

**The Hon. Colm Imbert**  
**Minister of Finance**  
**Speaking Notes on the**  
**Corporation Tax (Amendment) Bill, 2018**  
**in the House of Representatives**  
**on June 25, 2018**

Mr. Deputy Speaker, before you this afternoon is the Corporation Tax (Amendment) Bill, 2018 aimed at amending section 6(1) of the Corporation Tax Act, Chap. 75:02 (Corporation Tax Act) to exempt the payment of Corporation Tax on the profits of the National Investment Fund Holding Company Limited (NIFHCL) and interest payable on bonds issued by the Company.

**Background**

Mr. Deputy Speaker, as you are aware CL Financial (CLF) and its major subsidiaries, such as CLICO, collapsed in 2009 and Government, at that time, put in place an arrangement with the shareholders of CLF to bail out the conglomerate and its subsidiaries using taxpayers' money. The position of the Government was always to, among other things, protect policy holders including traditional and short term investment

product holders and the safe guarding of depositors. Mr. Deputy Speaker, I have stated on other occasions that over the period 2009 to 2017, the Government injected a sum in excess of **\$23 billion** in respect of the bail out.

Mr. Deputy Speaker, as of last year Government had recovered only about **\$7 billion** of this total and was forced to take the matter to the Court in order to recover the outstanding monies, which was in excess of **\$15 billion**. The Court, as you are aware Mr. Deputy Speaker, put the CLF operations fully into the hands of liquidators. In addition, you may wish to know that Colonial Life Insurance Company (Trinidad) Limited (CLICO) is under the control of the Central Bank of Trinidad and Tobago and CLICO Investment Bank (CIB) was put into compulsory liquidation. The liquidator in that case was the Deposit Insurance Corporation of Trinidad and Tobago.

Mr. Deputy Speaker, arising out of the liquidation exercise Government, to date, has been able to recover shares and other assets

from CLICO and CIB pursuant to the repayment of the debt owed to the people of Trinidad and Tobago.

Mr. Deputy Speaker, the repayment of the debt owed by CLF, CLICO and CIB is critically important to the economy of Trinidad and Tobago. In this regard, it is this Government's policy position that the assets recovered on behalf of the people of Trinidad and Tobago should be monetized for the benefit of the people of Trinidad and Tobago. Mr. Deputy Speaker, it is this strategic consideration that has informed the creation of the *NIFHCL*. The Company is intended to represent a vehicle for monetizing the assets transferred to the Government by CLF and its subsidiaries.

Mr. Deputy Speaker, it was decided that the shares obtained by Government as a result of the recovery of debt from CLF and its subsidiaries would form part of the portfolio of the NIFHCL. These shares include those from Republic Finance Holdings Limited (Republic Limited), One Caribbean Media (One Caribbean), Angostura Holdings Limited (Angostura Limited) and West Indian Tobacco Company Limited (WITCO). It was also decided, that in order to further diversify the portfolio of the NIFHCL, certain shares,

held by the Government in Trinidad Generation Unlimited (TGU) would be included in the NIFHCL portfolio.

Mr. Deputy Speaker, it is estimated that an amount of approximately **\$4.0 billion** could be generated through monetization of the assets that would form the portfolio of NIFHCL. The objective is to facilitate the participation of a wide cross-section of the citizens of Trinidad and Tobago in the benefits of the stream of income from the capital market and at the same time deepen and widen that market. Moreover, given that public resources were utilized for restructuring CLICO and CIB, it is our position that **citizens of Trinidad and Tobago must benefit** from the monetization of the debt repayment.

### **The NIFHCL Portfolio**

Mr. Deputy Speaker, the proposed portfolio of the NIFHCL will comprise the following:

**Table 1: Portfolio of the National Investment Fund Holding Company Limited**

Portfolio		Fund Value (\$) Billion	Portfolio Weighting
1.	Republic Finance Holdings Limited	4.315	55.0%
2.	West Indian Tobacco Company Limited	0.405	5.0%
3.	One Caribbean Media Limited	0.200	2.0%
4.	Angostura Holdings Limited	0.970	12.0%
5.	Trinidad Generation Unlimited	2.025	26.0%
	Total	7.915	100.0%

Mr. Deputy Speaker, you may wish to know that 42,475,362 shares of Republic Limited and 1,305,000 shares of One Caribbean Media have been transferred from CIB to the Government and/or Government owned or controlled companies. In addition, 61,677,011 shares of Angostura Limited,

13,980,917 shares of One Caribbean Media and 4,548,712 shares of WITCO were transferred from CLICO to the Government. These transactions have been, or will be, executed by transferring the shares of Republic Limited, WITCO, Angostura Limited and One Caribbean by way of put-through transactions on the Trinidad and Tobago Stock Exchange Limited (TTSE) on which a fee of 0.3 percent was paid to the TTSE and separate brokerage fees on both the transferor and transferee sides were incurred. The values of the shares were determined through stock market valuations. Mr. Deputy Speaker, it is the intention that all shares forming part of the portfolio of the NIFHCL will be transferred at market value.

### **Monetization of the NIFHCL Assets**

Mr. Deputy Speaker, I am sure you are interested to know how the monetization of the portfolio of the NIFHCL shares for the benefit of the people of Trinidad and Tobago would be achieved.

### ***Options considered by Ministry of Finance***

The Ministry of Finance in collaboration with its consultancy services had been reviewing the technical underpinnings relating to the issuance of

units or shares by a Fund or by a Company and their capacity to raise the appropriate quantum of resources. **Three (3)** options were considered:

1. The setting up of a **Fund** similar to the CLICO Investment Fund (CIF) which is a closed-end unit Fund listed on the TTSE with Republic Limited shares and other assets being the underlying assets of the Fund for which units were issued;
2. The forming of a **New Company listed on the TTSE** holding the underlying equity assets, in which the public could purchase shares; or
3. The establishment of a State-owned company holding the underlying assets which will issue a **Corporate Bond(s)** backed by the assets and dividends from the company but with no Government guarantee. The Company would sell the bonds to individuals, banks or insurance companies and redeem the bonds from a reserve fund established for that purpose.

Mr. Deputy Speaker, in the context of market soundings, it was determined that neither a Fund issuing units nor a Company issuing shares

could generate the **\$4.0 billion** through a public offering, given the restrictions which govern the structuring of portfolios within the institutional sector, including pension funds and life insurance companies. In that connection, it was agreed that an *asset-backed corporate bond* with appropriate tenors and coupons would be adequate to meet the varying investor requirements of the individual, corporate and institutional sector.

### **The NIFHCL Transaction**

To effect the issue of publicly listed fixed income asset-backed corporate bonds, the following comprises the elements of the transaction:

1. The NIFHCL has been established as a limited liability company, under the Companies Act, Chap 81:01;
2. It is the intention that in due course, the Government will transfer the shares of Republic Limited, Angostura Limited, One Caribbean, WITCO and TGU to NIFHCL and in return receive a Note amounting to the value of **\$7.915 billion**, of which **\$3.915 billion** would be converted to ordinary shares and held by Government as sole shareholder of NIFHCL. The residual **\$4.0 billion** would be re-paid to

GORTT upon the receipt of the proceeds from *asset-backed corporate bonds* issued to the public in order to repay the **\$4.0 billion** promissory note/loan note owed to the Government of Trinidad and Tobago.

3. Submissions have been made to the Trinidad and Tobago Securities and Exchange Commission (TTSEC) to register the NIFHCL as reporting issuer by the TTSEC under the Securities Act, Chap 83:02 and its bonds similarly registered thereunder. The bonds would also be listed on the Trinidad and Tobago Stock Exchange (TTSE);
4. Draft submissions of a Prospectus offering fixed income asset-backed corporate bonds has been made to the TTSEC; and
5. Pursuant to Section 68 (2) of the Stamp Duty Act, Chap. 76:01, it is proposed that Stamp Duty will be waived to facilitate the share transfers in respect of the portfolio of assets and on securitizing the corporate bond.
6. The Caribbean Information & Credit Rating Services Limited (CARICRIS) has been engaged to assign a credit rating to the Corporate Bond

7. the fixed income asset-backed corporate bond would be a unique instrument being marketed on the capital market in Trinidad and Tobago and to that end, EY, First Citizens Brokerage Advisory Services has been engaged and, in collaboration with the Ministry of Finance and its communication advisory services, would undertake a comprehensive marketing effort to ensure that the national community understood the attributes of that instrument which would redound to the improvement of the investment portfolios of individuals and corporate and institutional investors. In that connection, the national community would now benefit from an instrument which would:

- provide access to quality assets which accrued to GORTT through the CLICO restructuring;
- meet the investment objectives of the national community, including utilizing **\$1000** face value bonds, to attract the widest possible participation in public offering;
- provide regular interest through tax benefits to all bond holders; and
- provide immediate liquidity if required through access to TTSE on which the bonds would be quoted;

**It is envisaged that the asset backed corporate bonds will be offered to the national community over the period July 11 2018 to August 8 2018 at rates consistent with the Government yield curve, with a suitable uplift, as follows:**

	Principal	Coupon	Tenor
Tranche 1	1,200	4.5%	5
Tranche 2	1,600	5.7%	12
Tranche 3	1,200	6.6%	20

In each year during the tenor of the fixed income asset-backed corporate bond, investors will be paid fixed coupons. After that payment, a minimum of the excess cash earned and held by the NIFHCL would be transferred to a redemption reserve fund for the purpose of repaying the bonds at the end of their tenor.

**At the end of the tenor of all bonds, in twenty (20) years, the portfolio of assets would remain in the NIFHCL, of which GORTT would be the 100.0 percent shareholder and would be able to take whatever**

**decisions related to the portfolio including direct sales or issuance of new bonds**

**The Corporation Tax (Amendment) Bill, 2018**

Mr. Deputy Speaker, it is in the vein of the preceding that the amendments to the Corporation Tax Act are being debated before this House. Mr. Deputy Speaker, the Bill is exceedingly short and comprises two Clauses.

**Clause 1** is the short title and provides for the name of the Act, the Corporation Tax (Amendment) Act, 2018.

**Clause 2** allows for the amendment of section 6(1) of the Corporation Tax Act. Clauses 2(a) and 2(b) are clean-up measures to facilitate the substantive amendment to the section.

The Government is of the view that while the intrinsic value of the asset-backed corporate bond, together with its attributes of a fixed income coupon in line with the yield curve was adequately suitable to the investing

community, it was broadly appropriate to enhance its attractiveness through a number of tax benefits and administrative concessions, including the conferring of tax exemptions on the profits of NIFHCL as well as on interest paid to the bond holders.

In respect of the NIFHCL, the dividend income received by NIFHCL from Trinidad and Tobago resident companies is already exempt from Corporation Tax pursuant to the provisions of **section 6(1)(a)** of the Corporation Tax Act. However, the dividend income received by the NIFHCL will be subject to **Green Fund Levy** at the rate of **0.3 percent** and that would remain. It is anticipated that the NIFHCL may make investments which would generate interest income. Such interest income would be subject to Corporation Tax, at the rate of **30.0 percent**. *Accordingly, in order to enhance the return of the entity for the benefit of the Government and bond holders, it is proposed that the Corporation Tax Act be amended to exempt from tax, the profits of the NIFHCL.*

In respect of the asset-backed corporate bonds, interest on the bonds is already tax exempt in the hands of Trinidad and Tobago resident individual investors pursuant to the provisions of **section 8(1)(p)** of the

**Income Tax Act.** However, interest income paid to corporate investors would ordinarily be subject to Corporation Tax, at the rate of either **30.0 percent** or **35.0 percent** as in the case of commercial banks and companies in the petrochemical sector. *Accordingly, in order to make the bond offerings more attractive to corporate investors, it is proposed that the Corporation Tax Act be amended to exempt from tax, the interest payable on bonds issued by the NIFHCL.* This would have the effect of exempting from tax interest paid to Trinidad and Tobago resident companies as well as non-resident companies carrying-on business in Trinidad and Tobago.

Mr. Deputy Speaker, the preceding proposals are found at **Clause 2(c)** of the Bill which would insert two new subsections into the Corporation Tax Act, **6(1)(zc) and 6(1)(zd).**

Mr. Deputy Speaker, you may wish to note that given the nature of the amendments the Bill it is considered a **Money Bill.**