates per litre. Cigarettes also attract excise duties.

Stamp Duty:

Stamp Duty is levied on instruments of all types, for example, deeds of conveyance, mortgages, debentures, trusts, leases, insurance policies, annuity policies, agreements, and share transfers. The duty is paid at the Board of Inland Revenue and an embossed or machine stamp is affixed to the instrument.

Financial Services Tax:

Financial services tax is charged at the rate of 15% on financial transactions with banks, etc.

SOCIAL SECURITY

National Insurance Contributions:

National Insurance (NI) in Trinidad and Tobago is a system of contributions paid by workers and employers, towards the cost of certain state benefits.

The payment of National Insurance contributions is compulsory for employees and unpaid apprentices who are registered or eligible to be registered under the system. A contribution is a weekly payment fixed in relation to the wages/salaries of the insured person.

Payment of the contribution is shared between the employer and employee in the ratio of approximately 2:1 in accordance with the rate set out in the NI Act. The employer is statutorily obligated to deduct the employee's share no later than on the date of payment of salaries/wages. Notwithstanding the cost sharing described, the employer is responsible for remitting the total contribution to the National Insurance Board (NIB).

Contributions payable by an employer in respect of employment injury coverage for an employed person who has not yet attained the age of sixteen years or who has attained the age of sixty-five years, shall be as set out in Class Z, and for an unpaid apprentice shall be $1.00 per week. There is at present, no compulsory scheme of contributions for the self-employed

The following are instances in which no deductions are made from the employees' wages/salaries and in which only the employer pays a contribution:

- Employees under 16 and age 65 years and over.
- Employees aged 60 years to under 65 years who have retired, and have started to receive their Retirement Benefit and subsequently returned to work.

Contributions for a month must be paid on or before the last day of the month. Where contributions remain unpaid after the 15th day of the following month, a 25 percent penalty will be applied. Additionally, if this sum (contributions due and penalty) is not paid by the 15th of the second month interest shall be applied at the rate of 15% per annum (prorated) charged on the outstanding sum until it is paid.

Employers are to submit completed employee contribution data either on electronic media or on the N.I. 184 together with the N.I. 187 form. These forms are to be completed in duplicate and remitted at any of the various service centres across the country.

Contributions Effective 2nd January 2012

EARNINGS CLASSES	WEEKLY EARNINGS	MONTHLY EARNINGS	ASSUMED AVERAGE WEEKLY EARNINGS	EMPLOYEE'S WEEKLY CONTRIBUTION	EMPLOYER'S WEEKLY CONTRIBUTION	TOTAL WEEKLY CONTRIBUTION	CLASS Z WEEKLY
I	120.00 - 199.99	520.00 - 866.99	160.00	6.08	12.16	18.24	1.23
II	200.00 - 269.99	867.00 - 1169.99	235.00	8.93	17.86	26.79	1.81
III	270.00 - 359.99	1170.00 - 1559.99	315.00	11.97	23.94	35.91	2.43
IV	360.00 - 449.99	1560.00 - 1949.99	405.00	15.39	30.78	46.17	3.12
V	450.00 - 549.99	1950.00 - 2382.99	500.00	19.00	38.00	57.00	3.85
VI	550.00 - 659.99	2383.00 - 2859.99	605.00	22.99	45.98	68.97	4.66
VII	660.00 - 769.99	2860.00 - 3336.99	715.00	27.17	54.34	81.51	5.51
VIII	770.00 - 879.99	3337.00 - 3812.99	825.00	31.35	62.70	94.05	6.36
IX	880.00 - 1009.99	3813.00 - 4376.99	945.00	35.91	71.82	107.73	7.28
X	1010.00 - 1129.99	4377.00 - 4896.99	1,070.00	40.66	81.32	121.98	8.25
XI	1130.00 - 1259.99	4897.00 - 5459.99	1,195.00	45.41	90.82	136.23	9.21
XII	1260.00 - 1399.99	5460.00 - 6066.99	1,330.00	50.54	101.08	151.62	10.25
XIII	1400.00 - 1549.99	6067.00 - 6716.99	1,475.00	56.05	112.10	168.15	11.37
XIV	1550.00 - 1719.99	6717.00 - 7452.99	1,635.00	62.13	124.26	186.39	12.60
XV	1720.00 - 1914.99	7453.00 - 8299.99	1,818.00	69.07	138.14	207.21	14.01
XVI	1915.00 and over	8300.00 and over	1,915.00	72.77	145.54	218.31	14.76

Other Tax Information

Tax Treaties

Trinidad & Tobago has double taxation treaties with Brazil, Canada, Spain, Sweden, China, France, Denmark, Germany, India, Italy, Norway, Switzerland, Luxembourg, the United Kingdom, Venezuela, the United States and Caricom. The objective of the treaties is the elimination of double taxation either by taxing the income only in one country or by providing a tax credit in the country of residence where the income has been taxed at source.

As well as containing provisions to alleviate double taxation, the treaties also provide for the exchange of information (excluding trade secrets) when this is necessary to implement the treaty or prevent fraud.

Interest

Interest paid to non-residents not carrying on a trade or business in Trinidad & Tobago is subject to a final withholding tax of 15% whether paid to a company or an individual. Tax treaties may reduce these rates. Interest paid in respect of savings accounts in banks and financial institutions and interest on bonds is exempt where paid to resident individuals.

Filing of Tax Returns

Individual Tax Returns

An income tax return is required to be filed on or before 30th April in each year. The returns must be filed with the Board of Inland Revenue at any one of its offices. Employees with income arising only from employment are not required to file a return. Effective Income Year 2001, the obligation to file an Income Tax Return was removed from the individual in receipt of Emolument Income ONLY. For an individual who is required to file a Tax Return, that outstanding return incurs a penalty of $100, for every six months it remains outstanding after the date it become due. The first penalty of $100 becomes due and payable at November 1st and increases by $100 after the passage of every six months.

Corporate Tax Returns

In respect of Corporation Tax returns, filing dates are 30th April in each year, and the returns must be filed with the Board of Inland Revenue at any of its offices. A six month grace period is given before the penalty for late filing is imposed. Therefore returns filed by October 31st do not incur a penalty. The penalty due and payable would be $1,000 for every six months; the return remains outstanding after the due date.

__The following are required to submit tax returns:__

Companies and Unincorporated Associations whether or not their profits are exempt from Tax. Partnerships, Trusts, Joint Ventures. Individuals in receipt of income from trade, business or practice of any profession or vocation from any source other than emoluments.

__The following are some of the exemptions specifically provided in the Income Tax Act:__

- Income from scholarship or bursary
- Dividends from resident companies (except preference dividends)
- Income of a resident where the total income does not exceed $60,000.00 for a year of income
- Government gratuities to former monthly paid employee
- Pensions under the National Insurance Act
- Interest from savings accruing to resident individuals on savings accounts or on bonds or others similar investment instruments
- Certain annuities purchased by persons who have reached age 60.
- Interest earned by resident individuals in accounts held with local banks and financial institutions.
- Severance payments due to redundancy retirement severance benefits and certain other payments on termination of office or employment are exempt to a maximum of $300,000.00.

T.D. 1 Form

The Tax Declaration Form 1 (or T.D. 1 Form as it is commonly called) is the form on which an employee declares all his sources of income and makes a claim for tax deductions.

This form must be submitted to the employer who uses it to determine the amount of tax that is to be deducted from the emolument of the employee.

Deductions which may be claimed on a T.D. 1 Form are as follows:

- Personal Allowance - Resident individual - $60 000;
- Tertiary Education Expenses - $60 000;
- First Time Acquisition of House - $18 000;
- Deferred Annuity/TISP (Republic Bank); FUTURE CASH (Royal Bank); SAFE (Scotia Bank) }
- Pension Plans } -$30 000;
- N.I.S. (70% of contributions) }
- Alimony/Maintenance - 100%
- Venture Capital Tax Credit - A person who invests in shares in a Venture Capital Company will be entitled to a tax credit equivalent to the marginal rate of tax of the amount received by the Venture Capital Company for those shares for the year of income.

NOTE:

Where an employee has claims for only Personal Allowance, N.I.S. and a company's pension plan there is no requirement to have the TD1 form approved by the Board of Inland Revenue before submitting with the employer.

Where an individual has emolument income from more than one (1) source-

- more than one employer;
- in receipt of pension from more than one source;
- in receipt of both pension and salary/wages/commissions etc.

the T.D. 1 Form must also be approved by the Board of Inland Revenue.

The Board would then inform each employer of the amount of tax to be deducted from each source of income, via a directive (T.D. 1 A Form).

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