



# Bill Essentials

## The Finance (No. 3) Bill, 2016

An Act to provide for the variation of certain duties and taxes and to introduce provisions of a fiscal nature and for other related matters.

11th Parliament

## Background and Purpose for the Bill

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1. The Finance (No. 3) Bill, 2016 provides for the variation of certain duties and taxes and to introduce provisions of a fiscal nature and for other related matters. The Bill provides that 3, 4 and 5 of the Bill would come into effect on 1<sup>st</sup> January 2017.
2. The Finance Bill (No. 3) Bill, 2016 seeks to amend a number of pieces of legislation:
  - **Government Savings Bond, Chap 71:41;**
  - **Income Tax Act, Chap. 75:01;**
  - **Corporation Tax Act, Chap 75:02; and**
  - **Miscellaneous Taxes Act, Chap. 77:01.**

## Type of Bill-Omnibus Bill

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3. The Finance (No. 3) Bill 2016 is an omnibus bill, that is, *a bill consisting of a number of related but separate parts which seek to amend and/or repeal one or several existing Acts and/or to enact one or several new Acts*<sup>1</sup>. An omnibus bill has “one basic principle or purpose which ties together all the proposed enactments and thereby renders the Bill intelligible for parliamentary purposes”. One of the reasons cited for introducing an omnibus bill is to bring together in a single bill all the legislative amendments resulting from a policy decision to facilitate parliamentary debate.

## Money Bill

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4. The Finance (No. 3) Bill, 2016 is also a Money Bill as defined in Section 66 of the **Constitution of the Republic of Trinidad and Tobago Act, Chap. 1:01**<sup>2</sup> and therefore must comply with Standing Order 59 of the Standing Orders of the House of Representatives 2015 and Standing Order 57 of the Standing Orders of the Senate 2015.

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<sup>1</sup> Glossary of Parliamentary Terms-omnibus bill- <http://www.ttparliament.org/about.php?mid=42#O>

<sup>2</sup> <http://rgd.legalaffairs.gov.tt/laws2/Constitution.pdf>

5. Under **section 66(1)** of the **Constitution of Trinidad and Tobago**, “Money Bill” means a public Bill which, in the opinion of the Speaker, contains only provisions dealing with all or any of the following matters, namely:
- a) The imposition, repeal, remission, alteration or regulation of taxation;
  - b) the imposition, for the payment of debt or other financial purpose, of charges on public money or the variation or repeal of any such charges; the grant of money to the State or to any authority or person, or the variation of the revocation of any such grant;
  - c) the appropriation, receipt, custody, investment, issue or audit of accounts of public money;
  - d) the raising of any guarantee of any loan or the repayment thereof, or the establishment, alteration, administration or abolition of any sinking fund provided in connection with any loan; or
  - e) subordinate matters incidental to any of the matters referred to in this subsection.

## Key Features of the Finance (No. 3) Bill, 2016

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### **Government Savings Bond Act, Chap. 71:41**

#### *What is a Government Bond?*

6. A Government bond is an instrument used by governments to borrow money. It is one of the most secure types of investments available as the likelihood that the government will not repay its debt is very low. During the life of the bond, the government pays interest to bondholders and the principal amount borrowed is returned either at the end of the period or over some specified period.<sup>3</sup>

#### *How are Government Bonds Issued?*

7. Government bonds are issued through an electronic auction system at the Central Bank. An auction is opened for approximately two weeks. Information on the bond

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<sup>3</sup> <http://www.central-bank.org.tt/pdf/Other/Public%20Education%20Pamphlet4.pdf>

is documented in a Bond Information Memorandum which explains in detail the purpose of the particular bond. This document is then published in the daily newspapers and posted on the Central Bank’s website.

*Proposed amendments to the Government Savings Bond Act, Chap. 71:41*

Existing Provisions of the Government Savings Bond Act, Chap. 71:41	Proposed Amendments to the Government Savings Bond Act, Chap. 71:41
<b>Section 2</b>	
<p>“Bonds” means the Savings Bonds authorised to be issued under this Act, and includes tax free housing bonds so issued.</p>	<p><b>“Bonds” means the bonds authorised to be issued under this Act, the types of which are set out in Part A of the Schedule.</b></p>
<b>Section 3</b>	
<p>3. (1) The Minister may issue non-transferable bonds not exceeding— (a) a total value of three hundred million dollars (\$300,000,000) in such denominations as may be prescribed and in such further sums as may be required to defray the expenses of the issue of the bonds...</p>	<p>The Minister may issue non-transferable bonds not exceeding— (a) a total value of <b>two billion dollars (\$2,000,000,000)</b> in such denominations as may be prescribed and in such further sums as may be required to defray the expenses of the issue of the bonds...</p>
<b>Section 8</b>	
<p>The Minister may make Regulations for the carrying out of the purposes of the Act including—</p> <ul style="list-style-type: none"> <li>(a) denominations of bonds;</li> <li>(b) rates of interest;</li> <li>(c) methods of encashment;</li> <li>(d) forms, issue, and recording of such bonds;</li> <li>(e) method of holding the bonds.</li> </ul>	<p>The Minister may make Regulations for the carrying out of the purposes of the Act including –</p> <ul style="list-style-type: none"> <li>(a) denomination of bonds;</li> <li>(b) rates of interest;</li> <li>(c) methods of encashment;</li> <li>(d) forms, issue, and recording of such bonds; and</li> <li>(e) method of holding bonds.</li> </ul> <p><b>(2)The Regulations prescribed under this Act shall apply in respect of a particular type of bonds in the manner set out in Part B of the Schedule.</b></p> <p><b>(3) The Minister may amend the Schedule to the Act by Regulations.</b></p>

New Schedule									
	<p>SCHEDULE (Section 2 and 8)</p> <p>Part A</p> <p><b>Types of Bonds</b></p> <ol style="list-style-type: none"> <li>1. Government Savings Bonds</li> <li>2. National Tax Free Savings Bonds</li> <li>3. Tax Free Housing Bonds</li> <li>4. National Savings Bonds</li> </ol> <p>Part B</p> <p><b>Regulations Applicable to Types of Bonds</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>REGULATIONS</i></th> <th style="text-align: left;"><i>TYPE OF BONDS</i></th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>1. Government Savings Bonds Regulations</li> </ol> </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>Government Savings Bonds</li> </ol> </td> </tr> <tr> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>2. National Tax Free Savings Bonds Regulations</li> </ol> </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>National Tax Free Savings Bonds</li> </ol> </td> </tr> <tr> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>3. Tax Free Housing Bonds Regulations</li> </ol> </td> <td style="vertical-align: top;"> <ol style="list-style-type: none"> <li>Tax Free Housing Bonds.</li> </ol> </td> </tr> </tbody> </table>	<i>REGULATIONS</i>	<i>TYPE OF BONDS</i>	<ol style="list-style-type: none"> <li>1. Government Savings Bonds Regulations</li> </ol>	<ol style="list-style-type: none"> <li>Government Savings Bonds</li> </ol>	<ol style="list-style-type: none"> <li>2. National Tax Free Savings Bonds Regulations</li> </ol>	<ol style="list-style-type: none"> <li>National Tax Free Savings Bonds</li> </ol>	<ol style="list-style-type: none"> <li>3. Tax Free Housing Bonds Regulations</li> </ol>	<ol style="list-style-type: none"> <li>Tax Free Housing Bonds.</li> </ol>
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## Income Tax Act, Chap. 75:01

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8. The **Income Tax Act, Chap. 75:01** is an act to impose a tax upon incomes and to regulate the collection thereof<sup>4</sup>.
9. Clause 4 of the Finance (No. 3) Bill, 2016 seeks to amend the Third Schedule of the Income Tax Act by increasing the revenue base<sup>5</sup>. It introduces a two-tier tax rate on chargeable income.

### *What is Income Tax?*

10. Income tax is a tax levied on an individual's chargeable income. "**Chargeable Income**" under the Income Tax Act is defined as follows:

*"the aggregate amount of the income of any person from the sources specified in section 5 remaining after allowing the appropriate deductions and exemptions under this Act".<sup>6</sup>*

11. Section 5 of the Income Tax Act outlines the various sources of income that are taxable. These include *inter alia*:
  - i. gains or profits from farming, agriculture, forestry, fishing or other primary activity;
  - ii. gain or profits from operation of mines or the exploitation of natural or mineral resources;
  - iii. gains or profits from any other trade or business;
  - iv. gains or profits from the practice of any profession or vocation or management charges for the provision of personal services and technical and managerial skills;
  - v. gains or profits from any employment or office including pensions or emoluments;

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<sup>4</sup> [http://rgd.legalaffairs.gov.tt/laws2/alphabetical\\_list/lawspdfs/75.01.pdf](http://rgd.legalaffairs.gov.tt/laws2/alphabetical_list/lawspdfs/75.01.pdf)

<sup>5</sup> Minister of Finance, 2016/2017 National Budget Presentation  
<http://www.ttparliament.org/hansards/hh20160930.pdf>

<sup>6</sup> Section 2 Income Tax Act Chap 75:01

- vi. short-term capital gains;
- vii. interest, discounts, annuities or other annual or periodical sums;

*Proposed amendments to the Income Tax Act, Chap. 75:01*

Paragraph 1 Third Schedule Income Tax Act	Proposed amendment to paragraph 1 Third Schedule Income Tax Act
<p>“1. The rate of tax payable on the chargeable income of a person other than a company shall be twenty-five cents for every dollar”.</p>	<p>“1. The rate of tax payable on the chargeable income of a person other than a company is-</p> <p><b>(a) twenty five cents for every dollar up to one million dollars (\$1,000,000) of chargeable income and</b></p> <p><b>(b) thirty cents for every dollar that exceeds one million dollars (\$1,000,000) of chargeable income”.</b></p>

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**Corporation Tax Act, Chap. 75:02**

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12. Clause 5 of the Finance (No. 3) Bill, 2016 seeks to amend the First Schedule of the **Corporation Tax Act Chap. 75:02<sup>7</sup>** by giving effect to certain measures to increase the revenue base. It introduces a two-tier tax rate on the chargeable profit of a company.

***What is Corporation Tax?***

13. Corporation Tax is the tax charged under Section 3 of the Corporation Tax Act (“CTA”). Section 3 of the CTA provides that corporation tax shall be payable in accordance with the First Schedule of the CTA for each year of income upon the profits of any company, accruing in or derived from Trinidad and Tobago or elsewhere and whether received in Trinidad and Tobago or not.

14. Section 3 of the CTA further identifies business activities in which companies would be charged corporation tax on profits earned. Some of these include *inter alia*:

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<sup>7</sup> [http://www.energy.gov.tt/wp-content/uploads/2013/11/Corporation\\_Taxes\\_.pdf](http://www.energy.gov.tt/wp-content/uploads/2013/11/Corporation_Taxes_.pdf)

- i. farming, agriculture, forestry, fishing, or other primary activity;
- ii. the operation of mines or the exploitation of natural or mineral resources;
- iii. a petroleum marketing business; or
- iv. any other trade or business.

*Proposed amendments to the Corporation Tax Act Chap. 75:02*

Paragraph 1 First Schedule Corporation Tax Act	Amendment to paragraph 1 First Schedule Corporation Tax Act
<p>“1. For every dollar of the chargeable profits of a company, thirty per cent, except as otherwise provided in paragraphs 2 and 3 in the case of the long-term insurance business of an assurance company”.</p>	<p>“1. Subject to paragraphs 2 and 3 the rate of corporation tax payable on the profits of a company is</p> <p>(a) <b>twenty five cents</b> for every dollar up to one million dollars (<b>\$1,000,000</b>) of chargeable profit and</p> <p>(b) <b>thirty cents</b> for every dollar that exceeds one million dollars (<b>\$1,000,000</b>) of chargeable profit”.</p>

*What is chargeable profit?*

15. The term “**chargeable profit**” is defined in the Act as:

*“the aggregate amount of the profits of any company specified in section 3 remaining after allowing the appropriate deductions and exemptions under this Part”.*

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**Miscellaneous Taxes Act, Chap. 77:01**

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16. Clause 6 of the Finance (No.3) Bill, 2016 seeks to amend the **Miscellaneous Taxes Act Chap. 77:01** by inserting a new Part XV entitled “Online Purchase Tax”.

17. Clause 6 will introduce three new sections (Section 70, 71 and 72) which will detail how the online purchase tax will be charged, the rate of the tax, to whom it is payable and the tax authority which will manage, collect and enforce the online purchase tax.



### *What is the Online Purchase Tax?*

18. The online purchase tax will levy seven per cent (7%) on online purchases of goods and services from retail companies resident overseas, which are not subject to taxation in Trinidad and Tobago.

### *Rationale for Tax*

19. This tax is intended to help manage the increase in foreign exchange outflows from online purchases, reduce revenue leakage and assist local manufacturers and service companies to compete with overseas retailers<sup>8</sup>.

### *How will the tax be charged?*

20. It is proposed that this tax will be charged on the value of goods:

- i. purchased by means of an electronic transaction<sup>9</sup>;
- ii. imported into Trinidad and Tobago by air transportation;
- iii. consigned to a consumer; and
- iv. entered from a transit shed.

### *Who will collect the tax?*

21. The Comptroller of Customs and Excise is designated as the Tax Authority for the online purchase tax. Furthermore, the Comptroller is empowered to exercise the powers given for the collection, enforcement and management of duty under the Customs Act and any other written law.

22. Under the Customs Act, the President is empowered to remit in whole or in part any Customs Duty where the President shall deem it expedient to do so. This power

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<sup>8</sup> Shaping A Brighter Future-A Blueprint for Transformation and Growth-Budget 2017. Accessed on 4 Nov 2016.

<http://www.finance.gov.tt/wp-content/uploads/2016/09/Budget-Statement-2017-for-web.pdf>

Online purchases get 7% tax...starting from September. Trinidad and Tobago Guardian Newspaper. 10 April 2016.

Accessed on 4 Nov 2016 <http://www.guardian.co.tt/news/2016-04-10/online-purchases-get-7-tax>

<sup>9</sup> An **electronic transaction** is defined as the single communication or outcome of multiple communications involved in the sale or purchase of goods and services conducted over computer-mediated networks or information systems, where the goods and services may be ordered through such networks or systems but the payment and ultimate delivery of the goods and services may occur without the use of such networks or systems- Section 2-Electronic Transaction Act, Chap. 22:05

to remit is also applicable to the online purchase tax (Section 72-Miscellaneous Tax Act, Chap. 77:01).

#### Legislation Mentioned in the Bill

- Income Tax Act, Chap. 75:01  
[http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical\\_List/lawspdfs/75.01.pdf](http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/75.01.pdf)
- Corporation Tax Act, Chap. 75:02  
[http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical\\_List/lawspdfs/75.02.pdf](http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/75.02.pdf)
- Government Savings Bond Act, Chap. 71:41  
[http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical\\_List/lawspdfs/71.41.pdf](http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/71.41.pdf)
- Miscellaneous Taxes Act, Chap. 77:01  
[http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical\\_List/lawspdfs/77.01.pdf](http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/77.01.pdf)

#### Reference Materials

- Glossary of Parliamentary Terms  
<http://www.ttparliament.org/about.php?mid=42>
  
- Central Bank of Trinidad and Tobago  
The Government Securities Market in Trinidad and Tobago  
<http://www.central-bank.org.tt/pdf/Other/Public%20Education%20Pamphlet4.pdf>
  
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Online purchases get 7% tax...starting from September  
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“AMCHAM T&T Initial Response to the 2016 Mid-Year Review”  
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“AMCHAM T&T Response to the 2017 National Budget”

<http://www.amchamtt.com/amcham-tts-response-to-the-2017-national-budget/>



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November 7, 2016

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