

AMCHAM T&T

Budget Submission

2021/2022

Submitted:
JULY 2021



Introduction

AMCHAM T&T is unwavering in its commitment to collaborating with the Government of Trinidad and Tobago in working towards the development and transformation of our country. We therefore consider this our duty, as chamber representing nearly 300 organisations that play differing roles in the economy, to provide recommendations to the Government of Trinidad and Tobago for the upcoming national budget. We stand ready, as always, to lend any assistance you may need in implementing any of the recommendations put forward in this proposal.

The COVID-19 pandemic continues to shake up our world and our economy and is highlighting areas where we, as a country, have room for improvement. The aim of any budget or Economic Recovery Plan should be to rebuild and stabilize the economy, increase our country's resilience, enhance social development and improve the business environment.

As we focus on recovery and thriving in the post-COVID world, we must consider the need for the Government to increase revenue while simultaneously supporting individuals and businesses through the crisis and undertaking structural reforms that would lead to an improvement in the ease of doing business.

The recovery will require us to attract local and foreign capital. Improving the Ease of Doing Business is now key. Our country's Economic Recovery Plan must therefore have clear objectives related to improvement of quality of lives and social harmony as a pre-requisite of a more attractive business environment.

It is in this context that we make the following recommendations.

Suggestions for post-COVID growth:

- 1) Develop a National Recovery Fund with an independent Board to mobilize private capital through the provision of future tax credits (over a period of 3-5 years) for expenditure in this fund similar to the art and culture tax allowance or sport sponsorship tax allowance.
- 2) Use the current financial environment to consolidate and re-finance both sovereign and state enterprise debt. Refinancing now is advisable, versus the risk of debt restructuring in the future. Decreasing USD denominated debt is advisable.
- 3) Consider divestment and strategic investments/acquisitions of and by state companies that have been operating as commercial entities i.e. those who have not required subsidies from the GORTT for a period of at least 5 years. The use of a transparent Public Private Partnerships should be explored to achieve these objectives and Feasibility Studies / Data Analytics Studies should be conducted on all of them as part of the annual agenda, so the process can commence with the appropriate data available.
- 4) Widen the tax net by enforcing the existing tax laws for non-compliant businesses. Collaborate with the Financial Intelligence Unit and utilize technology such as GIS maps to cross reference overlay of population and building data, Artificial Intelligence and Fraud Detection Tools and Professional Accreditation Bodies and Associations to identify businesses that are not BIR compliant to bring more people into the tax net by September 30th 2021, but make it clear that no penalties for past periods will be applied.
- 5) Incentivise Venture Capital and Private Equity initially by amending regulations to allow institutional and private investors to invest a portion of their capital in such funds.
- 6) Consider allocating less than 5% of the Heritage Fund for investing in Private Equity as an Investment Asset Class, alongside the Private Sector and the State, in revenue generating projects and diversification centric investments, on the basis of transparent evaluation and investment criteria.
- 7) Green light approvals for all existing projects awaiting State land sales/transfers, land leases, operating permits, construction permits, once State Board or Recovery Committee approved

once fitting the criteria of generating foreign or local direct investment and in the designated sectors of trade, logistics, manufacturing or IT.

- 8) It is important that Government settles its debt to private companies. Many companies have granted Government credit terms for goods and services, which are past due. It is important that Government pay its obligations, as many companies are struggling to obtain positive cash flow.
- 9) Articulate and share a comprehensive energy sector strategy that addresses the entire value chain for the monetization of the nation's hydrocarbon resources and transition to renewable sources of energy and fuel.
- 10) Operationalize a T&T High Commission in Georgetown to further T&T's national interests, with a focus on economic diplomacy and trade promotion, as Guyana is projected to be the fastest growing economy in the Western Hemisphere over the next decade.

Digital Transformation

Economic recovery, citizen satisfaction and sustainable growth, will be underpinned by the digital transformation of the economy. As such, we propose that focus be placed on the following:

RECOMMENDATION – Create and implement an ICT skills development and education policy which enables global ICT competitiveness in select sub-sectors.

A critical enabler of ICT competitiveness at a national level is the collective capabilities and competencies of the human resources available to the country in the areas that we chose to compete. It is necessary to identify a limited number of niche capabilities, e.g. post-graduate scholarship programmes should be reviewed and geared towards digital/ICT training.

Universities like UWI, UTT, SAM, SBCS etc. can then be engaged to develop programmes to quickly develop the critical mass of designers, coders and analysts required. The curriculum should be reviewed by the Ministry of Education at every educational level and updated to reflect this policy. The design thinking methodology should also be included in both teacher and student

learning. We also recommend that digital/ICT training be added to the curriculum at all levels, starting with coding with at the primary school level.

In addition, general culture in organizations with specific focus on **SMEs** and lack of trust for technology are hindrances to adopting technology. This will always be a challenge faced when introducing new solutions. **This hesitation in adopting technology can be conquered and bridged with training. So, we recommend the provision of funding for public and private sector organizations to provide training/sensitization workshops to assist SMEs in adopting ICT.**

RECOMMENDATION - Enable Electronic Funds Transfer (EFT) methods for critical government services; Inland Revenue Division, Company and Land registries, Ministry of Works and Transport – Licensing division and disbursement of various grants

These are key vertical services that have major impact on either revenue generation and/or improving convenience, quality of service and reducing cost and friction in dealing with the government for citizens.

RECOMMENDATION – Facilitate an accelerated “digital policy” refresh for existing digital strategies, policies and frameworks to support innovation within the Government

There are several digital strategies, policies and frameworks which impact GORTT’s digital transformation initiatives. A co-ordinated approach to the completion and adoption of the following policies should be incorporated.

- ▶ Open Source Policy
- ▶ Remote Working Policy Suite
- ▶ Data Strategy, Policy and Framework
- ▶ GORTT Asset Management
- ▶ Open Government Policy
- ▶ Cloud Computing (Cloud options for WoG)
- ▶ e-Government Omnibus Technical Standards (e-GOTS)
- ▶ e-Government Interoperability Framework (e-GIF)
- ▶ Change Management Policy
- ▶ ISO/IEC 27000 series

RECOMMENDATION – Accelerate the enablement of the Central Bank of Trinidad and Tobago’s Regulatory Sandbox

We recommend accelerating the implementation of the regulatory sandbox as by nature of doing so will have the added benefit of advancing financial inclusion via technology innovations within the financial sector. This will allow for local Fintechs to roll out to beta users, before completing lengthy regulatory processes and allow them to attract funding from both local and international investors, thereby creating economic opportunity for the technology sector. While this has been announced, it has not been effectively implemented thus far.

RECOMMENDATION – Enable the use and acceptance of Digital and Electronic Signatures.

Revisit the framework governing digital and electronic signatures and fully proclaim the Electronic Transaction Act, specifically the implementation of the Electronic Authentication Service Providers. Promoting the use of digital signatures with the general public is necessary to inspire greater confidence in the use of and reliance on digital signatures, as this will be key to facilitating legal arrangements going forward across all industries.

RECOMMENDATION – Establish a data interoperability framework

The goal is to help the GoRTT find the optimal strategy that is sustainable and appropriate for a small island developing state and factors in resilience. An interoperability framework is a set of standards and guidelines that a government uses to specify the preferred way that its agencies, citizens and partners interact with each other vs. interoperability via architecture, e.g. national enterprise architecture which is a strategic planning framework that relates and aligns government ICT with the governmental functions that it supports. This will allow for greater participation from the private sector is developing solutions to support citizen service delivery and accelerate the Government’s digital transformation agenda.

RECOMMENDATION – Design of a comprehensive change management strategy and communications plan for engaging stakeholder groups within and outside the government that may be affected by the implementation of e-services.

This will include an inclusive, gender-informed communications plan to address the need to communicate with the people affected by the process, system and structural changes created by

the implementation. The informed Communication Management Plan will be developed to address the specific communication needs of each stakeholder group, which includes the design of communication methods, messages, and structures. The communications plan will include a targeted public education campaign and behavioral change communication to help citizens become aware of the benefits and practice the learnings from the trainings to use digital tools and platforms. Inclusive of capacity building and training to address the training requirements of employees of the government and end – user/citizen groups to build knowledge levels in the use of digital technologies and enhance digital literacy to enable them to operate effectively in the new environment.

RECOMMENDATION – Implement a National Unique Identifier and Legal Digital Identity

This number should be used as the single citizen electronic interface and to track the State’s interaction with citizens from cradle to grave – i.e. birth certificate, death certificate, passport, IDs, schooling, vaccination etc.

DATA FOR DECISION MAKING

RECOMMENDATION - Prioritize the National Statistical Institute (NSI) and its resource requirements.

To attain better quality data sets on the national economy and to improve the frequency of such data update/delivery the CSO – and more pointedly its full transition to the National Statistical Institute (NSI) should be prioritized. Accurate, relevant and real time data on trade and the economy is very important for not only Government planning but also business planning.

In data, deficiencies in data collection and reporting were highlighted as one of the primary factors affecting the country’s credit rating. The National Statistical Institute is therefore a critical component of the effective planning for the future. The NSI, in our opinion ought to bring better functioning to our national statistical system with modern and improved data collection and reporting.

RECOMMENDATION – conduct sectoral surveys that would identify manpower requirements and assessment of training needs to address skills gaps which may exist within various industries.

Given the vision of the country's National Training Agency (NTA), to create a workforce that is certified, competent, innovative, enterprising and entrepreneurial, contributing to the continual development of Trinidad and Tobago, they should be mandated to first conduct the relevant sectoral surveys that would result in the identification of manpower requirements and second, complete an assessment of training needs to address any skills gap existing within industries in the various sectors of the economy.

Having the right set of skills is essential to support business growth. Greater investment in human capital is therefore needed to build and retain a workforce not only with the skills at start-ups, but also to help build businesses and innovate for the future. Government can kick start investment in human capital by creating a flexible labour market that attracts people with a variety of skills and experience; supporting education for an IT and innovative workforce; and promoting diversity in the workplace. A survey of AMCHAM T&T Members indicated that, within the next two years, companies will be interested in hiring in the areas of data analytics, cybersecurity, artificial intelligence, software and solution development, in addition to specialists with soft skills like leadership and business excellence.

RECOMMENDATIONS - Establish an “Accountability Council” to engage and account to the public and our external stakeholders on the country’s transformation plan.

Transformation efforts although well-intentioned, are often derailed by various roadblocks known or unknown at the time. Without constant communication this leads to unmanaged expectations and broken promises on a large scale. Accountability drives focus and therefore potential for real action; we believe what we have seen in the last few months can work on a larger scale. We have seen the success of the current administration in its management of the Covid-19 epidemic by formulating policy based on data and science, taking quick and decisive action, and creating a forum for those accountable engaging with the national population at a cadence we have never seen before, and which created a strong sense of alignment in the nation around this issue. We believe true transformation can only occur in the right climate and that is one in which we have an aligned “management and engagement” of the country’s transformation agenda with the people who are accountable to make change happen. We see this as a joint effort with Labour, Civil Society, Government, and Private Sector reporting (at the most senior levels) to the public on a regular cadence on what is being done and why, with opportunities for citizen engagement and

responses to questions and concerns. **Creating these high level objectives, specific milestones, pre-defined metrics of success and communicating the progress are the ever-present responsibilities and job of leadership, and it is only through collaborative engagement can we be responsible and accountable for this and make it real.** This can be achieved by repurposing existing tri-partite institutions such as the NTAC or through the creation of an additional body.

RECOMMENDATION - A comprehensive review of government debt including receivables to foreign governments, trade bills, refunds etc.

AMCHAM T&T understands the troubling circumstances that the ongoing COVID-19 pandemic have forced the Government to operate, and that borrowing was favoured over the depletion of the Heritage and Stabilisation Fund. We share the concern of Government regarding debt management and the utilization of borrowing to simulate production.

Therefore, a comprehensive understanding of the size of our debt, current and future liabilities, obligations and upcoming payables is crucial for the development and successful execution of an actionable debt management plan. We continue to be concerned about the use of a cash-based accounting which does not accurately reflect the true indebtedness of the Government. The cash-based system excludes important considerations such as:

- Government to Government Debt obligations which will start coming due to around the end of 2024-2025.
- Government current liabilities to contractors and suppliers and future liabilities for current commitments; and
- State enterprise to state enterprise obligations (e.g. T&TEC w/ NGC - ~\$1B USD)

RECOMMENDATION - Adoption and Implementation of an internationally recognized public sector accounting system such as International Public Sector Accounting Standards (IPSAS).

As Trinidad and Tobago works toward Vision 2030 and becoming a developed nation, we continue to urge the government to consider the implementation and adoption, on a phased basis, of accrual accounting standards. The adoption and implementation of IPSAS would allow for more

comprehensive and transparent reporting of assets and liabilities which would in turn lead to better decision making for resource allocation and expenditure.

Ease of Doing Business

Trinidad and Tobago continues to be ranked 105 out of 190 in the Ease of Doing Business with unacceptably low scores in paying taxes and enforcing contracts. More must be done to improve the business environment in Trinidad and Tobago, not only to allow our local companies to be able to expand, but also it allows investors to see the country as attractive for their investments.

Customs

Worldwide the express parcel industry is the fastest growing transport sector. Studies have shown that this industry is necessary to support growing industries and significantly impacts the competitiveness of companies, as companies operate very lean models and imports are needed ‘just-in-time’, as well as exports need to be sent to the relevant markets. AMCHAM T&T believes this industry is an important component to our competitiveness, and shipments should be able to be processed within 24 or at a maximum of 48 hours from the beginning of the last-mile process to the end.

RECOMMENDATION – Fully automate the Customs’ process and functionally integrate with TTBizLink and revamp Customs hours and redesign locations to increase the efficiency at the Piarco International Airport firstly, and then the Sea Ports.

It is very important that we use the ASCUYDA system to its full potential. With international trade increasing, it is alarming that despite the country making significant investments in an ASCUYDA system, that some modules are still to be deployed, and a manual system is still being used. AMCHAM T&T believes that as the country embraces digital transformation, this should also be done at our borders.

RECOMMENDATION Customs immediately implement and use the risk assessment module of ASCUYDA-

ASCUYDA greenlights particular shipments based on the data collected over the years by the system. It is counterproductive, that despite shipments getting a green light by ASCUYDA they are still subjected to 100% inspections. Currently, courier companies are reporting delays of over five days for shipments- this backlog not only negatively impacts businesses by the delays, but businesses have to pay storage costs, and we have been advised that the physical capacity to hold these items at the bond areas is lacking, so shipments are sometimes left outside- subjected to rain.

RECOMMENDATION – Re-implement 2011 procedure of clearing commercial shipments valued at TTD\$ 20,000 or below without an entry.

This will result in significant improvements in the speed of processing clearance of items without any loss of revenue to the state.

RECOMMENDATION – Encourage the establishment of Export Tax Free Zones to encourage investment in trade and cargo logistics without the legacy inefficiency of customs.

RECOMMENDATION - Replace Online Purchase Tax (OPT) with implementation of the \$10.00 Airway Bill fee.

Current legislation governing imports clearing (Customs Brokers and Customs Clerks Regulation) states that each Airway Bill will incur a fee of TTD\$10.00. This means that customers will pay for any item imported: the cost of the item, duties, VAT and the airway bill fee. AMCHAM T&T believes that this cost in addition to the 7% levy places a severe burden on the courier industry. Currently the TTD\$10.00 fee is not applied as the courier companies still submit their information manually.

AMCHAM T&T is therefore suggesting that the TTD\$10 fee take the place of the OPT, as it would be a simpler/cleaner system to adjudicate and collect.

RECOMMENDATION - De Minimis value set at \$400 USD.

A de Minimis value of USD\$400 will ensure a much more efficient system and would lead to increased collection of much needed revenue. Further, the Ministry of Trade and Investment and the Ministry of Planning and Development collaborating on updates to the SEW have included a risk analysis component, which works well with this recommendation, and would keep both the customer and courier company honest and dissuade them from undervaluing invoices and cheating the system.

A number of countries within the Caribbean have already implemented a de minimis value, including French Guiana, Martinique, Guadeloupe, Guyana, Bonaire, Bahamas and Jamaica.

Cross-cutting EoDB Issues

RECOMMENDATION – Develop a comprehensive migration policy with a view to meeting the needs of increased development without over-burdening social services.

Given that the birth rate in Trinidad and Tobago has been less than two (2) births per woman since 1995, we believe that net inward migration is the most viable means of population growth. With an aging population and falling labour force participation rate, inward migration and population growth is needed for long term growth and stability. Population growth would also increase the availability of labour and go a long way in addressing the underfunding issues in the National Insurance System.

To achieve the goals described above, a comprehensive national migration policy and strategy that address economic migration, refugees and asylum seekers, and integration of migrants into local life is required. Given the range of considerations necessary, development of such a policy would require Inter-ministerial collaboration and must be underpinned by research; both of best practice and of the current situation of the country.

RECOMMENDATION – Support R&D in private companies through the allowance of a write-off of 75 % of the working capital used to support innovation against chargeable income tax, up to a limit of 2% of a company’s annual revenue in the prior year.

RECOMMENDATION - Implement a procedure for Advanced Tax Ruling System

In light of more complex tax issues coming to the forefront, certainty of treatment as it relates to tax liability is necessary. Unfortunately, this has not been the case and these policies have not been forthcoming from the Board of Inland Revenue within recent years. The Advance Tax Ruling system allows companies to clarify and better comply with tax regulations, increasing revenue collection and contributing to the creation of a transparent tax regime and increased confidence in the tax system. Therefore, taxpayers should be reasonably confident that they can rely on these rulings. To implement this proposal, the Government could introduce regulations which:

1. Set out the parameters for creating and publishing tax policies on the tax treatment of issues;
2. Specify that the Board of Inland Revenue will adhere to the published policies until such policies are revoked or amended;
3. Stipulate a timeframe within which a response to a request for an advanced ruling will be delivered.

Notwithstanding the above, such regulations should also set out criteria for individual taxpayers applying for and obtaining rulings on issues that may arise.

RECOMMENDATION - Alternative Dispute Resolution of Tax Disputes.

Amend the Income Tax Act in respect of the objection process to allow for mediation and other Alternative Dispute resolution mechanisms and to allow for Alternative Dispute Resolution (other than mediation) at the Tax Appeal Stage.

RECOMMENDATION - Timely settlement of VAT Refunds.

Even with the VAT Bonds and the distribution of some VAT refunds as part of the COVID-19 relief effort, the timely settlement of VAT refunds continues to be an area of concern, particularly for companies awaiting a significant amount of money in refunds. In recent months, members have indicated that VAT refunds are again growing in both amount and length of time outstanding.

We recommend that VAT refunds be handled using a separate system from income and corporation taxes to ensure that funds are available from the VAT collected to issue VAT refunds.

RECOMMENDATION - The Automatic application of refunds.

AMCHAM T&T is concerned about the automatic application of refunds by the Board of Inland Revenue especially where there is improper information provided by the Board of Inland Revenue in applying these refunds or the records are not updated. We view this as a significant impediment to the cash flow of businesses and we submit that this should not be done arbitrarily. We therefore recommend that the Board of Inland Revenue:

- (a) Send notices indicating taxes that are outstanding on its system and providing the Taxpayer with an opportunity to respond;
- (b) Consider the response of the Taxpayer;
- (c) Upon three consecutive notices being served and having received no response, it may then apply the refunds against taxes that are shown as outstanding.
- (d) Provide notice of its application of the refunds and provide details of the taxes outstanding.

RECOMMENDATION - The implementation of an effective transfer pricing (TP) regime AFTER stakeholder consultation.

AMCHAM T&T is of the view that meaningful consultation with stakeholders, particularly the business community, is essential prior to the implementation of a transfer pricing regime. Only after consultation would AMCHAM T&T welcome the introduction of an effective TP regime to add fairness, certainty and consistency to the tax environment.

Energy Sector

A national comprehensive energy policy is necessary and should include;

1. Measures to accelerate the development of oil resources, on and offshore in the shortest possible timeframe. This should include further incentivization of private capital and partnerships to support development of resources held by Heritage Petroleum.
2. Measures to increase exploration and development work in shallow water maturing gas fields

3. Measures to increase exploration in deepwater

Additionally, a 10 year national strategy for the energy sector is important. This positions T&T to be well placed in the energy transition that considers;

- Measures to incentivize existing operators in the upstream and downstream to make investments required to reduce emissions with a view to creating less carbon intensive energy exports
- Measures to support R&D and investment in carbon capture and storage
- Measures to support further development and investment in hydrogen
- A national plan for the introduction of EV's and the phasing out of ICE vehicles over time
- Measures to support the development of EV charging networks across the islands
- Policy and regulation that allows private citizens to invest in home solar systems and sell excess capacity into the grid
- Establish or participate in a regionally recognized carbon pricing/trading scheme to incentivize investment in low carbon opportunities
- Establish and staff an energy transition authority or arm of the ministry of energy to coordinate the various government agencies required to support investments in renewable energy projects, CCS, hydrogen, etc.