

Doing Business in Trinidad and Tobago

Introduction

This guide has been prepared by Baker Tilly Montano Ramcharitar an independent member of Baker Tilly International. This document is designed to assist those who are considering investing or doing business in Trinidad and Tobago.

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1 Fact Sheet

Geography

Location Trinidad and Tobago is a twin island republic. Trinidad is located just 6.8 miles off the north east coast of Venezuela. Tobago is located 20 miles from the north east corner of Trinidad. Trinidad is roughly 55 miles long and an average 45 miles wide. Tobago is roughly 20 miles long 8 miles wide.

Climate The climate is typical of tropical rain forest. There is a dry season from January to May and a wet season from June to December. The temperature varies very little during the year but night time temperatures fall to 21-23 degrees Celsius and daytime temperatures average 31 to 33 degrees. Average rainfall is roughly 200cm per year.

Timezone GMT -4

People

Population Approximately 1.3 million

Language English

Religion Christian, Hindu, Moslem, Shouter Baptist

Government

Country name Republic of Trinidad & Tobago

Government Westminster model. An elected House of Representatives with 41 members, a nominated Senate with 31 members. The Head of Government is the Prime Minister and the Head of State is the President of the Republic who is elected

by all members of parliament sitting jointly as the electoral college.

Capital Port of Spain

Telephone 1 868

Economy

GDP US\$ 20,440 mn

GDP per capita US\$ 2,442

Currency Trinidad & Tobago dollar

Exchange rates US\$ 6.3983/6.4244

GBP 10.013/10.4584

Eur 8.7379/9.3497

Net Official Reserves US\$ 9,143.5 mn

Currency rating Standard & Poor's A

Moody's Baa2

Diversification Petroleum 35.7% of GDP

Other 63.3%

Total public debt TT\$ 70,472 mn

% GDP 52.2% (Of which Foreign – 6.8%)

Labour force 608,400

Unemployment 4.8%

2 Registration & requirements

2.1 Companies

Limited liability companies must be registered. An incorporator can be one person. External companies must also be registered and once registered may carry on business and exercise its corporate powers within Trinidad & Tobago.

There is no minimum share capital requirement.

Companies are taxed at 25% of chargeable income. External companies will also be charged on their chargeable income within Trinidad & Tobago at 25%.

However, if in the event of a branch the “mind and management” are deemed to be outside of Trinidad & Tobago the branch will be subject to non-resident withholding tax on the undistributed profits after charging income tax.

Companies are also subject to the Green Fund Levy at 0.1% of Total Receipts, and Business Levy of 0.2% of Total Sales.

Companies must file returns annually with the Registrar of Companies. Financial Statements of private companies are not required to be filed with the Registrar.

2.2 Partnerships

Partnerships must also be registered with the Registrar of Companies.

Partnerships are not subject to income tax but are subject to Value Added Tax – 15%, Green Fund Levy - 0.1% of Gross Receipts, and Business Levy - 0.2% of Total Sales.

The Partners are subject to tax on their share of partnership profits whether drawn or not. The rate of tax for individuals is 25%

A partnership is not deemed as a separate legal entity from its members.

2.3 Audit & Accounting Requirements

All businesses must maintain proper books and records which must be retained for six years for tax purposes.

Companies are required to have annual audited accounts but private companies may by unanimous resolution decide not to have audited accounts.

Financial Statements prepared in Trinidad & Tobago must be prepared in accordance with International Financial and Reporting Standards.

2.4 Anti-money laundering & terrorist financing

Non-nationals wishing to do business in Trinidad & Tobago will be subjected to the requirements of the anti-money laundering and terrorist financing legislation.

Financial institutions and certain listed businesses including accountants and lawyers are mandated by the legislation under the scrutiny of the Financial Intelligence Unit to require documentation regarding the identity of clients who are non-nationals.

3 Finance & Investment

3.1 Exchange Control

There are no exchange controls in Trinidad & Tobago. There are no restrictions on the maintenance of foreign currency bank accounts or accounts in foreign jurisdictions.

3.2 Foreign Ownership

The Foreign Investment Act 1990 provides for the acquisition by foreign investors of an interest in land or shares in a private or public company, and for formation of companies by foreign investors.

A foreign investor may own up to 100% of the shares of a private company but prior to the investment the Minister of Finance must be notified in writing.

A foreign investor may own up to 30% of the shares of a public company without a licence but more than that requires a licence from the Minister of Finance.

A foreign investor may own up to one acre on land for residential purposes and five acres for trade or business without having to obtain a licence.

No one is permitted to hold land in Trinidad & Tobago or shares in a local company in trust for a foreign investor who requires a licence but has not obtained one.

4 Business environment

4.1 Trade Unions

There is a fairly vibrant trade union movement in Trinidad & Tobago. There is a heavy concentration of unionisation in the Government and petro-chemical sectors. Larger banking and heavy industries tend to be unionised. Most privately owned business and recent ex-pat operations tend not to have union representation.

Wage claims tend to follow Government settlements with the Public Service.

4.2 Banking

There are four major banks that have excellent international links and communications.

Two of the four are foreign owned, Scotiabank T&T Limited majority owned by the Bank of Nova Scotia, Canada, and the Royal Bank of Canada in Trinidad & Tobago.

4.3 Infrastructure

Trinidad has two major ports, Port of Spain and Point Lisas, which both operate containers.

Electricity is generated by gas fired plants supplied by producers under contracts with the State. Reliability is high.

Gasoline is heavily subsidised and retails for TT\$ 4.00 per litre for Premium unleaded and \$ 3.00 for Super unleaded. Diesel is sold at TT\$ 1.50 per litre.

There are two international airports, one in Tobago and one in Trinidad. Most international flights operate to Trinidad.

4.4 Work Permits

Non-nationals may enter and work for up to 30 days without a work permit. Those wishing to work for longer periods are required to have a work permit which is issued by the Ministry of National Security and must be applied for while the subject person is still out of the country.

TRINIDAD AND TOBAGO

Corporate income taxes

Resident companies, defined as those which are controlled from Trinidad and Tobago, wherever they are incorporated, are liable to corporation tax on their worldwide income.

Other companies are taxed on their income from sources in Trinidad and Tobago, subject to the terms of any relevant double tax treaty.

The standard rate of corporation tax is 25%.

Non-resident companies trading in Trinidad and Tobago through a permanent establishment are subject to a further withholding tax of 5% of their taxable profits less allowances for corporation tax paid and amounts invested in additional fixed assets. The tax is payable regardless of whether net profits are remitted back to head office.

Capital gains on assets disposed of within one year of their acquisition are subject to corporation tax. Other capital gains are not taxed.

Trading losses may generally be carried forward indefinitely for relief against future profits. There is no provision for losses to be relieved against the profits of earlier years. Relief for losses brought forward is not given in some circumstances if there is a change of ownership of the company.

There is no facility for groups of companies to file consolidated tax returns. However a system of group relief applies by which a resident company may, subject to conditions, claim relief for the loss of another resident company in the same group, as defined.

The tax year is the calendar year. Companies must file tax returns by 30 April following the end of the tax year in which their financial year ended.

Payments on account of corporation tax liabilities must be made at the end of each calendar quarter, based on the liability for the previous year, with any balance due being payable by 30 April following the end of the tax year in which the financial year ended. If the liability for the current year exceeds that of the previous year there must be paid by 31 December in the current year an amount equal to the previous year's liability plus 80% of the excess.

The additional withholding tax charged on non-resident companies trading in Trinidad and Tobago through a permanent establishment is payable by 30 April following the end of the tax year.

Personal taxes

Individuals who are resident and domiciled in Trinidad and Tobago are liable to income tax on their worldwide income. Those who are resident but not domiciled there are liable to income tax on their income arising in Trinidad and Tobago and on any income brought into the country from abroad. The concept of domicile is not statutorily defined but in common law refers to the country which is a person's natural home, the one to which, if absent, he intends to return.

Dividends received by resident individuals from resident companies are exempt from tax.

Non-resident individuals are taxed on their income from sources in Trinidad and Tobago, subject to the terms of any relevant double tax treaty.

The rate of income tax is 25%.

Capital gains on assets disposed of within one year of their acquisition are subject to income tax. Other capital gains are not taxed.

There are no inheritance, gift or wealth taxes.

Social security costs

Social security contributions are calculated by reference to several different wage classes and rates. The maximum employer's contribution is \$7,170 per employee per year. The maximum employee's contribution is \$3,585 per year. Employees must also pay a health surcharge contribution of a maximum of \$429 per year.

Withholding taxes on payments abroad

Dividends are generally subject to a withholding tax of 10%. For dividends paid to a company which owns 50% or more of the share capital and of the voting power in the company paying the dividend the rate is 5%.

Interest and royalties are subject to withholding taxes of 15%.

Rental income, management fees, and fees for technical services, are all subject to withholding taxes of 15%.

For payments made to recipients in countries with which Trinidad and Tobago has a double tax treaty the rates of withholding tax may be reduced under the terms of the treaty.

Indirect taxes

Value added tax (VAT) is levied on the selling price of goods and services and on the value of goods imported into Trinidad and Tobago. Businesses must register for VAT if their annual sales turnover exceeds \$200,000. The rate of VAT is 15%. Exports and basic foodstuffs are zero-rated. Some services are designated as exempt, including real estate transactions and financial and insurance services. Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

Other taxes

Business levy

A levy of 0.2% is charged on sales in excess of \$200,000 per year and is payable quarterly. A credit is given for the levy paid against the company's corporation tax liability. It is not payable in the first three years after a company is first registered.

Green fund levy

A levy of 0.1% is charged on all sales. It is not creditable against corporation tax liabilities.

Real estate taxes

Local authorities impose an annual buildings tax on property owners on the market value of their properties at rates which include 5% for commercial property and 6% for industrial property.

Transfer taxes

Stamp duty is levied on transfers of real estate and of shares in companies.

Duty on transfers of real estate is charged at rates of 2%, 5% and 7%, with the highest rate applying where the value of the property is in excess of \$400,000.

Duty on share transfers is charged at 5% where the shares are quoted on a stock exchange and otherwise at 0.5%.

Petroleum taxes

A separate tax code applies to companies engaged in the petroleum industry.

Tax incentives for businesses

Companies operating within designated free zones are exempt from corporation tax on their profits and from the obligation to deduct withholding taxes from payments they make to non-resident shareholders.

Five year tax holidays are granted to locally owned and controlled companies which either come within the definition of a small company or which operate in designated regional development areas and which in either case satisfy prescribed sets of conditions.

There are specific incentives for businesses operating within the agriculture and tourism industries.