



THE PARLIAMENT OF  
TRINIDAD AND TOBAGO

**BILL ESSENTIALS**

Date Introduced: 25 March, 2020

House: House of Representatives

Minister: Minister of Finance

Links: The links to the Bill, and its progress can be found on the Bill's home page through the Parliament's website, [www.ttparliament.org](http://www.ttparliament.org)

# BILL ESSENTIALS

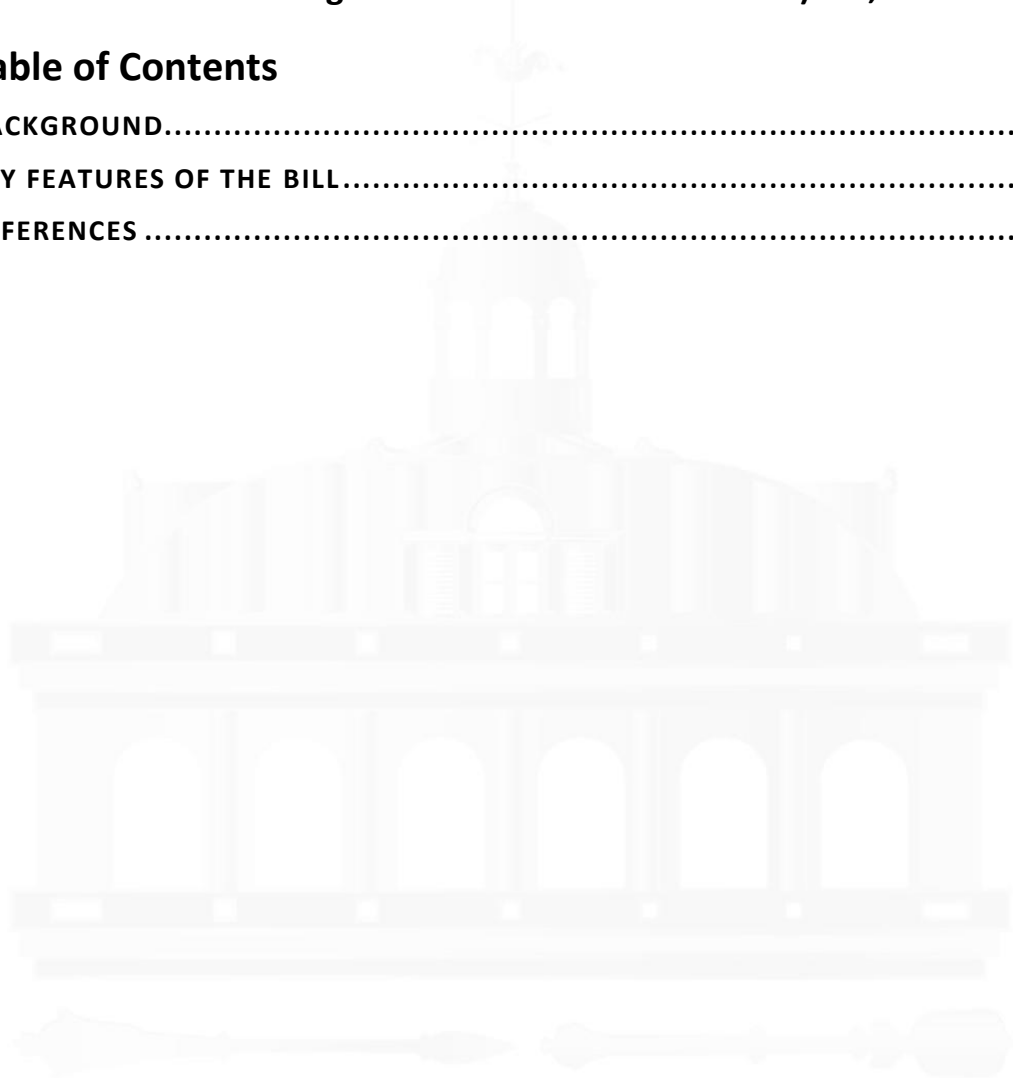
**BILL ESSENTIALS NO.32, 2019–2020**

**24 MARCH, 2020**

## **The Miscellaneous Provisions (Heritage and Stabilisation Fund, Government Savings Bonds and Value Added Tax) Bill, 2020**

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## BACKGROUND

### The Heritage and Stabilisation Fund Act Chap 70:09<sup>1</sup>

#### What is the Heritage and Stabilisation Fund?

1. The fund was created by **The Heritage and Stabilisation Fund Act, Chap. 70:09** and was established with effect from March 15, 2007 for the purpose of saving and investing surplus petroleum revenues.
2. The Act contains a well-defined governance structure, specifies clear rules for transfers to and withdrawals from the Fund and incorporates provisions to ensure the highest standards of transparency and accountability in particular defined circumstances.
3. The fund is to be invested in a diversified portfolio of financial assets which will be managed so as to yield high risk weighted returns. These returns are then meant to be available to support budgetary expenditures when energy resources and revenues have dwindled.

#### What is the Purpose of the Heritage and Stabilisation Fund?

4. The HSF is intended to:
  -  Cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;
  -  Generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and
  -  Provide a heritage for future generations of citizens of Trinidad and Tobago from savings and investment income derived from the excess petroleum revenues.

#### What are the Fund's conditions for deposits and withdrawals?

5. The Act expressly outlines the deposit and withdrawal rules which the Ministry of Finance must apply regarding the Fund. Only when the formulae for deposits and withdrawals are satisfied can the Ministry of Finance access the Fund.

#### **Deposits**

6. **Sections 13 and 14** of the Act detail the conditions under which excess revenues must be deposited in the Fund.




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<sup>1</sup> The Heritage and Stabilisation Fund Act, Chap. 70:09: [https://rgd.legalaffairs.gov.tt/laws2/Alphabetical\\_List/lawspdfs/70.09.pdf](https://rgd.legalaffairs.gov.tt/laws2/Alphabetical_List/lawspdfs/70.09.pdf)

### **Withdrawals**

7. **Section 15** of the Act outlines the conditions under which money may be withdrawn from the Fund.
8. In relation to the quantum of money, the section provides that where the petroleum revenues collected in any financial year fall below the estimated petroleum revenues for that financial year by at least ten percent (10%), withdrawals may be made from the Fund.
9. There are certain limitations on Withdrawals. A withdrawal is limited to sixty percent (60%) of the amount of the shortfall of petroleum revenues for the relevant year or twenty-five percent (25%) of the balance of the Fund at the beginning of that year, whichever is the lesser amount. The Act precludes any withdrawal where the balance standing to the credit of the Fund would fall below one billion US dollars if such withdrawal were to be made.

### **Government Savings Bonds Chap. 71:41<sup>2</sup>**

10. The Government Savings Bonds Act was enacted in 1962, the main purposes of this Act are:
  -  to authorize the issue of savings bonds;
  -  to declare the terms and conditions applicable to the bonds issued;
  -  and to provide for the rights and the security of bond holders.
11. The Act provides for the issue of five (5) different types of savings bonds namely: Government Savings Bonds, National Tax Free Savings Bonds, Tax Free Housing Bonds, National Savings Bonds and Housing Development Corporation Housing Bonds.

### **Value Added Tax Act, Chap. 75:06<sup>3</sup>**

12. Value Added Tax (“VAT”) is applied to both goods and services in Trinidad and Tobago and is included in the final price of the product. VAT is charged at a rate of twelve and a half percent (12.5%).
13. VAT-registered businesses must collect VAT from customers, submit VAT returns and pay any VAT that they owe to the Inland Revenue Division of the Ministry of Finance. VAT-registered businesses can deduct any VAT that they pay when purchasing goods and services for the business from the VAT that they collect from customers. If the amount of VAT that a business pays is more than they collect, the Inland Revenue Division will refund the balance.




<sup>2</sup> **Government Savings Bonds Act Chap. 71:41:** [https://rgd.legalaffairs.gov.tt/laws2/Alphabetical\\_List/lawspdfs/71.41.pdf](https://rgd.legalaffairs.gov.tt/laws2/Alphabetical_List/lawspdfs/71.41.pdf)

<sup>3</sup> **Valued Added Tax Act Chap. 75:06:** [https://rgd.legalaffairs.gov.tt/laws2/Alphabetical\\_List/lawspdfs/75.06.pdf](https://rgd.legalaffairs.gov.tt/laws2/Alphabetical_List/lawspdfs/75.06.pdf)

14. Individuals or businesses that sell goods or services worth five hundred thousand dollars (\$500,000.00) or more in a twelve (12) month period must register for VAT. Individuals and businesses must also register if they forecast sales of five hundred thousand dollars (\$500,000.00) or more in a twelve (12) month period.
15. The Minister of Finance recently announced that the Government intended to issue VAT refunds to those entitled<sup>4</sup>.

## KEY FEATURES OF THE BILL

### *The Heritage and Stabilisation Fund Act*

16. **Clause 2** of the **Miscellaneous Provisions (Heritage and Stabilisation Fund, Government Savings Bonds and Value Added Tax) Bill, 2020** (“the Bill”) proposes to insert a new **section 15A** into the Act to permit withdrawals from the Fund in exceptional circumstances.
17. These exceptional circumstances include where:
  -  a disaster area is declared under the Disaster Measures Act<sup>5</sup>;
  -  a dangerous infectious disease is declared under the Public Health Ordinance<sup>6</sup>; or
  -  there is, or is likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.
18. Further, **clause 2** proposes to limit withdrawals under this new section to **one and one half billion dollars (\$1,500,000,000)** at any time during the financial year. Additionally, the Minister would be required to report to the House of Representatives within sixty (60) days of any withdrawal.

### *Government Savings Bonds Chap. 71:41*

19. **Clause 3** of the Bill seeks to amend **section 8** of the Government Savings Bonds Act by inserting a new **paragraph (ba)** after the existing paragraph (b). This new paragraph will allow the Minister to make regulations under the Act in relation to the transfer of bonds.






<sup>4</sup> Newsday, “Gov’t promises VAT, income tax refunds next week”, March 24, 2020:

<https://newsday.co.tt/2020/03/24/govt-promises-vat-income-tax-refunds-next-week/>

<sup>5</sup> Disaster Measures Act Chap. 16:50: [http://odpm.gov.tt/sites/default/files/disasters\\_measures\\_act\\_chap16-50.pdf](http://odpm.gov.tt/sites/default/files/disasters_measures_act_chap16-50.pdf)

<sup>6</sup> Public Health Ordinance Ch. 12 No. 4

**Value Added Tax Act**

20. **Clause 4** of the Bill amends the Value Added Tax Act to insert a new **Part 5A**. This new section which enables the Minister to meet any liability to refund VAT by signing agreements on behalf of the Government and making payments in any form, including the issuing of bonds.
21. Bonds issued under this section can either be interest or non-interest bearing as well as transferable or non-transferable. Such bonds should not exceed in aggregate **six billion dollars (\$6,000,000,000)** or such other sum as is specified by resolution of both Houses of Parliament. Further, the Minister is empowered to exchange or replace bonds which are mutilated, destroyed, stolen or lost upon such terms and conditions as he deems fit.
22. The payment of all moneys under this Part shall be a charge on the Consolidated Fund.
23. Moreover, **Clause 4** empowers the Minister to designate the Central Bank or a financial institution as the Fiscal Agent in relation to bonds. Such Fiscal Agent must establish and maintain a register of the holders of bonds and promptly pay, on behalf of government, the principal sum at maturity of a bond.
24. Additionally, the Minister may make regulations under **Part 5A** in relation to bonds, particularly:
-  denomination of bonds;
  -  types, classes or series of bonds;
  -  transfer of bonds;
  -  form, issue and recording of bonds; and
  -  method of holding bonds.
- Regulations under this Part are required to be laid in Parliament.

## REFERENCES

KEY LEGISLATION

**Miscellaneous Provisions (Heritage and Stabilisation Fund, Government Savings Bonds and Value Added Tax) Bill, 2020**



**The Heritage and Stabilisation Fund Act, Chap. 70:09:**

[https://rgd.legalaffairs.gov.tt/laws2/Alphabetical\\_List/lawspdfs/70.09.pdf](https://rgd.legalaffairs.gov.tt/laws2/Alphabetical_List/lawspdfs/70.09.pdf)



**Government Savings Bonds Act Chap. 71:41:**

<https://rgd.legalaffairs.gov.tt/laws2/Alphabetical List/lawspdfs/71.41.pdf>



**Valued Added Tax Act Chap. 75:06:**

<https://rgd.legalaffairs.gov.tt/laws2/Alphabetical List/lawspdfs/75.06.pdf>



**Disaster Measures Act Chap. 16:50:**

[http://odpm.gov.tt/sites/default/files/disasters\\_measures\\_act\\_chap16-50.pdf](http://odpm.gov.tt/sites/default/files/disasters_measures_act_chap16-50.pdf)



**Public Health Ordinance Ch. 12 No. 4**

## ADDITIONAL RESOURCES



***“Gov't promises VAT, income tax refunds next week”, Newsday, March 24, 2020:***

<https://newsday.co.tt/2020/03/24/govt-promises-vat-income-tax-refunds-next-week/>



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