

# HEALTHY WEALTHY WISE

Newsletter by:

Global Financial Brokers Limited & Total Benefits Specialists Limited

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## BUDGET HIGHLIGHTS 2020/21

Delivered by The Honourable Colm Imbert, Minister of Finance, on October 5, 2020

*"Resetting the Economy for Growth & Innovation"*

### Fiscal Measures

- **Collection of Property Tax during the 2021 Fiscal Year** starting with residential properties first and then proceeding to commercial, industrial and agricultural properties, in that order
- **Broadening the VAT base** to include luxury imported foods
- **Quotas for the importation** of used and new motor vehicles
- **Constrain Cigarette Usage** by imposing an increase in the excise duty by **20% on locally manufactured tobacco products**; an increase in customs duty by **20% on imported tobacco** from the Common Market Origin; and an **adjustment to the customs duty payable** on tobacco products imported into T&T from extra-regional sources to have it receive equal treatment to that of the Common Market

### Tax Incentives

- **Personal Allowance increase** from \$72,000 to \$84,000 per year, effective 1 January 2021
- **Threshold for Stamp Duty to be increased** on Residential properties for first-time homeowners from \$1.5 million to \$2 million.
- **Removal of all taxes on Mobile and Digital Equipment**, Mobile Phones, Software, Computer Accessories and Peripherals
- **Increasing incentives for Small and Medium Enterprises (SMEs)** that list on the Junior Stock Exchange such as a **full tax holiday** for the first five (5) years and a **50% tax holiday** for the second five (5) years following listing on the TTSE.

### Other Measures

- **Introduction of MiFi for students**, on a needs-basis, for those who do not have **internet access** in their homes or surrounding areas
- Expansion of existing **Wi-Fi hotspots and establishing internet cafes** in all areas of the country to specifically target students in all remote areas
- Removal of all tax concessions on the **importation of private motor cars** to reduce foreign exchange leakage.

For more information and to download full Budget Statement visit Ministry of Finance website:

<https://www.finance.gov.tt/2020/10/05/national-budget-2021/>

## How does the Personal Allowance increase impact you?

For individuals earning \$84,000 and ABOVE per year, the increase in personal allowance from \$72,000 to \$84,000 will reduce your chargeable income by \$3,000 per year. For example,

	<u>2020</u>		<u>2021</u>
Annual Income	\$180,000		\$180,000
Personal Allowance	(\$72,000)	vs	(\$84,000)
Chargeable Income	\$108,000	vs	\$96,000
Income Tax (25%)	\$27,000	vs	\$24,000
<b>Income Tax Savings = \$3,000 per year</b>			
<b>(\$27,000 - \$24,000)</b>			

Individuals earning **BELOW \$84,000 per year** (\$7,000 per month) will pay **NO Income Tax effective 2021**.

## RESIDENTIAL STAMP DUTY THRESHOLD: Increase from \$1.5M to \$2M

Effective Jan 2021

### What is stamp duty?

Stamp Duty is a **tax** that you must pay to the Board of Inland Revenue (**BIR**) when carrying out certain transactions that require **legal documentation**. It must be paid when buying **real estate or a home**, acquiring **shares**, seeking a **mortgage** or other financial transactions that require 'stamping'.

### What are the Legal Documentation that require stamping?

(i) Deeds of Conveyance, (ii) Deeds of Gift, (iii) Deeds of Mortgage, (iv) Release of Mortgage Loan, (v) Release of Life Insurance Policies, (vi) Transfer of Shares, (vii) Deeds of Lease, (viii) Deed Polls, (ix) Bonds

### What is the cost of Stamp Duty?

Stamp duty is calculated as a percentage of the value of the transaction being undertaken.

## PERSONAL ALLOWANCE: Increase from \$72,000 to \$84,000

Effective Jan 2021

You should take this opportunity to **SAVE** the additional **\$3000 per year**, in part or in full, towards an **Emergency Fund**.

For example, stamp duty on residential properties is currently calculated by the BIR as follows:

<b>House &amp; Land (Non-First-time homeowners)</b>		<b>House &amp; Land (First-time homeowners)</b>	
\$850k and under	NIL	\$1.5M and under	NIL
First 400k over \$1.5M	3%	First \$250k over \$1.5M	5%
Every dollar of the next \$500K	5%	Every dollar thereafter	7.5%
Every dollar thereafter	7.5%		

### How does the threshold increase impact you?

First-time homeowners would be exempted from stamp duty of residential purchases up to \$2,000,000.

For instance, the **stamp duty savings** for a first-time homeowner on a residential property valued at \$2.5M (assuming 7.5% on every dollar over \$2M in 2021) is as follows:

	<u>2020</u>		<u>2021</u>
Purchase Price	\$2,500,000		\$2,500,000
<b>Stamp Duty Exemption</b>	<b>(\$1,500,000)</b>	vs	<b>(\$2,000,000)</b>
Stamp Duty payable on	\$1,000,000	vs	\$500,000
<b>Stamp Duty Charge</b>	<b>\$68,750</b>	vs	<b>\$37,500</b>
<b>Stamp Duty Savings = \$31,250</b>			
<b>(\$68,750 - \$37,500)</b>			

**Annual Rental Value (ARV)** is usually calculated and determined by the qualified professionals at the Valuation Division of the Ministry of Finance.

It is currently proposed by the Board of Inland Revenue (BIR) to **deduct 10% as a void** from the Annual Rental Value and the remainder will represent the **Annual Taxable Value (ATV)**.

**Assuming Property Tax of 3%**, let's see how much you will be required to pay based on an Annual Rental Value of \$60,000.

<b>Annual Rental Value (ARV)</b>	<b>= \$60,000</b>
<b>Void</b>	<b>= 10%</b>
<b>Annual Taxable Value (ATV)</b>	<b>= \$54,000 (\$60,000 less 10%)</b>
<b>Annual Property Tax</b>	<b>= \$1,620 per year (3% x \$54,000)</b>

## PAYING PROPERTY TAX: Residential Properties

Effective 2021

During 2021, the Commissioner of Calculations is expected to make **mandatory requests** of residential homeowners to pay property tax based on the **Annual Rental Value (ARV)** of their property.

*We recommend that you start planning your monthly budget from NOW to include this additional cost.*

*You may consider allocating part of your 2021 tax savings towards this cost.*

Contact us for more information!

## Breast Cancer Awareness Month 2020: Importance of Early Detection

According to the World Health Organization (WHO), "Breast cancer is the most frequent cancer among women, **impacting 2.1 million women each year**.....In 2018, it is estimated that 627,000 women died from breast cancer - that is approximately 15% of all cancer deaths among women".

In order to improve breast cancer outcomes and survival, **early detection is critical**.

Two (2) early detection strategies:

- i. Early Diagnosis** and
- ii. Screening**

### TIP:

If you have a family history of breast cancer, talk to your doctor about doing a full assessment of your risk, for example, testing for **BRCA 1** and **BRCA 2** gene mutations.

BREAST CANCER AWARENESS MONTH

# OCTOBER