

Appropriation Bill 2007/2008

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**INTRODUCTION
OF THE APPROPRIATION BILL 2007-2008
IN THE SENATE ON SEPTEMBER 3 2007
BY SENATOR THE HONOURABLE CONRAD ENILL
MINISTER IN THE MINISTRY OF FINANCE**

MADAM President, I beg to move:

That a Bill - entitled an Act to provide for the service of Trinidad and Tobago for the financial year **October 1 2007 to September 30 2008** – be now read a second time.

Madam President, this is a money Bill and it was approved in the other place on **August 30 2007**. The Bill provides for the issue from the Consolidated Fund of the sum of **\$36,477 million** under the various heads as indicated in the schedule of the Bill.

I. INTRODUCTION

Madam President, our journey began in **December 2001** when we assumed Office. At that time, we introduced a long-term plan for the development of Trinidad and Tobago – a plan which we called *Vision 2020*.

Simply put, *Madame President*, the plan established the goal to make Trinidad and Tobago a developed country in the shortest possible time and certainly by the year 2020. Developed country to us simply means accepting the challenge of a changing global environment and planning for a predictable and sustainable future.

Madame President, since 2002 we have provided the national community, on the occasion of the presentation of the national budget, with annual objectives in the journey toward Vision 2020. For example, *Madame President*,

in **2002** our theme was *One People, One Nation: Leaving no-one Behind*;

in **2003** it was *Vision 2020: People... Our priority*;

in **2004** it was *Charting the Course to 2020: Empowering People!*;

in **2005** it was *Vision 2020: Ensuring Our Future Survival*;

in **2006** it was *Vision 2020: Ensuring our future prosperity: address basic needs*;

in **2007** it was *Vision 2020: Moving Onward*;

and *Madame President*, for the fiscal year **2008** we resolve to the people of Trinidad and Tobago that despite those who pretend not to understand but copy everything that we do we present *Vision 2020: Determined to Reach our Goal*.

Madame President, during the last six years we have implemented our plan and we continue with the framework and strategies which brought us to this point and now we are able to use this platform to further advance our efforts to achieve **Vision 2020 since we are** determined to reach our goal.

Madam President, this budget presentation, as has been our practice considered the views of a wide cross section of our stakeholders and I wish, on behalf of the Government, to thank all those who spent many hours of their time in dialogue with us so that we could properly represent the interests of all of our citizens. This budget therefore represents the results of that collaborative effort.

Madame President, included in the documents laid in this House which forms part of our accounting to the Parliament, and by extension the national community I wish to highlight **two (2)** documents which respond to concerns which have been raised in the public domain. The first Report: *Vision 2020: Operational Plan 2007 – 2010. Transformation In Progress: 2007 Report*. This Report provides an account of the progress being made towards the achievement of specific targets identified in the *Vision 2020: Operational Plan: 2007 – 2010*.

Madame President, the Report represents the first step towards establishing a common framework for reporting on actions being taken across the public sector towards achieving specific outputs and outcomes. These outputs and outcomes were required to be consistent with *Vision 2020*. This process, *Madame President*, was initiated in the last fiscal year so as to ensure that the policies and actions of all Ministries and Public Sector agencies were in close alignment with the goals and objectives of *Vision 2020*. Importantly, the Report introduces performance

indicators which add a new dimension to planning in the public sector. This is a milestone towards developed country status.

Madame President, in the coming years we will intensify the process of moving towards a *results-based system* which will give more attention to defining targets in the priority areas for progress; and the process will be under-pinned by a collaborative effort, complemented by activities to develop new data sources and to strengthen existing data collection systems.

Madame President, The Report includes a review of the policy context and an account of progress made towards the achievement of each target identified in *the Operational Plan 2007 – 2010* as they relate to the goals of the five developmental pillars:

- Developing Innovative People;
- Nurturing a Caring Society;
- Enabling Competitive Business;
- Investing in Sound Infrastructure and Environment; and
- Promoting Effective Government.

Madame President, the second document is *Government at your Service: Highlights of Achievements 2002 – 2007: Accounting for the Resources*. This Report synthesizes the achievement of Government in the context of *Vision 2020*. This is another milestone towards developed country status.

II ECONOMIC ACHIEVEMENTS

Madame President, while the **two (2)** Reports provide considerable details on our achievements during this first period in Office, I wish on behalf of the government to highlight for the benefit of this Honorable House some of the results of the policies we have pursued and of which we are extremely proud.

Madame President, in the **six (6)** year period: **2002 – 2007**:

- public revenue amounted to **\$162.7 billion** of which **\$69.7 billion** was derived from the energy sector reflecting the oil and gas tax reform exercise in recent years; **\$93.0 billion** emanated from the domestic economy;
- recurrent expenditure amounted to **\$125.0 billion** which met our statutory commitments, provided subsidies to contain the cost of certain basic goods and services, financed operating deficits of some loss-making public enterprises and funded infrastructural investments; and
- capital expenditure amounted to **\$37.7 billion** with the major items being a **\$9.5 billion** transfer to the Heritage and Stabilisation Fund, a **\$12.9 billion** for the Public Sector Investment Programme, and a **\$6.9 billion** from the Infrastructure Development Fund.

Madame President, our social sector policies have been extremely successful by a renewed focus on reducing poverty. This is a milestone towards developed country status.

\$17.5 billion or approximately **11.0 percent** of our revenues and **14.0 percent** of our recurrent expenditure have been spent on poverty alleviation programmes including the Unemployment Relief Programme (URP). *Madame President*, whether it was on the street lighting programme or for that matter, on the provision of better accommodation for our public sector employees, we cannot over emphasize that our public expenditure is aimed at providing a better quality of life for our citizens.

III. PRORITIES FOR FISCAL YEAR 2008 AND MEDIUM-TERM OUTLOOK

Madame President, on behalf of the government I wish to spend some time on the priorities for fiscal year 2008 and the medium term outlook so that the Parliament can understand our position based on our best estimates.

Promoting Macro-economic Stability.

This is a milestone towards developed country status.

Madame President, the maintenance of macro-economic stability represents a core objective of this Government. It is the way in which we measure the health of a country and it is a key objective. We have continued to maintain fiscal discipline by spending less than we earn and saving for the future. In this regard we have programmed a surplus of **\$89.2 million** in the Fiscal Year **2008** and *Madame President*, we will continue to build our savings for the benefit of future generations based on our budgeted price assumptions.

Promoting Economic Efficiency

Madame President, stable macroeconomic conditions will continue to be under-pinned by economic efficiency initiatives. The financial sector is being strengthened with proposed legislation which would continue the modernization of the regulatory and oversight framework. We are deepening the financial services sector by establishing through early legislation the Trinidad and Tobago International Financial Centre. Supporting this initiative is the National Broadband Action Plan which is essential for a first-world ICT infrastructure for Trinidad and Tobago.

This is a milestone towards developed country status.

Promoting Savings and Investments

Madame President, our future prosperity is predicated on achieving higher levels of savings and investments. *Madame President*, the aggregate deduction which may be claimed for pension and annuity plans is being increased from **\$12,000** to **\$25,000**. This is a milestone towards developed country status.

Protecting Vulnerable Groups

Madame President, we would continue to improve the quality of lives of our citizens as we meet their basic social needs. The network of our integrated and accessible social programmes and services is available to all, in particular the poor and the marginalized. Specifically, *Madame President*:

- the *National Family Policy* is already creating and promoting a family-friendly society and mainstreaming family issues;
- a *National Parenting Programme* is educating young people on the role of parents and the ideals of good parenting;
- our *Poverty Reduction Strategy* which is being strengthened to enable proper targeting of programmes to include vulnerable and *at risk* groups.
- the Senior Citizens Grant is being increased. With effect from **October 1 2007** an individual who is in receipt of total income of **\$100** or less and who previously received a Senior Citizens Grant of **\$1,350** per month would now receive **\$1,650** per month – an increase of **\$300**. An individual who is in receipt of total income greater than **\$100** per month but not more than **\$1,000** per month and who previously received a grant of **\$1,250** per month will now receive **\$1,550** per month. The Senior Citizens Grant would benefit **80,000 of our senior** citizens at an estimated additional cost of \$215 million annually.
- the public service pensions are being increased. With effect from **January 1 2008** a minimum pension of **\$1,650** per month would be paid to retired Public Officers. These retired Public Officers would also be paid a lump sum of **\$3,000** for the period **October – December 2007** pending the new NIS monthly payment which would commence in **January 2008**. The pension increase would benefit **26,742** citizens.
- the Disability-Handicapped Grant is being increased. With effect from **October 1 2007** the Disability Grant would be increased to **\$1,100** per month with the

ceiling income for the receipt of this Grant being increase from **\$3,600** per annum to **\$12,000** per annum. The increase in the Disability Grant would benefit **17,000** citizens and will increase our expenditure by \$59.4 million.

- Public Assistance Grants are being increased. With effect from **October 1 2007** Public Assistance Grants based on the number of dependents per household would be increased and would benefit **21,000** of our most vulnerable citizens.

The increases are as follows:

| HOUSEHOLD | EXISTING | PROPOSED |
|---------------------|-----------------|-----------------|
| 1 person | \$ 470 | \$ 650 |
| 2 persons | \$ 710 | \$ 900 |
| 3 persons | \$ 920 | \$1,100 |
| 4 persons and above | \$1,090 | \$1,250 |

- the minimum wage is being increased from **\$9.00** per hour to **\$10.00** per hour and;
- wages for employees in the Unemployment Relief Programme (URP) and in the Community Based Environmental Protection and Enhancement Programme (CEPEP) are being increased by **15.0 percent**. In the case of CEPEP **5,640** contract employees would benefit.
- National Insurance Benefits are being increased. With effect from January 1 2008:
 - a minimum retirement pension of \$2,000 per month will be paid;
 - the maximum level of earnings on which contributions and pensions will be calculated will be increased from \$4,377 to \$8,300;
 - the NIS contribution rate would be increased from its current level of **9.9 percent** to **10.5 percent** in **2008** with further increases to **10.8 percent** and **11.4 percent** in **2010** and **2012** respectively; and
 - the increase in the minimum retirement pension would benefit 60,000 retirees. This is a milestone towards developed country status.

Enhancing Sport, Youth and Culture

Madame President, through the medium of the country's youth, we would foster change and chart new directions as we promote healthy lifestyles and establish a cohesive and responsible society:

- the National Youth Council and a National Youth Institute are being established;
- the *Sports Company of Trinidad and Tobago* is upgrading the sporting infrastructure at the community level and is increasing the range of sporting programmes available to the national community; and

the national sporting associations are being supported and the preparation of high-performance athletes is being facilitated. This is a milestone towards developed country status.

Madame President, *culture promotion* represents the base on which we are building national character, national unity and a greater sense of national pride. When completed the *National Carnival and Entertainment Centre* as well as the Academies for the Performing Arts would provide a state-of-the-art facility for cultural presentations, including carnival. This is a milestone towards developed country status.

Promoting Environmental Sustainability

Madame President, our modernization programme is taking place within the context of the *preservation of our environment*. In Fiscal Year **2008**:

- the Green Fund will begin to make grants to community groups and organizations to support activities related to environmental remediation and conservation as well as reforestation of denuded areas;
- draft Air Pollution Rules and Regulations are at an advanced stage of completion;
- Environmentally Sensitive Areas and Species would also be designated;

- the Community Based Environmental Protection and Enhancement Programme – the CEPEP programme - will continue to upgrade and improve environmental conditions through out the country and its *structured training component* would ensure the continuous absorption of these workers into the wider labour force; and the Beetham Landfill will be closed. This is a milestone towards developed country status.

Developing Human Resources

Madame President, we propose a seamless education system which would underpin the country's thrust to sustainable economic development. We have made substantial progress in our drive to improve educational outcomes. In the coming years, we intend to consolidate the gains which we have achieved so that by the year **2015, 60.0 percent** of the *age category: 17 – 25* would be enrolled in tertiary education.

- the *National Open School System* will become fully operational in **2008** catering to a target population of **4,500** students;
- the *Primary Schools Computerization Programme* and the *ICT in Secondary Schools Programme* have equipped our primary and secondary schools with a modern information and communication technology system with a view to preparing students to live in a knowledge-based society;
- the *University of Trinidad and Tobago* is establishing its main campus at the *Tamana Intech Park* in Wallerfield and other campuses throughout the country providing in the process a range of educational opportunities from the *National Academy of the Performing Arts* to the *Natural Gas Institute of the Americas* to the *Centre of Excellence for Sports*;
- the *College of Science, Technology and Applied Arts of Trinidad and Tobago* (COSTATT) is being converted into a Community College with **three (3)** campuses with a focus on preparing students for university education;

- the privately-funded *University of the Southern Caribbean* (USC) is now upgrading its facilities, the financing of which is being supported by the Government in an amount of approximately **\$97.0 million**; and

Early Childhood Care and Education Centers are now being quickly established with teacher and administrator training programmes being accelerated; This is a milepost towards developed country status.

Strengthening the Health Sector

Madame President, with a budget allocation of **\$3.7 billion** we intend to quicken the pace of the upgrade of all health facilities, infrastructure and human and other resources. We are providing our citizens with adequate access to an efficient health care delivery system, and we are empowering them to lead long healthy and more productive lifestyles. Indeed *Madame President*,

- the *Chronic Disease Assistance Programme* (C-DAP) which now covers 145,000 individuals is being expanded for insulin-dependent patients to include the provision of diabetic testing strips;
- the *National Oncology Centre* is already being constructed and when completed in **2009**, it will offer cutting-edge cancer treatment for all our citizens;
- the *National Organ Transplant Unit* has been accelerating its transplant operations;
- the *Eye Bank* would be functional in **2008** supplying corneas for transplants;
- the *neo-natal facilities* at the Mt. Hope Women's Hospital have been modernized so that the survival rate for new born and pre-mature babies would increase markedly; and

HIV/AIDS treatment is being stepped-up with a view to reducing *further* the incidence of death in the 15-44 age group. This is a milestone towards developed country status but also this is the areas that we have increased expenditure.

Accelerating Housing Development

Madame President, with a budget allocation of **\$2.6 billion** we are ensuring that our citizens, in particular, low-wage workers, the elderly and the differently-abled have access to adequate and affordable housing. Our accelerated housing construction programme would continue in **2008** with the provision of an additional **8,225** units and **22,023** residential services lots. *Madame President*, **6,758** of these lots are being made available to the former employees of Caroni and the residual would be made available to the national community at prices of **\$20,000**, **\$25,000** and **\$30,000** per lot depending on the location of the estate.

Madame President, the sustained development of Trinidad and Tobago has required the creation of new towns for which technical work is now being undertaken for new towns at Wallerfield, Sangre Grande, La Brea and Princess Town. This is a milestone towards developed country status and this is where we are spending our resources.

Strengthening Manufacturing and the Small Business Sector

Madame President, a multi-pronged strategy for strengthening the manufacturing is driving innovation and new technology development in the manufacturing sector. Specifically, Government has identified Music and Entertainment, Film, Fish and Fish Processing, Food and Beverage, Merchant Marine, Printing and Packaging, and Yachting as areas for private sector investment with special government support.

Madame President, both the National Entrepreneurship Development Company Limited (NEDCO) and the Business Development Corporation (BDC) have been creating a culture of entrepreneurship and wealth-producing options for the common man. NEDCO will provide funding to an additional 5,000 new, small or micro enterprises and the funding will be combined with education and training initiatives. Supported by the *Fair Share Programme* which reserves

10.0 percent of all contracts awarded by Government to qualifying small businesses, these companies have been empowering the less privileged members of our national community and putting them on the road to financial independence.

Moreover, *Madame President*, businesses are being encouraged to re-tool with an increase in the capital allowance for manufacturers from **60.0** to **75.0 percent** and to provide child care facilities through the provision of capital allowances up to a maximum of **\$500,000** per year. This is a milestone towards developed country status.

Reforming the Agricultural Sector

Madame President, as an open economy, Trinidad and Tobago cannot be insulated from the unprecedented increases in global commodity prices, including, food prices. Indeed, the current global economic conditions have given new urgency to our drive to expand domestic agricultural production to reduce food prices and to accelerate the move to agricultural self sufficiency.

Madame President, we intend to contain rising food prices and indeed in some cases reduce those prices through a combination of public policy initiatives involving demand management and supply interventions. In Financial Year **2008** the agricultural sector would be accorded special attention through a comprehensive set of measures involving *principally* a focus on commercial scale production with the establishment of **seventeen (17)** large farms. This action would serve to rejuvenate the sector, in particular, production on the more than **7,000** two acre-sized plots allocated to the former employees of Caroni (1975) Limited.

Madame President, backed by a better resourced *Agricultural Development Bank*, a special regime of incentives, enhanced monitoring arrangements including, the establishment of a Prices Advisory Council and a Consumer Advisory Board and a Competition Commission, skills development and expanded infrastructure, the agricultural sector *with a budget allocation of \$1.2 billion* is now being geared to enhance production substantially and ensure reasonable food prices and food security in Trinidad and Tobago. This is a milestone towards developed country status.

Expanding the Energy Sector

Madame President, the Trinidad and Tobago economy has undergone a structural and fundamental change in that the gas and gas-based sub-sector has assumed such a dominant position within the energy sector that the country is now a gas-based economy. We are continuing to lay the foundation for the diversification of the energy sector. The creation of downstream industries is high on our agenda.

Madame President, we are in no doubt that the energy sector would continue to be the driver of our economy for many years to come; indeed while we are already a leading exporter of major petro-chemical products, the latest *Ryder Scott natural gas audit* provides ample guidance for policy relating to the establishment of an appropriate balance between production and reserves. This tool has been used in the past and it will be so used in the future to determine the appropriate level of exploration activity, in particular, in deep water horizons where the risks and the rewards need to be appropriately balanced. In the meanwhile, **sixteen (16)** wells will be drilled by the end of **2008**. *Madame President*, a new regime of incentives to further stimulate exploration activity would be introduced in Fiscal Year **2008** and we are in no doubt that new oil and gas would be discovered. This is a milestone towards developed country status.

Strengthening the Tourism Sector

Madame President, in 2003 we created a *Tourism Development Plan* and today continue to build on those efforts. We have expanded our upscale hotel room stock by developing plant and product. We have improved airlift arrangements. We are promoting and marketing our cultural and heritage sites, in particular, we are re-designing the *Maracas Bay Beach Facility* to meet international standards; and we are marketing Trinidad and Tobago as a niche for business tourism. The *Hyatt International Hotel* which is part of the *Port-of-Spain International Waterfront Centre* is hosting **two (2)** major tourism conferences in **2008** and in **2009** it would host the **twenty four (24)** country *Summit of the Americas* and the **fifty four (54)** county *Common Wealth Heads of Government*. This is a milestone towards developed country status.

Strengthening National Security

Madame President, the collaborative and coordinated efforts of our law enforcement and other support agencies have led to reductions in certain categories of serious crimes especially murders and kidnapping for ransoms. *Madame President*, with a budget allocation of **\$4.4 billion** the Government will continue to focus on the safety and security of all our citizens. It will remain a high priority.

- *Internally*, the legal and regulatory framework for managing our security are being further strengthened with inputs from the recently appointed *Crime and Justice Commission*; the Police Service is being supported with additional human and physical resources including a national fingerprint database, construction and/or refurbishing of **seventy nine (79)** police stations, acquisition of **315** multi-purpose police vehicles ; and

Externally, the strategic up-grade of the response platforms for our maritime forces has begun with the purchase of **three (3)** Offshore Patrol Vessels and the modification of **two (2)** vessels to discharge the mandate of the Trinidad and Tobago Coast Guard pending the delivery of the Offshore Patrol Vessels; moreover, **six (6)** medium-sized Fast Patrol Craft would be soon provide to the Trinidad and Tobago Coast Guard, thereby filling the gap between the Offshore Patrol Vessels and a variety of smaller craft, including Interceptor Craft, **six (6)** of which are now being procured. The purchase of **four (4)** helicopters - also in process - would serve to further strengthen our maritime enforcement capability. This is a milestone towards developed country status.

Enhancing Physical Infrastructure

Madame President, the competitiveness of a country is measured by its attention to and upgrade of our physical infrastructure. We have a budget allocation of **\$2.6 billion** for modernizing our physical infrastructure which is required for the maintenance of the private - sector driven growth:

- the *road transport network is being modernized* to support our development efforts through the upgrade of the physical infrastructure by the *Programme For*

Upgrading Road Efficiency (PURE) and the further expansion of the bus service. The introduction in **October 2007** of the *water taxis* will provide commuters with an alternative and efficient means of transport between key urban centers and the industrial estates on the West Coast. *Over the longer term*, the *Trinidad Rapid Rail Transit System* is being pursued to facilitate fast and frequent services along the east-west and north-south corridors.

- the *air and sea transport system* between Trinidad and Tobago is being improved with emphasis on passenger safety, reliability of services, comfort and increased capacity;
- the *Port at Port of Spain* is being made more efficient with enhanced capacity through its relocation to Sea Lots; and

the newly-established *drainage programme* utilising best available advice from international and local experts is aimed at decreasing the incidence of flooding. This is a milestone towards developed country status.

Public Utilities Sector: Reform Programme

Madame President, the Public Utilities sector is being modernized; being made customer oriented and technologically enabled to provide efficient, cost effective and quality services to all our citizens:

- the *Water and Sewage Authority (WASA)* is being made a viable business to supply the country with a nationwide 24 hour seven day a week water supply. The *Water and Waste Water Master Plan* would facilitate that process; and
- the *Trinidad and Tobago Electricity Commission (T&TEC)* is expanding its generation and transmission facilities to satisfy the national demand for electricity through the year **2016**. To accommodate this strategic initiative the Port-of-Spain power station would be retired in **2011** and replaced by **two (2)** combined cycle power stations – one at Sea Lots and the other at Couva. This is a milestone towards developed country status.

IV. GOVERNANCE AND INSTITUTIONAL REFORM

Madame President, a key objective in achieving developed country status is the strengthening of our governance system. Our agenda and our efforts are now being directed at:

- the *improvement* in the functioning of the executive, legislative and judiciary branches of Government;
- the *strengthening* of the Local Government System; and
- the training and the development of the human resources of the Public Sector with a view to creating a culture of excellence in the public service. This is a milestone towards developed country status.

V. TOBAGO HOUSE OF ASSEMBLY (THA)

Madame President, Tobago has made significant developmental strides over the past **six (6)** years due no doubt to our productive partnership with the Tobago House of Assembly (THA). *Madame President*, we will continue to provide the Assembly with the support it requires to continue its important developmental work in Tobago.

Madame President, the THA would have direct access to budgetary resources in the order of **\$2.238 billion** in fiscal year **2008**. This is **5.3 percent** of the total expenditure in this FY 08 budget and it will allow the THA to focus on:

- the development of its human resources to compete in a global environment;
- the improvement in its physical infrastructure to maintain its business competitiveness,
- the enhancement of its social sector delivery and support system to take care of its underserved; and

the diversification and transformation of its economy to support our diversification agenda. This is a milestone towards developed country status.

VI. FISCAL MEASURES IN 2008

Madame President, I attach as an appendix to this statement a broader analysis of those specific fiscal measures as well as certain other measures which would improve the efficiency of the administration and collection of those taxes which would come into effect either on **October 1 2007** or **January 1 2008**.

VII. FISCAL OPERATIONS

Madam President, the fiscal operations for **2008** provides for the total estimates of expenditure for **FY08** to be **\$40,292.0 million** of which **\$380.0 million** represents expenditure from the Unemployment Fund, including the reforestation programme of **\$44.0 million**, **\$75.0 million** from the Green Fund and **\$4,000.0 million** from the Infrastructure Development Fund.

Madam President, total revenues are based on a conservative average oil price of **US\$50.00 per barrel** for the Trinidad and Tobago basket of crudes and a net-back gas price of **US \$3.55 per MMBTU**. It should be noted that an average oil price of **US \$50.00** per barrel for the Trinidad & Tobago basket of crudes equates to a West Texas Intermediate oil price of **US \$55.00** per barrel.

Madam President, the Heritage and Stabilisation Bill provides for **60.0 percent** of excess oil and gas revenues to be transferred into the Fund by direct charges upon the Consolidated Fund. In **FY 08** all excess oil and gas revenues to be transferred into the Fund.

Madam President, revenue is expected to be **\$40,381 million**. Expenditure is estimated at **\$40,292 million** creating a small surplus of approximately **\$89 million**. Included in our expenditure is an amount of **\$1,969 million** which represents Capital Repayments and Sinking Fund allocations and is normally treated as financing.

The amount of **\$7,900 million** for the capital programme for **2008** comprises **\$3,900 million** from the Consolidated Fund and **\$4,000.0 million** from the Infrastructure Development Fund.

VIII. CONCLUSION

Madame President In **2002** we took the bold step of articulating a vision to bring unprecedented prosperity and a higher quality of life to all our citizens. Our accounting for our stewardship bears testimony to our unwavering commitment to achieve results in all areas of our national life. As we pause to consider our next steps we have achieved much. We have witnessed a sustained momentum in our economic growth. Our economy has doubled. We are at full employment. We have seen that the incidence of poverty is on the decline. We are developing a knowledge based economy and our citizens now have access to quality education, health care and housing, all of which are accessible and affordable. We are ensuring that the environment is valued as a national asset and conserved for the benefit of future generation. We have created a business climate which is attracting investors *most certainly Madame President*; we are making every effort to make Trinidad and Tobago a safe and secure place to live, visit, do business and raise families for all our citizens. This is a milestone towards developed country status.

We have delivered because we care.

Madame President, I beg to move.

FY-08 DOCUMENTATION LAID IN PARLIAMENT

1. Draft Estimate of Expenditure for financial year **2008**;
2. Draft Estimate of Revenue and Expenditure of the Statutory Boards and similar bodies, and the Tobago House of Assembly for the financial year **2008**;
3. Social Sector Investment Programme **2008**;
4. Public Sector Investment Programme **2008**;
5. Supplementary Public Sector Investment Programme **2008**;
6. Government at Your Service: Highlights of Achievements **2008**; and
7. Review of the Economy – **2007**.

ANNEX TO FY08 APPROPRIATION BILL

FISCAL MEASURES IN THE 2007 – 2008 BUDGET

Senior Citizens Grant

Madame President, with effect from October 1st 2006 the maximum old age pension was increased from \$1,000 per month to \$1,350 per month and was renamed the Senior Citizens Grant (SCG). The Government has reviewed the distribution of this grant and proposes the following amendments:

- An increase in the income qualifying ceiling from an average monthly income of \$2,150 to \$2,500 per month;
- An increase in the maximum Senior Citizens Grant from \$1,350 to \$1,650 per month;
- An increase in the Senior Citizens Grant for an individual whose monthly income is \$100 or less by \$300 from \$1,350 to \$1,650; and
- An increase in the Senior Citizens Grant for an individual whose monthly income is greater than \$100 but does not exceed \$1,000 by \$300 from \$1,250 to \$1,550.

For instance *Madame President*, an individual who is in receipt of total income of \$100 or less and who previously received a Grant of \$1,350 will now receive \$1650, an increase of \$300.

An individual who is in receipt of a total average monthly income greater than \$100 but not more than \$1,000 and who previously received a Grant of \$1,250 will now receive \$1,550, an increase of \$300.

The estimated additional cost is \$215 million annually and will benefit approximately 80,000 persons aged 65 and over.

This measure will take effect from the 1st October 2007 and will require amendments to the Senior Citizens' Grant Act.

Increase in the Minimum Public Service Pension

Madame President, the Government has acknowledged that notwithstanding prudent fiscal and monetary policies, rising inflation levels continue to pose a challenge to the disposable incomes of our citizens especially pensioners.

It is proposed therefore to implement a minimum pension payable to retired public officers at \$1,650 per month.

In addition, *Madame President*, given that it is proposed to commence the new NIS monthly payment in January 2008, every retired public servant in Trinidad and Tobago will receive a lump sum payment of \$3,000 dollars to compensate for the months of October, November and December of this year until the new NIS payments are implemented. This measure will put more money in the pockets of 26,742 of our citizens.

Disabled Persons/Handicapped Persons Grant

Madame President, the Disability Grant was increased with effect from 1st October 2006 to \$900.

It is now proposed to increase the Disability Grant to \$1,100 and increase the ceiling income for receipt of this Grant from \$3,600 per annum to \$12,000 per annum. The additional collective cost of these measures is estimated at \$59.4 million.

This measure will take effect from 1st October 2007 and will require amendments to the Public Assistance Act. Mr. Speaker this measure will benefit 17,000 of our citizens.

Public Assistance Grants

Mr. Speaker, to provide for the economically disadvantaged, it is proposed that the Public Assistance Grants based on the number of dependents per household be increased as follows:

Existing Grants Proposed Grants

| | | | | |
|---------------------|------|---------|----|---------|
| 1 person | from | \$470 | to | \$650 |
| 2 persons | from | \$710 | to | \$900 |
| 3 persons | from | \$920 | to | \$1,100 |
| 4 persons and above | from | \$1,090 | to | \$1,250 |

This measure is expected to cost an additional \$38 million dollars and will take effect from 1st October 2007. It will have a positive effect on more than 21,000 of our most vulnerable citizens.

Minimum Wage

Madame President, the minimum wage level has remained unchanged despite increases in wages in most sectors of the economy. It is therefore proposed to put in motion the machinery for increasing the minimum wage from \$9.00 to \$10.00 per hour. The procedure to be followed in varying the minimum wage is provided for in the Minimum Wages Act.

Increase in the Wages of the Unemployment Relief Programme (URP) and the Community-based Environmental Protection and Enhancement Programme (CEPEP)

Madame President, the Unemployment Relief Programme (URP) is meant to provide short term employment relief while enhancing the skills of individuals in the community and undertaking sustainable development initiatives.

The effective decentralization of the Programme to 12 regions throughout the country sought to provide a more equitable distribution of the Programme's resources. The Programme was also expanded to include both maintenance and construction projects to facilitate its expansion.

Madame President, the Government has upgraded the Unemployment Relief Programme to ensure greater efficiency and effectiveness in its operation. We have also included a training component to the Programme in which participants are trained in the skills which would increase their ability to be employed in other productive sectors in the economy.

Madame President, to further support the Programme, it is now proposed to increase the wages applicable to the Unemployment Relief Programme by a one time 15 percent across the board effective January 1, 2007.

Madame President, the Community-based Environmental Protection and Enhancement Programme (CEPEP) commenced in May 2002.

It is designed to facilitate social transformation in the national community through empowering communities to improve their living standards by increasing employment opportunities; enhancing and improving the environment; and developing a cadre of entrepreneurs.

The Programme has a significant training component in which individuals are expected to develop the skills sets which will help to transfer them out of the Programme into companies in the private and public sectors.

We also expect that the training will allow individuals to form their own companies and vie for contracts under the Programme.

Madame President, CEPEP currently employs 5,640 contract employees and its scope will be expanded in the new fiscal year. To support the expanded mandate of the Programme it is proposed to increase the wages of all categories of workers in Trinidad and Tobago by 15 percent effective January 1, 2007. Re-a forestation programme workers will also benefit from a similar 15% increase.

Incentives for Savings

Madame President, the promotion of savings is a key factor in prudent fiscal and monetary management. It is therefore proposed that the aggregate deduction that may be claimed for pensions and annuities plans should be increased from its current ceiling of \$12,000 to \$25,000. The expected cost of this measure is \$57 million and will require amendments to the Income Tax Act.

Mr. Speaker this measure will reduce the burden on the State by encouraging individuals to prepare for their retirement.

Increase in Deposit Insurance coverage

Madame President, since the establishment of the Deposit Insurance Corporation (DIC) in 1986, the coverage limit has remained unchanged at \$50,000 notwithstanding the developments within the economy.

The coverage limit is the amount a depositor can claim from the DIC in the event of the failure of a financial institution. This limit determines the potential liabilities under the Deposit Insurance scheme and also influences the extent to which depositors' confidence in the banking system can be promoted.

The time appears opportune to examine the relevance and sufficiency of the coverage limit for deposit holders. The wealth effect experienced by the population has filtered into the banking sector. However, although deposit holders in the banking sector may have increased their deposit holdings, the level of protection has declined.

It is proposed that, with effect from the coming into operation of the ensuing Finance Act, the coverage limit be increased from \$50,000 to \$75,000 without an increase in the premium level, with further possible upward adjustments being subject to review.

Compensation for Victims of Uninsured Drivers

Madame President, the Government has identified the issue of road safety as one of its priorities as existing road networks are expanded. It is proposed therefore to use the proceeds of the Insurance Premium Tax to establish a Fund to compensate victims of uninsured drivers.

Madame President, the Central Bank in conjunction with the Ministry of Finance and the Association of Trinidad and Tobago Insurance Companies (ATTIC) will establish a proposed structure for the establishment of the Fund with the view to having it operationalised in the new fiscal year.

Legislation to ban the use of Cellular phones while driving.

Madame President, in light of the need to reduce the quantum of road accidents and the overall carnage on our roadways, it is proposed to introduce legislation to make it an offence to use cellular phones and other similar electronic devices while driving. It is also proposed to introduce legislation to ban the use of television type monitors in the front seat of vehicles. These measures will involve amendments to the Motor Vehicles and Road Traffic Act.

Incentive for the Manufacturing Sector

Madame President, in 2002, the First Schedule of the Income Tax (In Aid of Industries) Act was expanded to include all manufacturing activities and the initial allowance relating to plant and machinery under the Act was increased from 50 percent to 60 percent.

Madame President, given the Government of Trinidad and Tobago's objective of stimulating economic growth in the manufacturing sector it is now proposed to increase the initial allowance relating to Plant and Machinery under the Act from 60 percent to 75 percent.

Madame President, when combined with the applicable 25 percent wear and tear allowance in the subsequent years of asset utilization this measure would provide an additional benefit to the manufacturer by reducing the individual's chargeable income and tax liability. This measure will take effect from January 1, 2008 and will require amendments to the Income Tax (In Aid of Industry) Act.

Child Care Facilities and Homework Centers

Madame President, the maintenance of the family is recognized by the Government as being critical to the development of the domestic social sector.

It is proposed therefore that companies that provide day care facilities and or homework centers at their workplace for the children of their employees be provided with an accelerated Wear and Tear allowance up to a maximum of \$500,000 in the year in which the expenditure was incurred. The normal Wear and Tear allowance can be claimed by an employer on the residue remaining on the capital cost incurred in setting up these facilities.

This measure will be closely monitored to prevent abuse by the companies and will take effect from 1st January 2008 and will require amendments to the taxing legislation.

Madame President, the Government will soon implement a policy in which homework canters will be established in all Government buildings where appropriate and we encourage the private sector to follow suit.

Returning Nationals

Madame President, returning nationals who have resided abroad for a continuous period of at least five years immediately prior to the individual's return to Trinidad and Tobago, are entitled to claim relief from customs duties and motor vehicle tax. This arrangement has been reviewed and it is now proposed that the period be reduced to two years. This measure will require amendments to the Customs Act and the Motor Vehicles and Road Traffic Tax Act.

Amnesty for late filing of Tax Returns

Madame President, it is proposed that there be an amnesty for tax penalties and interest on late filing of income and corporation tax returns. This amnesty is proposed because the Government believes that the tax liability to be collected far outweighs the penalties, and it will also encourage taxpayer compliance. This amnesty will apply to returns and taxes due for years of income up to 2006.

All individuals who have outstanding tax returns or outstanding tax liabilities and associated interest charges will have these waived if they comply by April 30, 2008.

Repeal Airport Departure Tax

Madame President, it is proposed to repeal the Airport Departure Tax which currently stands at \$100. It is proposed that the tax will be replaced with a Passenger Service charge imposed by the Airport Authority of Trinidad and Tobago on each individual travel ticket with the exception of tickets issued to those individuals who are exempt from the payment of the airport departure tax under the existing laws. This measure will take effect from the coming into operation of the new Finance Act and will require an amendment to the Miscellaneous Taxes Act.

OTHER FISCAL MEASURES

Suspension of the Common External Tariff on Powdered Milk and Cream

It is proposed to amend the rates of import duty on the following items be suspended from 5 percent to zero percent (0 percent):

DESCRIPTION OF GOODS

Milk and cream: In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 percent. Not containing added sugar or other sweetening matter.

Removal of the Import Surcharge on Selected Poultry Products

It is proposed to remove the import surcharge on the items listed below beginning from the date of publication of the necessary Legal Notice:

DESCRIPTION OF GOODS

Meat and edible offal, of poultry of heading 01.05, fresh, chilled or frozen.

Of turkeys:

Cuts and offal, frozen:

Backs, necks and wings

Other

Off ducks, geese or guinea fowls:

Not cut in pieces, fresh or chilled

Not cut in pieces, frozen

Other, fresh or chilled

Other, frozen

Amendments to the Taxation Legislation

Death Benefit under Deferred Annuity Plans

Section 8(1)(x) of the Income Tax Act exempts from tax the lump sum death benefit paid under an employer's approved pension plan. However, no similar exemption exists with respect to lump sum death benefits under approved deferred annuity plans. This appears to have been an oversight. It is proposed that, with effect from 1st January 2008, section 8 of the Income Tax Act be amended to exempt lump sum death benefits paid under approved deferred annuity plans.

Reward of contributions from a group pension plan (Section 28)

Currently, when there is a reward of contributions from a group pension plan, the lump sum is taxed at source. When an annuity is surrendered, the lump sum is taxed at source, but the taxpayer is also required under the legislation to declare the income in the year that it is received, and the tax which was deducted at source is treated as a credit.

It is proposed that there be consistency in the treatment of a reward of contributions and the surrender of an annuity, that is, that tax be deducted at source in both cases, and then the income be declared in the year it is received, and a credit received for tax deducted at source.

Computation of interest (Section 103)

It is proposed that the interest to be computed on outstanding tax liability be accrued from the day after the due date to the date of payment of the tax, or such earlier date as the Board of Inland Revenue may determine. The reason for this amendment is to give the taxpayer a grace period for payment of the interest. This measure will take effect from 1st January 2008 and will require an amendment to the Income Tax Act, Chap. 75:01.

Tax Payments and Refunds

At present where a tax payer has a liability or refund of \$3 or less, the tax is considered settled and no payment is due or refund is issued. It is proposed that this amount should be increased to \$100 where the tax liability does not exceed \$100 and to \$25 where the amount assessed for a refund does not exceed \$25. This would assist in reducing the administrative burden placed on the Board of Inland Revenue. This measure will take effect from 1st January 2008 and will require an amendment to the Income Tax Act.

Filing of returns

At the present time the tax legislation requires that certain persons collect and pay to the BIR financial services tax, insurance premium tax and hotel accommodation tax. These persons are not required by law to file a return which will assist in establishing a liability in the records of the BIR. It is proposed that the tax legislation be amended to give to the BIR the power to require a return to be filed which will be used to establish a liability against which payments will be offset. The filing of the returns will facilitate efficient administration and will be in a format simple enough to ensure that the person required to pay the tax is not unduly burdened.

This proposal to file returns will require an amendment to the Miscellaneous

Taxes Act, Chap. 77:01 and will come into effect from the coming into operation of the Finance Act.

Modification of Penalties

The existing tax legislation provides that under certain circumstances tax is to be withheld a source. The tax withheld must be remitted to the BIR by a particular date and failure to comply with the provision results in a penalty being paid which, in some cases, is as high as 100% of the outstanding taxes not paid to the BIR. It is proposed that all penalties which are currently in excess of 25% be reduced to 25%. This reduction, apart from providing a benefit to the person charged with the responsibility to collect tax on behalf of the BIR is also geared toward minimizing the need to treat with a number of applications for waiver of penalties. The imposition of a high penalty was intended to increase taxpayer compliance at a time when the enforcement mechanisms of the BIR were not as strong as currently obtains. The Minister of Finance is of the view that because of increased taxpayer maturity and strengthened enforcement mechanisms, there is no longer the need to have such high penalties.

The reduction in the penalties to 25% will require an amendment to the Income

Tax Act and this measure will take effect from 1st January 2008.

Modification of Withholding Tax (Part II, 3rd Schedule, Income Tax Act)

The Income Tax Act provides that income tax, referred to as withholding tax, be levied and paid on distributions and payments arising outside of Trinidad and Tobago and made to any non-resident person or company. When the tax rate on net income was in certain cases as high as 45%, it was reasonable to maintain the rate of withholding tax at 20% since this is imposed on gross income. However, now that the tax rate on net income has been reduced to 25% across the board, it appears harsh to maintain the withholding tax rate on gross income at 20%. For this reason, it is proposed that the withholding tax rates be amended as follows:

- The withholding tax on payments be reduced from 20% to 15%;
- The withholding tax on dividends be reduced from 15% to 10%
- The withholding tax on dividends paid to the parent company be reduced from 10% to 5%.

This measure will take effect from the coming into operation of the Finance

Act and will require amendments to the Income Tax Act, Chap. 75:01