



# TTMA's Recommendations to Improve the Ease of Doing Business in Trinidad and Tobago

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The ease of doing business index is widely referenced both regionally and internationally as it relates to regulations that govern business activity across economies. Its 2020 edition ranked Trinidad and Tobago as number 105 out of 190 participating nations relative to the same placement the year prior. Reasoning from this fact, the success of our recently launched Manufacturing Strategy is focused on private sector initiatives but is also highly dependent on improved reform of the regulatory, legislative and infrastructural framework that currently exists. The intention is to actively lobby and work with Government and public sector agencies to address the inefficiencies within the system in the areas of VAT refunds, foreign exchange, illicit trade, customs, ports and industrial parks. The goal is to create an enabling environment for the manufacturing and related sectors and by extension improve the ease of doing business in the country. This would allow for the growth and expansion of the industry and aid in our primary objective of doubling non-energy manufacturing exports by the year 2025.

## **Supportive Capital Structures**

Outstanding VAT refunds continue to create a cash flow problem for the business sector that has an adverse effect on a business' ability to propagate their operations to its full potential. As at March 2020, it was reported that the Government owed \$6.2billion in VAT arrears to approximately 10,000 registered companies. Various budgetary and COVID-19 fiscal measures such as the administration of the VAT bond and pay-out of refunds to a number of SMEs were subsequently done to decrease the debt owed to businesses. However, this does not take away from the fact that the VAT Refund process will continue to withhold a business's capital for at least 3 months, assuming it is repaid by Government on time. The delayed payment of outstanding returns contributes to the lack of financial resources that companies need to keep a business running and/or invest in their businesses for expansion. Therefore, a systematic re-structure of the VAT Refund process is needed to allow for timely repayment.

## ***Recommendations***

1. Allow net off of VAT return on raw material purchases, export, and new equipment.
2. Remove VAT collection from the consolidated fund.

## **Foreign Exchange**

In Trinidad and Tobago, the lack of access to desired quantities of foreign exchange is a major hindrance in business advancement. This is attributed to the decline in the energy sector known to be the country's primary source of U.S. dollar earnings. The goal is to therefore move away from this reliance and strengthen the manufacturing industry in a way that it can become a champion in earning foreign exchange for the economy. However, this cannot be done without firstly enhancing the access to it. In this regard, our Association endorses and continues to collaborate with the EXIMBANK via its Foreign Exchange Facility introduced by the Ministry of Finance in 2018. Since its inception, 68 manufacturers have accessed the facility with a goal of \$100M to 100 companies by the end of the year 2020. The primary objective of this private-public partnership is to encourage non-oil domestic manufacturers to utilise the bank as an additional source of U.S. currency for the purchase of equipment and raw material inputs. The hope is that these investments would enhance their export capacity in existing and potential



markets and thereby contribute to making the manufacturing sector significant earners and generators of foreign exchange for the nation.

### ***Recommendations***

1. Allocate and prioritize \$100M USD to 100 Manufacturers annually.
2. Limit access to importers for products that are manufactured locally.

### **Illicit Trade**

Although the appropriate legislation to tackle illicit trade exists, the lack of enforcement, resources and knowledge across the authoritative bodies responsible for the crackdown remains an issue. Illicit Trade of contraband on the black market leads to a loss of revenue for both legitimate industries and the Government. As an advocate for the business community and opportunity for employment, we intend to intensify our efforts to bridge the gap between law enforcement and prosecution; by conducting research, fostering strategic partnerships and providing necessary training as need be to various stakeholders. These initiatives would facilitate discourse and harmonisation between all agencies that have a pivotal role in combatting the issue. It would also provide an avenue for compliant businesses to thrive and capture those that are evading the tax net.

### ***Recommendations***

1. Review legislation that addresses illicit trade with intent to intensify penalties.
2. Increase public awareness of illicit trade's impact on society to reduce demand by consumers.
3. Increase capacity and training at regulatory agencies with a focus on Free Zone operations.

### **Trade Facilitation: Customs and Ports**

An efficient logistical chain is of utmost importance to facilitate trade. The TTMA is committed to working with the Customs and Excise Division and the respective Ports to make the process of examination both thorough and efficient so to stop tax evasion and contraband all the while enabling a progressive business environment. Countries such as Germany, Sweden, and Belgium can be used as benchmarks as they are ranked as the top three nations in the World Bank's Logistics Performance Index. Irrespective of this, we believe that an integrated and cohesive system via technological advancements and infrastructural investments can simplify, modernise and harmonise the process to move goods to and from Trinidad and Tobago.

### ***Recommendations***

1. Digitise the Ports and Customs through increased use of software systems, ASYCUDA and E-payments.
2. Optimise the SEW to reduce manual applications for Government services.

### **Industrial Parks**

Industrial parks should be designed and maintained for manufacturers in 20 years, all the while being affordable to facilitate their business activities and production. These parks should enhance the potential to increase export capacity amongst the micro, small and medium sized enterprises. With investment from the private sector, both the Ministry of Trade and eTeck are imperative in making this a reality. The



anticipated property tax should also consider a reduced amount for businesses in the estates. This signals a supportive manufacturing environment.

### ***Recommendations***

1. Allow for the purchase of 99 year leases for land space on industrial parks and Improve lease rates and availability of land.
2. Upgrade existing parks significantly and in particular to accommodate digital 4.0 infrastructure.

### **Foundation for Success**

To achieve the intended targets of our Manufacturing Strategy, collaboration between the private and public sector is of utmost importance. We are therefore focused on strengthening relationships with Ministries and state enterprises.

Through this harmonised approach toward an enabling business environment, the manufacturing industry would be able to increase exports and continue to stand firm as a vital pillar and contributor to the economy. In this regard, we assure the sector that we are committed to the transformation, growth and expansion of the new era of manufacturing over the next five years.