Trinidad and Tobago Tax Notes (2016)

Income Taxes

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.

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.

Social security costs

Social security is provided by way of the National Insurance Scheme. Contributions are calculated by reference to several different wage classes and rates. The maximum rate is achieved at a weekly wage/salary level of $2,770. The employer's contribution thereon is $221.60 per week per employee, $11,523.20 per year, and the employee's contribution is $110.80 per week per employee, $5,761.60 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 $500,000. The rate of VAT is 12.5%. 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 0.6% 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 0.3% is charged on gross receipts or 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
Petroleum profits are taxed at 50% of Chargeable Profits. Petroleum operations in deepwater blocks are charged at 35%.

Supplemental Petroleum Tax is charged at 5% on Chargeable Profits based on weighted crude oil prices less incentives.

Petroleum Production Levy is charged at the lower of 4% of income from crude oil production of more than 3,500 bopd of share of subsidiary.

Petroleum Impost is charged as the percentage share to defray expenses of the Ministry of Energy and Energy Affairs.

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.