

Existing Incentives for Manufacturers

The current incentive regime in Trinidad and Tobago is well-developed, comprising various pieces of legislation such as:

- the Fiscal Incentives Act, Chapter 85:01 (as amended)
- the Customs Act, Chapter 78:01 (as amended)
- the Income Tax (In Aid of Industry) Act, Chapter 85:04 (as amended)
- the Corporation Tax Act, Chapter 75:02 (as amended)
- the Tourism Development Act, 2000 (as amended) and
- the Free Zones Act, 19 of 1988 (as amended).

The details of these are as follows:-

1. Fiscal Incentives Act

Fiscal Incentives are benefits granted to large-scale manufacturers under the provisions of the Fiscal Incentives Act, Chapter 85:01 (as amended). Projects qualifying for fiscal incentives normally fall within one of the five classifications outlined in the Act.¹ The benefits include exemption from customs duties on the construction of an approved project; exemption from Value Added Tax; and exemption from income tax on dividends or other distribution, other than interest, out of profits or gains derived from the manufacture of the approved product during the tax holiday period.

2. Customs Act - Import duty concessions

Manufacturing enterprises are allowed duty free treatment on their raw materials, machinery and equipment and in some cases packaging material based upon the provisions of the Third Schedule of the Customs Act, Chapter 78:01 (as amended). In terms of eligibility criteria the company must be a manufacturing enterprises; make a contribution towards the T&T economy in terms of employment, linkages, and/or an additional investment; and have a positive local labor weighting and a positive local value added.

3. Corporation Tax Act - Approved Small Company Status

Approved Small Company Status is a designation granted to a Limited Liability Company, allowing it to derive a tax relief for a period of five (5) years under the Corporation Tax Act, Chapter 75:02 (as amended), in the form of a tax credit. Applicants must apply to the Business Development Company Limited (BDC). Under this facility an approved small company is entitled to a tax credit equal to twenty-five percent of the chargeable profits.

4. Free Trade Zones

Free Trade Zones Programme is designed to encourage local and foreign investment in export-driven projects that create jobs, develop skills and create external markets for products. The Programme has been seen as an instrument to attract non-energy-based projects to Trinidad & Tobago and is administered under the Free Zones Act, 19 of 1988 (as amended).

¹ Group 1 Enterprise: Where the local value added to the product is at least 50%, Group 2 Enterprise: Where value added is at least 25% but less than 50%, Group 3 Enterprise: Where the local value added is at least 10% but less than 25%, Enclave Enterprise, or Highly Capital Intensive Enterprise: When minimum capital investment is TT\$50m.

Free zone areas are designated by order of the Minister of Trade & Industry on the recommendations of the Trinidad & Tobago Free Zones Company Limited. Sales into the customs territory are treated as extra regional imports. Free Zone activities that qualify for approval include manufacturing for export, international trading in products, services for export and development and management of free zones.

The benefits under the Free Trade zone includes: exemption from import duties on capital goods, parts and raw materials for use in the construction and equipping of premises and in connection with the approved activity; exemption from VAT; exemption from withholding taxes; exemption from container examination fee; and exemption from work permits fees, and land and building taxes.

5. Across Sectors

Loan Guarantee Programme

The Loan Guarantee (LG) Programme assists new or existing businesses by providing part of the collateral needed to secure loans since a lack of collateral has been identified as the major constraint to obtaining the finances needed for business establishment and expansion. Financial support can be provided for working capital financing, inventory purchases, revolving loan facility, the purchase of an existing business as a going concern or the purchase of equipment. Guarantees are provided to businesses for funding purposes upon qualification for a loan from the Lender and the BDC. The BDC guarantees up to 85% of the loan and the maximum guarantee value is \$500,000.00.

Research and Development Facility

The RDF was set up to provide grant funding to non-energy manufacturing and service businesses for research and development initiatives. The original aim of the project is to stimulate and support investment in new and advanced technology and innovation as a competitiveness enhancement tool. Businesses can access a maximum grant of \$100,000 annually to cover up to two-thirds of the cost of their research and development project. Areas of R&D that will be eligible for funding include: improvement to processes; product development; adaptation of systems and technology, and innovations in technology management systems and industrial engineering, e.g. product processes, logistics, supply chain, Good Manufacturing Practices (GMPs), etc. The R&D Fund is currently being reviewed.

Venture Capital Incentive Programme

The Venture Capital Incentive Programme (VCIP) was introduced to address the lack of equity capital available for small and medium enterprises by providing investors who invest in Venture Capital Companies (VCC's) with a tax credit. These VCC's would in turn invest in Qualifying Investee Companies (QICs). Individuals qualify for the tax credit based upon the provisions of the Venture Capital Act, 1994 (as amended).

At present, registered Venture Capital Companies include: Add-Venture Venture Capital Company; FNCU Venture Capital Company; Prudent Venture Capital Company. There are 10 registered QICs. In terms of benefits upon making an investment in a registered VCC, investors received a tax credit in the amount of 30% of the investment made. Where the amount of the tax

credit cannot be wholly set-off against the tax accessed for that income year, the amount of the unclaimed tax credit may be carried forward and set off against tax accessed for succeeding years of income until fully utilized.

Regional Development Area

Under Section 16A of the Income Tax Act Chapter 75:01 (as amended), an approved company carrying out business in a regional development area is entitled to a tax credit equal to 25 per cent of the chargeable profits for a period of seven years, from 1st January in the year in which the certificate of approval is issued.

In terms of Eligibility Criteria, some of the conditions are: the company must be incorporated in Trinidad and Tobago on or after 8th January, 1988 and be resident in Trinidad and Tobago; be locally owned and controlled; carry out its operations in an area designated to be a regional development area and produce manufactured goods or industrial services of which at least 75% are produced in the regional development area;

Allowances -Promotional expenses allowance; and, wear and tear allowance

In computing the chargeable profits of a company for purposes of corporation tax, there are certain deductions that are allowed under the Corporation Tax Act, Chapter 75:02 (as amended), Income Tax Act, Chapter 75:01 (as amended), and Income Tax (In Aid of Industry) Act, Chapter 85:04 (as amended). These deductions include allowances for promotional expenses, wear and tear, and capital expenditure, and can be considered as part of the investment incentive regime of Trinidad and Tobago.

a) Promotional Expenses Allowance

Promotional Expenses allowance is equivalent to 150% of the amount actually expended for the purpose of creating or promoting the expansion of foreign markets for the export of certain goods and services. The allowance is given for the expenses including the following: advertising in foreign markets; providing promotional literature for overseas distribution; the participation in trade fairs, trade missions and similar promotional activities; overseas travel for the purposes of conducting promotional activities; providing free samples and technical information on products; and inviting buyers to Trinidad and Tobago.

b) Wear and Tear Allowance

Depreciation charged in the annual financial statements is not deductible for taxation purposes. It is replaced in the computation of taxable income by initial and annual wear and tear allowances. The rates of annual wear and tear allowances are set out in the seventh schedule of the Income Tax Act, Chapter 75:01 (as amended). Broadly, they are intended to recover the cost over its useful life. Wear and tear allowances must be calculated on the reducing balance basis on actual cost, except for private motor vehicles; which are available at full cost. Indexation for inflation is not permitted. This allowance is applicable on machinery and equipment, industrial building, intangibles, and balancing allowance or charge.
