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TRINIDAD AND TOBAGO

BUDGET 2025: ESSENTIAL INSIGHTS

For Companies and Their Executives



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1 OCT 2024

Look for Our Section on
IMPACT BY BUSINESS TYPE

SNAPSHOT OF FISCAL MEASURES

Taxation and Financial Relief

- Tax and NIS amnesty from Oct 1, 2024, to Dec 31, 2024, final one before operationalisation of TTRA
- VAT refunds - interest-bearing VAT bond costing \$3B to be offered by Jan 31, 2025; SMEs paid in cash by Dec 31, 2024

Public Sector Wage and Employment

- Minimum wage increases for public sector workers from \$20.50 to \$22.50 per hour (\$75M) effective Nov 1, 2024
- Public sector wage negotiations offer of 5% increase for the period Jan 2020 to Dec 2022 (\$475M per year and \$1B+ in backpay)

Agriculture and Environment

- Agriculture sector - comprehensive legislative review to eliminate tax ambiguities by Q1 2025

Energy and Sustainability

- Exemption of all taxes and duties on all electric vehicle charging equipment and accessories from Jan 1, 2025

Sports and Recreation

- Exemption of all taxes and duties on Sporting Gear (excluding clothing) (\$20M)

Education and Skills Development

- Online numeracy programme for adults (\$3.2M)
- National digital literacy programme in 18 communities (\$5.0M)
- Digital literacy certification for students (\$2.9M)
- Solar power sustainability programmes in 26 secondary schools (\$2.6M)
- Agriculture internship programme for 30 graduates of UTT ECIAF (\$2.2M)
- CSEC remedial mathematics programme in 26 secondary schools (\$2.5M)

Housing and Community Development

- Housing and Village Improvement Programme housing unit cost to increase from \$150K to \$200K, building 500 units (\$100M)
- Book Grant extended in 2025, \$1,000 for 20,000 students after means test (\$20M)



OUR EXPERT SUMMARY

As the 2024 fiscal year closes, the 2025 national budget presents a critical opportunity for businesses to navigate an evolving economic landscape. Globally, inflation remains high at 5%, and geopolitical uncertainties—particularly the Ukraine/Russia and Israel/Palestine conflicts—create an unpredictable environment for businesses. Locally, the non-energy sector accounts for 28% of GDP and growth is projected at 2.2% for 2024, mainly driven by accommodation and food; trade and repairs; and transport and storage sectors.

Key Fiscal Measures and Local Outlook

The government projects a fiscal deficit of 3.5% of GDP for 2024, while maintaining Gross US Dollar Reserves of US\$5.5B, equivalent to seven months of import cover. The Heritage and Stabilisation Fund (HSF) stands at US\$6.1B, despite significant withdrawals. New measures aim to improve tax remittances from energy companies in US Dollars to improve availability of US Dollars locally. Furthermore, the settlement public sector wage negotiations, increase in minimum wage for public sector workers, and VAT refund payouts are expected to infuse capital into the economy, albeit with rising costs for the state.

Key Issues Impacting Businesses Going Into 2025

1. **Crime:** High crime rates continue to deter investment, both local and foreign. The heightened security costs and loss of talent drive operational expenses higher, creating long-term competitive disadvantages for businesses operating locally.
2. **Foreign Exchange Shortages:** Limited access to US Dollars constrains business operations, increases costs, and raises prices for consumers, ultimately reducing profitability and growth potential.
3. **Economic Diversification:** With global emphasis on reducing carbon footprints and moving away from hydrocarbons, businesses must support and engage in the diversification of the economy. However, this process requires long-term investment and consistent government policy, which should be front-loaded.
4. **Global Financial Integration:** The lack of full integration with international financial systems risks alienating local companies from global markets. While efforts are underway to improve the situation, if not expedited, many businesses may be incentivised to incorporate in foreign jurisdictions to access broader financial networks.



OUR EXPERT SUMMARY (continued)

Strategies to Benefit from Fiscal Measures

Businesses must adopt forward-thinking strategies to capitalise on the economic conditions and government fiscal measures, including:

- **Investing in Renewable Energy:** As global pressure to reduce hydrocarbon reliance mounts, firms that proactively invest in renewable technologies can not only benefit from fiscal incentives but also enhance long-term sustainability.
- **Talent Retention Programmes:** In response to the crime and talent exodus potential, businesses should focus on creating secure environments and implementing competitive talent retention strategies to reduce turnover.
- **Export Market Expansion:** With forex shortages limiting local growth, exploring export markets, especially in regions with easier access to foreign exchange, will be essential for businesses to maintain growth trajectories.
- **Digital Transformation:** Given the government's focus on digital literacy and e-governance, companies should modernise operations to align with the shift towards digitisation, enabling them to remain competitive and streamline operations.

Key Risks to Mitigate

- **Crime:** Implement internal security measures and work with local security agencies to ensure business continuity.
- **Forex Shortages:** Hedge against currency risks and diversify income streams by developing new export markets or exploring partnerships in regions with easier forex access.
- **Global Supply Chain Disruptions:** Companies should assess supply chain vulnerabilities, diversify suppliers, and explore local sourcing options to reduce reliance on international markets, which are affected by geopolitical tensions.

Overall, the 2025 budget presents both opportunities and limited response to some pressing challenges. Businesses that strategically adapt to the evolving environment will not only mitigate risks but also position themselves for long-term success in a more diversified, digital, and sustainable economy.



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BUDGET OVERVIEW



Budget Theme

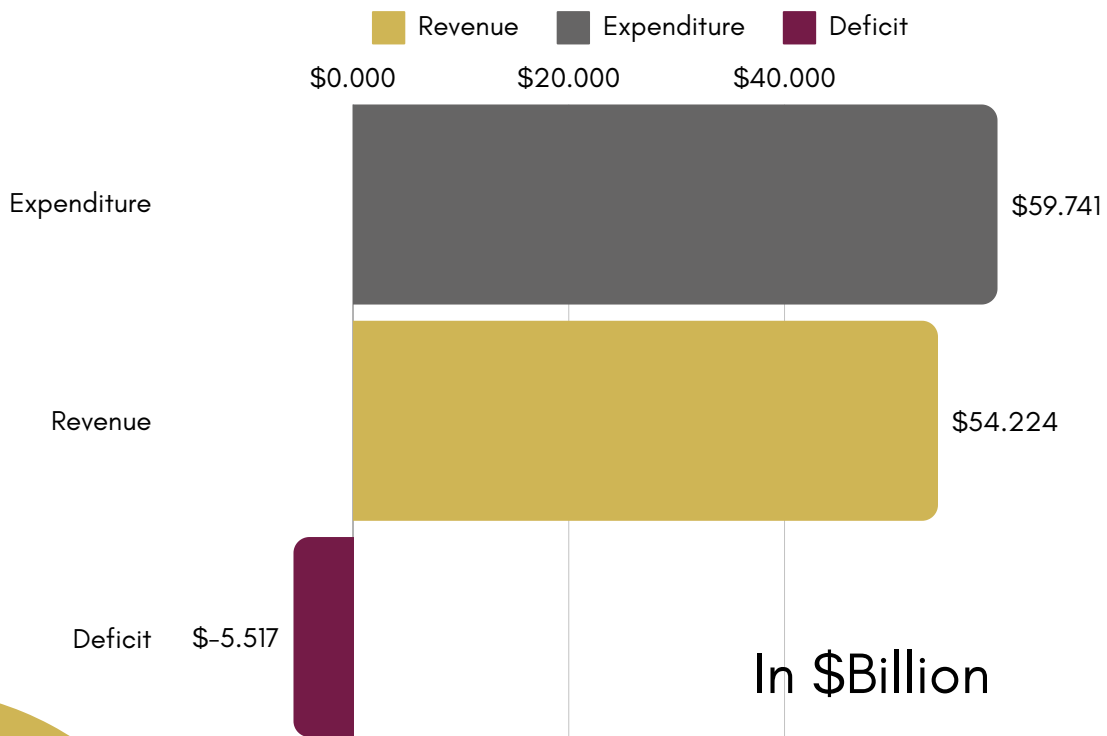
The Minister of Finance indicated that the theme of the National Budget 2025 is *“Steadfast and Resolute: Forging Pathways To Prosperity”*.

Key Budget Assumptions

- **Price of Oil:** US\$77.80 per barrel
- **Price of Natural Gas:** US\$3.59 per MMBtu

Key Budget Figures

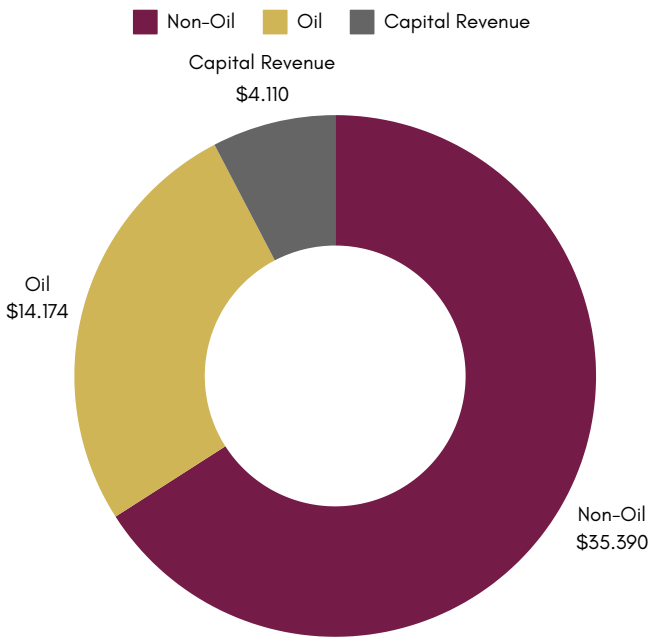
- **Revenue:** \$54.224B
- **Expenditure:** \$59.741B
- **Deficit:** \$5.517B



BUDGET OVERVIEW

(continued)

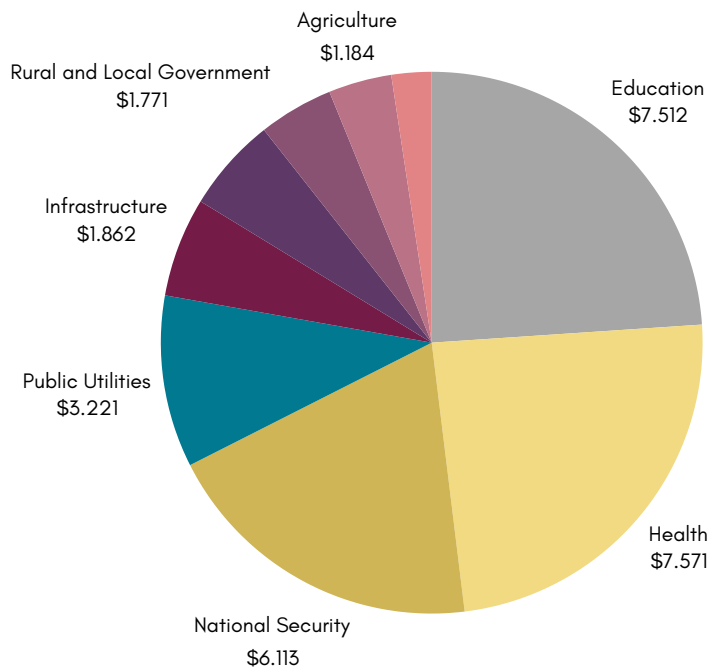
Revenue Breakdown



- **Non-Oil:** \$35.39B
- **Oil:** \$14.174B
- **Capital Revenue:** \$4.11B

Expenditure Breakdown

- **Education:** \$7.512B
- **Health:** \$7.571B
- **National Security:** \$6.113B
- **Public Utilities:** \$3.221B
- **Infrastructure:** \$1.862B
- **Rural & Local Govt:** \$1.771B
- **Transport:** \$1.401B
- **Agriculture:** \$1.184B
- **Housing:** \$750M



BUDGET OVERVIEW

(continued)



Special Projects

- **Divestment of Magdalena Hotel** through sale or lease options
- **New International Hotel Development** initiated through RFPs for a 5-star international branded resort in Tobago
- **Tobago Marina Project** via RFP for a public-private partnership to develop a yachting marina
- **Divestment of CLICO**, selling the government's 49% stake as it is no longer deemed a strategic asset
- **Sale or Lease of Pointe-a-Pierre Refinery** to explore future operational possibilities through divestment.



FISCAL MEASURES



EDUCATION & SKILLS DEVELOPMENT

- **Online Numeracy Programme for Adults:** Launch of classes via the School Management Learning System (MOE) to improve numeracy skills - \$3.2M.
- **National Digital Literacy Programme:** Collaboration with NGOs to roll out a digital literacy initiative in 18 communities - \$5M.
- **Digital Literacy Certification for Students:** Nationwide certification programme for students to enhance digital skills (MOE) - \$2.9M.
- **Solar Power Sustainability Programmes in Secondary Schools:** Implementation of solar energy systems in 26 secondary schools (MOE) - \$2.6M.
- **CSEC Remedial Mathematics Programme:** After-school mathematics support programme for 26 secondary schools (MOE) - \$2.5M.
- **Agriculture Internship Programme:** Internship opportunity for 30 associate degree graduates of ECIAF in the agricultural sector - \$2.2M.



PUBLIC SECTOR & WAGE INCREASES

- **Minimum Wage Increase for Public Sector Employees:** Raise in minimum wage from \$20.50 to \$22.50 per hour for public sector workers in various public sector entities, including MTS, CEPEP, and URP, effective 1st November 2024 - \$75M.
- **Public Sector Wage Negotiations:** Offering a 5% wage increase for the period January 2020 to December 2022, costing \$475M annually in recurrent expenses and over \$1B in backpay.



FISCAL MEASURES

(continued)



SOCIAL & ECONOMIC WELFARE

- **Book Grant Extension:** Continued provision of a \$1,000 book grant to 20,000 needy students in 2025 - \$20M.
- **Housing and Village Improvement Programme:** Increase in unit cost from \$150K to \$200K for the construction of 500 homes via LSA - \$100M.

TAX AMNESTY AND EXEMPTIONS

- **Tax and NIS Amnesty:** Final tax and NIS amnesty period from 1st October to 31st December 2024, ahead of the start of the Revenue Authority (TTRA).
- **Sporting Equipment Duty Exemption:** Exempt all sporting gear, except clothing, from import duties - \$20M.
- **VAT Refunds:** Issuance of interest-bearing VAT bonds, costing \$3B by January 2025, with SMEs to be paid in cash by 31st December 2024.

AGRICULTURE & ENVIRONMENTAL INITIATIVES

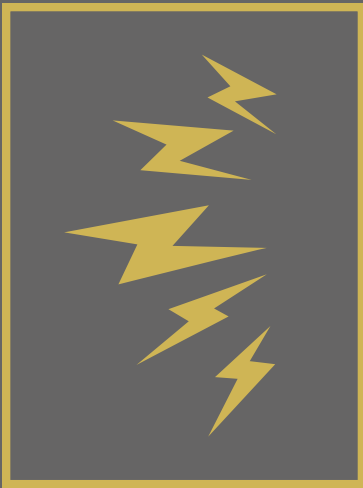
- **Agricultural Tax Exemption Review:** Comprehensive review of agricultural items to ensure the sector remains tax-free, effective Q1 2025.
- **Electric Vehicle Tax Exemptions:** Continuation of tax exemptions for electric vehicles and inclusion of charging equipment and accessories from 1st January 2025.

OTHER INFORMATION

- **Cross-Border Taxation (2027):** Expected revenue from cross-border taxation in 2027.
- **No Immediate Increase in Social Grants:** Government maintains social grant levels until 2027.



THE IMPACT: INTRODUCTION



The recent fiscal measures outlined in the national budget will have a far-reaching impact across various sectors of society. Below is a list of key groups that are likely to experience direct effects from these policies, including both opportunities and challenges. Understanding how each group is impacted will help stakeholders navigate the economic landscape more effectively.

List of Those Impacted

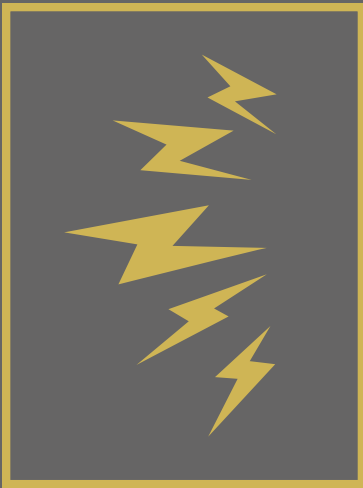
- Large Enterprises
- Micro, Small and Medium Enterprises (MSMEs)
- NGOs

For each group impacted, the following sections provide a comprehensive overview of the anticipated impacts stemming from the recent policy changes. Each section addresses crucial aspects that stakeholders need to consider to effectively adapt to the evolving landscape. By examining key recommendations, strategic opportunities, potential risks, and suggested mitigation strategies, we can outline actionable next steps for navigating these changes successfully.

Sections of Impact

- Key Fiscal Measures To Note
- Key recommendations
- Strategic opportunities
- Key risks
- Mitigation recommendations
- Next steps

THE IMPACT: LARGE ENTERPRISES



KEY FISCAL MEASURES TO NOTE

- **VAT Refund Bonds:** Interest-bearing VAT bonds worth \$3B issued by Jan 31, 2025.
- **Electric Vehicles (EVs):** Exemption of taxes on EVs, charging equipment, and accessories starting Jan 1, 2025.
- **Energy Sector Legislation:** 2025 plan for energy companies to remit taxes in US Dollars.

KEY RECOMMENDATIONS

- **Incorporate Renewable Energy:** Consider investing in solar or other renewable energy projects to benefit from sustainability incentives and reduce long-term energy costs.

STRATEGIC OPPORTUNITIES

- **Sustainability Initiatives:** Large enterprises in manufacturing, transport, and logistics should explore the adoption of EVs and renewable energy systems to benefit from tax exemptions.
- **VAT Refund Bonds:** Use VAT bonds as a liquidity tool while awaiting cash repayment options.

KEY RISKS

- **Rising Wage Expectations:** Wage inflation in the public sector could create an expectation for private sector salary increases.
- **Crime:** High crime rates could impact security costs and operational risks.

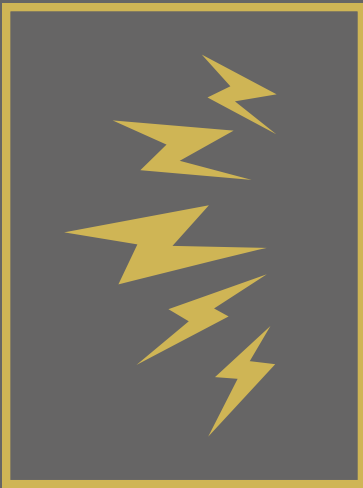
MITIGATION RECOMMENDATIONS

- **Invest in Security:** Proactively enhance security measures to protect employees and assets in high-risk areas.
- **Workforce Planning:** Review employee compensation and benefits to remain competitive while managing costs.

NEXT STEPS

- **Energy Transition Strategy:** Begin exploring and investing in EV infrastructure and renewable energy to benefit from upcoming tax exemptions.
- **Monitor Wage Trends:** Stay engaged in wage negotiations to ensure competitive compensation while protecting margins.

THE IMPACT: MSMEs



KEY FISCAL MEASURES TO NOTE

- **Tax and NIS Amnesty:** Available from Oct 1 to Dec 31, 2024.
- **SMEs VAT Refunds:** To be paid in cash by Dec 31, 2024.
- **Digital Literacy Programmes:** National rollout of digital literacy and certification for adults and students (\$5M).
- **Agriculture Tax Reform:** Comprehensive review of tax laws to make the sector truly tax-free in Q1 2025.

KEY RECOMMENDATIONS

- **Leverage Tax and NIS Amnesty:** Regularise tax status and reduce future liabilities.
- **Maximise VAT Refunds:** Ensure accurate VAT claims to benefit from cash refunds and improve liquidity.
- **Utilise Digital Literacy Programmes:** Participate in, and support, employee enrollment in government digital training to build capacity.

STRATEGIC OPPORTUNITIES

- **Agriculture Sector:** Tax exemptions and reforms can benefit MSMEs engaged in agribusiness, improving profitability.
- **Workforce Development:** Access free or subsidised digital literacy programmes to improve operational efficiency and competitiveness.

KEY RISKS

- **Foreign Exchange Shortages:** Difficulty accessing US Dollars may limit import capabilities and raise costs.

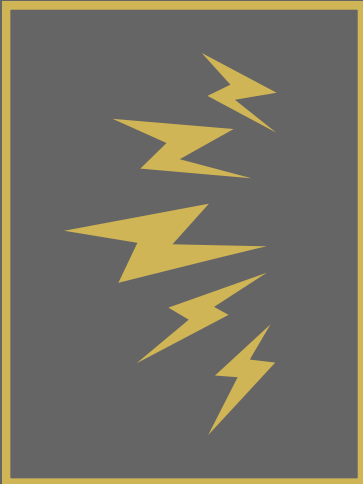
MITIGATION RECOMMENDATIONS

- **Diversify Export and Import Channels:** Explore new markets or payment methods to reduce reliance on scarce foreign exchange.
- **Enhance Workforce Productivity:** Train employees through government-supported digital literacy programmes to counteract potential costs increase.

NEXT STEPS

- **Apply for Amnesty and VAT Refunds:** Ensure tax compliance to benefit from fiscal measures and prepare documentation for VAT refunds.
- **Invest in Workforce Skills:** Promote participation in the national digital literacy programme to improve business operations.

THE IMPACT: NGOs



KEY FISCAL MEASURES TO NOTE

- **Digital Literacy Programmes:** Collaboration with NGOs to roll out digital literacy programmes in 18 identified communities (\$5M).
- **Agriculture Internship Programme:** Government-supported agriculture internship programmes (\$2.2M).
- **Foreign Exchange Shortages:** Continued challenges in accessing US\$, affecting operations with international donors.

KEY RECOMMENDATIONS

- **Collaborate on Digital Literacy:** NGOs focused on education, youth, and community development should partner with the government to implement digital literacy programmes.
- **Promote Sustainable Development:** Seek to collaborate with government programmes on agriculture and renewable energy initiatives for community impact.

STRATEGIC OPPORTUNITIES

- **Community Empowerment:** NGOs can drive social impact through participation in digital literacy and renewable energy projects, building stronger communities.
- **Workforce Training:** Support youth participation in agriculture internships, improving employment outcomes and community development.

KEY RISKS

- **Funding Constraints:** Inflation and reduced foreign exchange may affect donor contributions and project financing.
- **Crime:** Rising crime rates could endanger NGO property and assets.

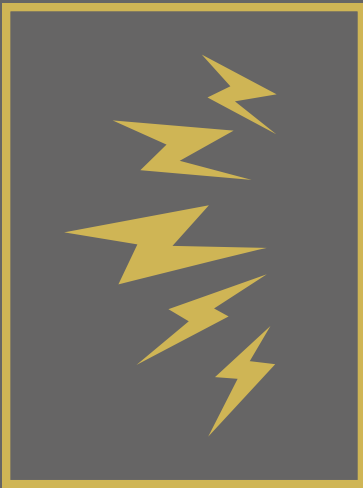
MITIGATION RECOMMENDATIONS

- **Seek Diverse Funding Sources:** Diversify funding by applying for government grants or international funding aligned with national priorities.
- **Enhance Security:** Strengthen security protocols to protect assets and staff, particularly in high-risk areas.

NEXT STEPS

- **Partner with Government:** Apply to collaborate with government on digital literacy, education, and sustainable development programmes.
- **Seek Grants:** Explore available government or international grants in agriculture, education, and renewable energy.

THE IMPACT: CONCLUSION



Across all sectors—MSMEs, large enterprises, and NGOs—the 2025 budget offers several opportunities for growth and sustainability. By leveraging fiscal measures such as tax amnesties, VAT refunds, and renewable energy incentives, stakeholders can position themselves for success. However, rising costs, foreign exchange shortages, and crime remain significant risks. Proactive mitigation strategies, such as workforce development, security enhancements, and strategic investments in sustainability, will be critical to navigating the economic landscape in the coming fiscal year.

THE COMPANY

About Safiya Group

Safiya Group is a business problem-solving agency that offers specialist value-based advice and implementation services to organisations. We solve huge problems for our clients in the following areas:

- Accounting and financial management services
- Large-Scale Project Finance Advisory
- Large-Scale Capital Sourcing
- Business Financial Advisory
- Executive Leadership Strengthening

Our client base covers large enterprises in the private and public sector, including family-owned businesses, as well as SMEs, operating in the following industries throughout Trinidad and Tobago, across the Caribbean and the United States:

- Financial services
- Construction and related services
- Engineering and architecture services
- Legal services
- Health care services
- Public sector enterprises
- Sporting services
- Apparel and accessories
- Educational and training services
- Janitorial services
- Non-governmental organisations
- Skin care and beauty services
- Real estate services
- Photography and fashion services
- Manufacturing services
- Event management services
- Retail services
- Food services
- Individuals (senior executives)

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