

# EYE ON SERVICES

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## CEO's Message



The TTCSI firmly believes that the services sector holds the key to export diversification as the sector itself is quite diverse and includes business and professional services, construction, information and communication technology (ICT), energy, finance, transport, and tourism and travel services among many others.

The services sector is the largest sector in Trinidad and Tobago's economy contributing a combined total of 72% or TT\$115 billion to Gross Domestic Product (GDP) in fiscal year 2017, employing over 85% of the labour force. In 2018, the sector contributed an estimated 58% to GDP, followed by 53% in 2019.

Despite our success at home, the services sector accounts for less than 10% of export earnings.

This sector therefore, has significant scope for growth in terms of export generation with recent developments in ICT making it much easier to digitally execute services for clients anywhere in the world.



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As a result, TTCSI decided that we needed to take a more strategic approach to the expansion of the services sector by incorporating all our export initiatives under a single forward-looking internationalisation strategy - an export call to action for the services sector.

In September 2021, the Gateway to Trade Export Accelerator Programme was launched. It is a nine-month market readiness accelerator programme which in the first phase targets 80 firms with export experience.

It is the first time that the G2T programme was rolled out in Trinidad and Tobago. Key elements include: market connections, tailored business coaching/mentoring as well as enterprise and product upgrading assistance.

In this issue of "Eye on Services" we present frequently asked questions on taxation raised by services providers and firms interested in expanding into new markets.

A special thank you to Gillian Wolffe-O'Neil and Sakia Carmichael of KPMG for conducting an engaging and informative session with participants of G2T. The questions and answers featured here were drawn from this session. It is our intention to provide services exporters relevant information to guide your entry into new markets. Exporting is not an easy task. It takes a village/network to achieve export success. TTCSI is here to assist, guide, advocate on your behalf.



# TAXATION

## FAQs on Taxation for Service Providers and Firms preparing to export

### 1. Are there tax concessions or incentives for exporting services from T&T?

There are several tax benefits which can be viewed as tax concessions when it comes to exporting services from Trinidad and Tobago (T&T).

The following is a summary of some of the benefits:-

- Under the CARICOM Double Tax Treaty (CARICOM Treaty) if a T&T company performs services for a Guyana company - the income from services rendered are subject to 15% withholding tax (WHT) only in Guyana but exempt from Corporation Tax and Business Levy in T&T (with the exception of Green Fund Levy of 0.3%).

The rate of WHT of 15% is lower than both the Corporation Tax in T&T (30%) and Guyana (25% & 40%) respectively.

- Also, export of services is zero rated under Schedule 2 of the Value Added Tax Act (T&T) - once made to a non-resident company and billed in a currency other than TTD. Therefore, the invoice issued by the T&T company should state 0% VAT thereon.

However, the T&T company will still be required to register for VAT purposes with the BIR, provided that commercial supplies made are in excess of TT \$500,000 within a 12-month period or less.

- Further under the CARICOM Tax Treaty, a T&T employee working in Guyana will be taxable only in Guyana on income earned in Guyana. An employee would be subject to tax at 28% on net income up to GYD \$130,000 and 40% on net income in excess.

This is also contingent on the employee being in Guyana as a temporary resident for more than 183 days aggregate in a calendar year, as well as, other Treaty criteria.

Note that if the employment is exercised in another CARICOM country, said employment income would also be exempt from tax in T&T.

- The Finance Act (No. 2) 2021 introduced several incentives effective January 01, 2022 relating to “tech start up”, “technology solutions” & “technology industries”. Companies receive 50% uplift in computing chargeable profits in T&T. Therefore, if the T&T company is engaged in any of these types of businesses they can avail themselves of the benefit.

- The rate of corporation tax remains at 0% for the first five years for Small and Medium Enterprises (SMEs) listed on the Trinidad and Tobago Stock Exchange (TTSEC). However, there is now a reduction in the rate of corporation tax thereafter to 15% for years 6-10.

Business Levy is also lowered for said SMEs:

- 0% for the first five years from listing;
- 0.3% for the next five years immediately following the period in (a); and
- 0.6% immediately following the period referred to in paragraph (b) above.

The said Finance Act further defines an “SME listed company” to mean a Small and Medium Enterprise company listed on the Trinidad and Tobago Stock Exchange, whose: -

- minimum issued share capital is TT\$5M and maximum issued share capital which does not exceed TT\$50M following the initial public offering;
- minimum and maximum capital base comprises of issued share capital only and does not include retained earnings and accounts transferred from such issued share capital or account;
- a minimum of 25 unconnected shareholders own a total of at least 30% of the new issued share capital of the company; and
- capital is raised with the issuance of an initial public offering to be followed by a listing on the Trinidad and Tobago Stock Exchange no more than 60 days after allotment of the issue.

- Further SMEs that are listed on the Trinidad and Tobago Stock Exchange can also benefit from a reduction in the rate of Green Fund Levy as follows:

- 0% for the first five years of listing;
- 0.15% for the next five years immediately following and
- Thereafter, the usual rate of 0.3% would apply.

- In relation to manufacturing companies, there is now an allowance for manufacturing companies which incur expenditure with respect to research and development. The allowance is 40% of the actual expenditure incurred up to a maximum of TT\$3M per annum.

Further, they will be subject to corporation tax at the rate of 25% for each of those years on the first TT\$100,000 expended on investments in projects related to –

- information technology;
- digitisation; or
- technology development, to advance growth in the manufacturing industry.

This amendment does not apply to any petrochemical company.

Moreover, we are uncertain how the 25% rate of corporation tax would apply to investments expended in information technology, digitisation or technology development to advance growth in the manufacturing industry and await further guidance on this amendment.

- With respect to a company whose core business activity is technology solution and digitisation. There is now a corporation tax applicable at a rate of 15% as follows –

- on the first TT\$100,000 of chargeable income for income year 2022; and
- on the first TT\$200,000 of chargeable income for income year 2023.

For the purposes of this section “technology solution” is defined as a set of related software programmes or services that are sold as a package.

# TAXATION

## FAQs on Taxation for Service Providers and Firms preparing to export

### 2. What are the tax incentives around earning foreign exchange?

Foreign exchange differences may be taxable depending on whether they are forex gains or losses. Where the gains or losses are transactional in nature, then they are taxable or deductible respectively.

### 3. When is withholding tax applicable? Who is typically responsible for paying the withholding tax?

Withholding tax is triggered by payment to the foreign company (non-resident) for services performed. Note that goods are not subject to withholding tax.

Note further that the T&T payor of the invoice is required to withhold the requisite withholding tax and remit same to Tax Authorities within the statutory timeframe. In T&T withholding tax is to be remitted to the Board of Inland Revenue (BIR) within 30 days of payment to the foreign company.

Rates:-

- a) Services performed for a foreign company - 15% unless lower by an applicable Treaty.
- b) Distributions/dividends paid to a foreign company
  - i. 3% where made to a parent company and 8% in all other cases--- unless lower by an applicable Treaty

It is the responsibility of the T&T company to discuss in their negotiations who will bear the tax burden and issues of grossing up. This should be properly documented in a contractual arrangement.

### 4. How should our annual financials and final accounts reflect revenue and expenditure from exported services? Are there specific ways this needs to be reported?

From a tax standpoint, there are no requirements regarding the presentation of revenue and expenditure of exported services. However, it may be necessary for the company to liaise with its auditors on financial reporting requirements.

### 5. Given the difficulties in securing foreign exchange, what advice do you have for a service provider to mitigate this challenge?

There is no easy way to navigate the foreign exchange shortage in T&T. However, by ensuring you have a working relationship with your bank, they may be able to accommodate your needs better with regard to accessing foreign exchange.

### 6. What are the best online resources on tax information for service exporters?

The BIR's website has a wealth of information that is useful for service exporters. There is also a copy of any relevant Double Taxation Treaties available on the website.

<https://www.ird.gov.tt/>

### 7. Do I need to pay taxes in T&T and in the foreign market?

In the absence of a Double Taxation Treaty, T&T companies are taxable on their worldwide income (income earned locally and internationally). However, under the CARICOM Tax Treaty which is a source Treaty, the T&T company is only taxable in the country where the income is earned, for example, Guyana, Barbados, St Lucia. By extension the income would be exempt in T&T.

Under other Treaties the T&T company may be able to access a tax credit for taxes paid in the other jurisdiction.

Note that T&T currently has 16 Double Taxation Treaties now that Denmark has exited.

### 8. If I am contracting local experts in my foreign market in the course of providing my company's services, what are the tax implications? Do I have to pay employment taxes or VAT in the foreign market, for example?

Under the CARICOM Tax Treaty independent contractors doing work in Guyana, for example, will be subject to Income Tax at 28% and 40% depending on the threshold of income mentioned above.

If the work is performed in T&T, the contractor would be subject to Income Tax at a rate of 25% and 30%.

### 9. Beyond registering my business in T&T, are there other tax-related measures or registrations I need to make in order to export my services?

The company would be required to register for the full suite of taxes with the BIR and National Insurance Board (NIB) (For example, Corporation Tax, VAT, PAYE, NIS, BIR, etcetera)

### 10. What taxes should I be charging my international client? T&T taxes, the taxes of their domestic market, both, or neither?

Withholding Tax. Generally, if the T&T company is providing a service it would be expected that the foreign company upon paying the T&T company, would withhold the requisite withholding tax and remit to the tax authorities. Note that a copy of proof of payment should be provided.

Conversely, if the foreign company is providing the T&T company with a service, it would be expected that the T&T company would withhold the requisite withholding tax and remit to the BIR.

### 11. What are the practical implications of DTAs for service providers? How do they affect the contract terms? What implication do they have for service providers as it relates to paying taxes in TT?

Contracts should treat with Withholding Tax considerations under applicable Treaties, as well as, who will bear the tax burden. Considerations of grossing up are usually negotiated at this stage.

They would need to be negotiated. If services are being provided under the CARICOM Tax Treaty, and if the contract is grossed up it means that the foreign company does not bear the tax burden and they remain whole in that the full contract amount is received.

# Building Export Capacity:

Gateway to Trade Export Accelerator Programme in collaboration with ExporTT and the Ministry of Trade and Industry

GATEWAY to Trade is an export capacity building and acceleration programme designed to strengthen trade promotion organizations, sector associations and SME services firms. Ultimately, the objective of GATEWAY to Trade is to support the growth of services exports and enhance economic development.

By closely supporting these services firms over this extended period, and by selecting the most market-ready firms to continue in the various phases of the programme, it is anticipated that these companies will achieve their export objectives more quickly and more successfully.



Created by Global Links Network, Inc., GATEWAY to Trade has been developed through the application of a combined 75 years' experience in working on trade initiatives in over 60 countries around the world.

GATEWAY to Trade Trinidad and Tobago was launched in September 2021. Phase I of the programme led approximately 80 participants and 20 trainers from key business support organizations through an intensive 9 weeks of training and hands-on exercises which concluded mid-December.

In Phase II, 43 out of 80 participants are receiving one on one coaching. This step involves guidance in fine-tuning their company profile, export plan and strengthening their value proposition, business pitch and website.

Additionally at Phase II, emphasis will be placed on developing the coaching capacity of the trainers, thereby ensuring sustainability of the G2T programme.

Phase III will be implemented alongside ExporTT and will involve engaging 20 of the most export-ready companies in market connection activities, such as trade missions and/or trade shows.

By closely supporting these services firms over this extended period, and by selecting the most market-ready firms to continue in the various phases of the programme, it is anticipated that these companies will achieve their export objectives more quickly and more successfully. GATEWAY to Trade Trinidad and Tobago has been made possible with the support of the Ministry of Trade and Industry and is administered by the Trinidad and Tobago Coalition of Services Industries (TTCSI).

Here's what some of the participants had to say about the programme:

"An excellent Export Plan development program! Essential to development of your value proposition for your business needed for B2B meetings. Excellent guidance on development of your Company Profile as an introductory and marketing digital asset to enhance export sales and international business development."

- Stuart Mahabir, Damus Limited

"This programme was so informative for me and my team. We know where we are as a small business and what we need to do now, to be able to venture into the export realm."

Wished it was longer, however thanks to Theo and Michelle for explaining everything."

- Shamfa Phillips, Phillips General Contracting Limited.

"This programme made me re-think what I have done or not done to drive my business. I learnt an incredible amount but even more valuable were the exercises which put knowledge in to practice and within my own business scenario. All the elements of successful training- we learn by doing and not just listening and also by applying the knowledge in our area of interest. Excellent programme! Thank you!"

- Tamara Pooran, Think Talent HR Consulting

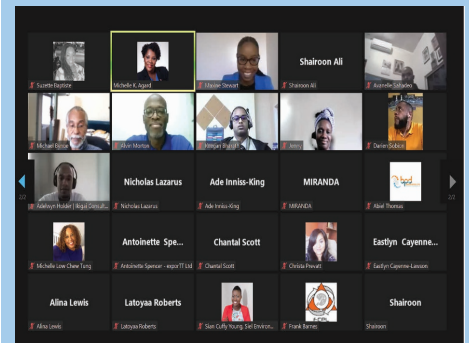
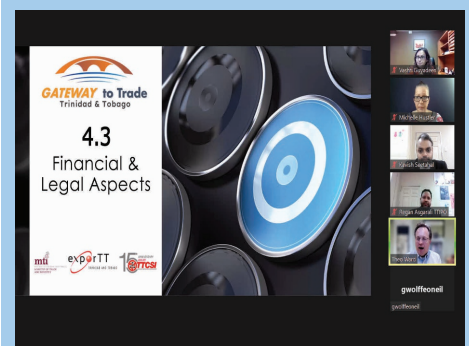
"Gateway to Trade TT is an excellent initiative by TTCSI. The programme was expertly delivered using the right blend of technology, professional expertise and practical exercises. I have gained tremendous insights and new strategies not previously considered. I feel equipped for services export. Thank you, trainers and TTCSI!"

- Maxine Stewart, OutSource Professional Services Limited

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Look out for Issue #2 where we address Intellectual Property.