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working world

Focus on Guyana Budget 2023

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All amounts referenced in this document are in Guyanese currency unless otherwise stated.

Caveat

Focus on Guyana Budget 2023 is based on the presentation delivered by Dr. Ashni Singh, Senior Minister in the Office of the President with responsibility for Finance in the National Assembly on 16 January 2023.

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16 January 2023

Budget highlights

BUDGETED CENTRAL GOVERNMENT POSITIONS FOR 2023

Projected real GDP growth	25.1%
Current revenue (net of GRIF, carbon credits & NRF withdrawals)	\$335.3b
Total expenditure (27.5% projected growth over 2022)	\$756.0b
Overall deficit	11.5% of GDP
Natural Resource Fund (17 Lifts)	US\$1.41b
Royalties	US\$225.2m

PERFORMANCE OF DOMESTIC ECONOMY 2022

Real GDP growth	62.3%
Oil and Gas Sector expansion	124.8%
Current revenue (net of GRIF, carbon credits & NRF withdrawals)	\$302.1b
Total expenditure	\$593.1b
Overall deficit	11.8% of GDP
Natural Resource Fund (13 Lifts)	US\$1.09b
Royalties	US\$155.2m
Total oil production	101.4 million barrels

Macroeconomic indicators



Real economic growth

Guyana remained among the fastest-growing economies in 2022, experiencing another year of double-digit real GDP growth of 62.3%.

Non-oil GDP also increased last year, growing by a comfortable 11.5%, and is expected to grow by 7.9% in 2023. The throes of the global supply chain crisis, inflation, flood risks to rural and urban areas, and the uncertainty around the war in Ukraine remain key downside risks for 2023.

Real GDP is projected to grow by 25.1% in 2023, placing Guyana among the top 5 fastest growing economies in the world.



Oil production

The oil and gas sector is estimated to have expanded by 124.8% in 2022, with a total of 101.4 million barrels of oil produced, compared with 42.7 million barrels produced in 2021.

To date, the prolific Stabroek offshore block has produced 35 discoveries of commercial crude, since first discovery in 2015, summing to more than 11 billion barrels of oil equivalent. Crude oil exports are forecasted to increase by 13.6% to US\$11,332.6 million.

The outlook for the oil and gas sector remains strong as high forward prices are expected to stimulate investment activity across the basin.

It is anticipated that production will commence at a third FPSO – Liza Prosperity – by the end of 2023. With these three FPSOs, production capacity is forecasted to be 560,000 bpd. Further, with an application for the fifth development project – Uaru – filed in November 2022, it is anticipated that this platform will produce another 250,000 bpd following start-up in 2027.

The oil and gas subsector is expected to grow 35.6% in 2023.



Natural Resources Fund (NRF)

Pursuant to the Natural Resource Fund (NRF) Act 2021, US\$607.6 million was withdrawn to finance national development priorities in the 2022 Budget. At the end of 2022, the overall balance in the Fund, inclusive of interest income and after transfers to the budget, amounted to US\$1,271.8 million from a total of 13 lifts attributed to Guyana (from a total of 102 lifts in 2022). It is anticipated that there will be 136 lifts from the Stabroek Block in 2023. Within this, Government is projected to have 17 lifts of profit oil from the producing FPSOs, earning an estimated US\$1,406.6 million in profit oil and US\$225.2 million in royalties in 2023.



Gas sector development

The Government has allocated US\$207.7 million to support the Construction of the integrated natural gas plant and the combined-cycle gas turbine power plant within the Wales development Zone. The project will deliver 300MW of clean and affordable electricity needed to expand energy access, support energy-intensive manufacturing and a robust digital economy.



Public debt

Total public and publicly guaranteed (PPG) debt amounted to US\$3,654.9 million at end-2022, up 16.9% from end-2021, on account of growth in external and domestic debt. Notwithstanding, the ratio of total PPG debt-to-GDP declined substantially over the past year, from 38.9% at end-2021 to 24.6% at end-2022.



Fiscal sector

At the end of 2022, the non-financial public sector deficit (after grants) was \$152.5 billion, or 11.5% of GDP. The Central Government recorded a deficit of \$155.5 billion, or 11.8% of GDP, at the end of 2022, on account of a 53.1% increase in overall expenditure. Total expenditure totalled \$593.1 billion at the end of the year, and its growth outweighed the \$162.4 billion increase in total revenue.



Monetary policy

Treasury bill yields were largely stable over the review period, with the 91-day and 182-day treasury bill yields unchanged at 1.54% and 1.00%, respectively. The 364-day treasury bill yield, however, is likely to increase from 0.99% to 1.09%. On the other hand, the commercial banks small savings rate and weighted average lending rate declined from 0.83% and 8.88% to an estimated 0.81% and 8.54%, respectively.

and rice growing subsectors are forecasted to grow by 29.3% and 8.3% respectively.



Foreign direct investment

There was a significant contraction in net foreign direct investment (FDI) amid no new FPSO arriving in 2022. This contributed to a deficit in the capital account of US\$4,120.1 million at the end of 2022.



Inflation

Prices also continued to grow with the 12-month inflation rate estimated at 7.2% in December 2022, above the 5.7% recorded in 2021, primarily based on account of higher food prices, which contributed 6.4 percentage points to the inflation rate. On inflation, the rate is expected to slow to 3.8%, underlined by decelerating prices abroad, along with the maintenance of a suitable policy stance on the part of Government.



Exchange rates

Monetary policy in 2023 will remain centred on keeping prices and exchange rates stable while ensuring the economy is conducive for a sustainable expansion in lending to the private sector, and economic output. It is of note also that the external reserve position has increased to the equivalent of 1.2 months of import cover.



Export performance

Total export earnings surged to an estimated US\$11,404.3 million at the end of 2022. When compared with 2021, there was estimated growth of 161.8% driven largely by an increase in crude oil production.



Agriculture, fishing & forestry

The agriculture, forestry and fishing sector collectively is expected to expand 7.2% in 2023, whilst other crops, livestock, forestry and fishing subsectors are expected to grow by 5.8%, 12.1%, 4% and 8.4% respectively. The sugar growing



Extractive industries

The mining and quarrying sector is projected to grow by 34.1%, whilst the construction sector expects a 17% overall increase.

Gold and bauxite mining subsectors are projected to grow by 12.7% and 9.8% respectively. Other mining and quarrying subsectors are expected to grow by 7.3% in 2023.

Tax measures



■ INCREASING DISPOSABLE INCOME

The following measures were announced by the Minister in relation to the captioned:

Income Tax Threshold

The income tax threshold has been increased to \$1,020,000 annually or \$85,000 monthly, with effect from income year 2023. As more individuals would fall outside of the ambit of taxation or pay lower taxes as a result of this increase, the objective of increasing disposable income for taxpayers should be met.

Salary Adjustments

Budget 2023 provides for salary adjustments for healthcare workers and members of the Disciplined Services. The first phase of adjustments commences January 2023.

Because We Care Student Grant

The cash grant made available to students of both public and private schools has been increased from \$25,000 to \$35,000. This is in addition to the existing uniform grant of \$5,000 per child.

■ EASING THE COST OF LIVING

The following measures were announced by the Minister in relation to the captioned:

Containing the Cost of Fuel

The Minister announced that the Government of Guyana will continue to absorb the impact of volatile fuel prices by maintaining the excise tax on petroleum products at the rate of zero per cent (0%). This position is proposed to continue as long as fuel prices remain elevated.

Reduction in Freight Charges

Commencing August 1, 2021, the Government of Guyana reduced freight charges to pre-pandemic levels to cushion the impact of increasing shipping costs. The

Government has determined to further extend this concession to December 31, 2023. In addition, the relevant Government agencies will seek to ensure that the benefits related to these reductions are passed on to consumers.

Expansion of Part-Time Job Programme

The part-time job programme launched in 2022 by the Government of Guyana to facilitate one person per household working in public offices near their home for 10 days per month will be extended. \$10 billion has been allocated to allow for the expansion of this programme.

Other Cost of Living Measures

The Minister indicated that consultations will continue with stakeholders in communities throughout Guyana to determine appropriate means of minimizing the impact of the cost of living challenges due to global developments. A sum of \$5 billion has been allocated to allow for the implementation of measures to contain the impact.

■ SUPPORTING THE VULNERABLE

The following measures were announced by the Minister in relation to the captioned:

Support to the Elderly

The Minister, in Budget 2022, had increased the Old Age Pension from \$25,000 to \$28,000. Nevertheless, effective January 1, 2023, the Old Age Pension will be further increased to \$33,000 per month.

Public Assistance

In Budget 2022, the Minister increased the Public Assistance payment from \$12,000 per month to \$14,000 monthly. This will now be further increased to \$16,000 monthly with effect from January 1, 2023.

■ OTHER MEASURES

The following other measures were announced by the Minister:

Increase in the Low-Income Mortgage Loan Ceiling

The Minister has proposed that the ceiling for low-income loans be increased from \$15 million to \$20 million. This has been done with the objective of facilitating home ownership.

Removal of VAT on Residential Property Sales

The Minister indicated his intention to remove the 14% VAT on the sale of residential properties. This is with the aim of reducing the cost of home ownership.

All Electric Motor Vehicles

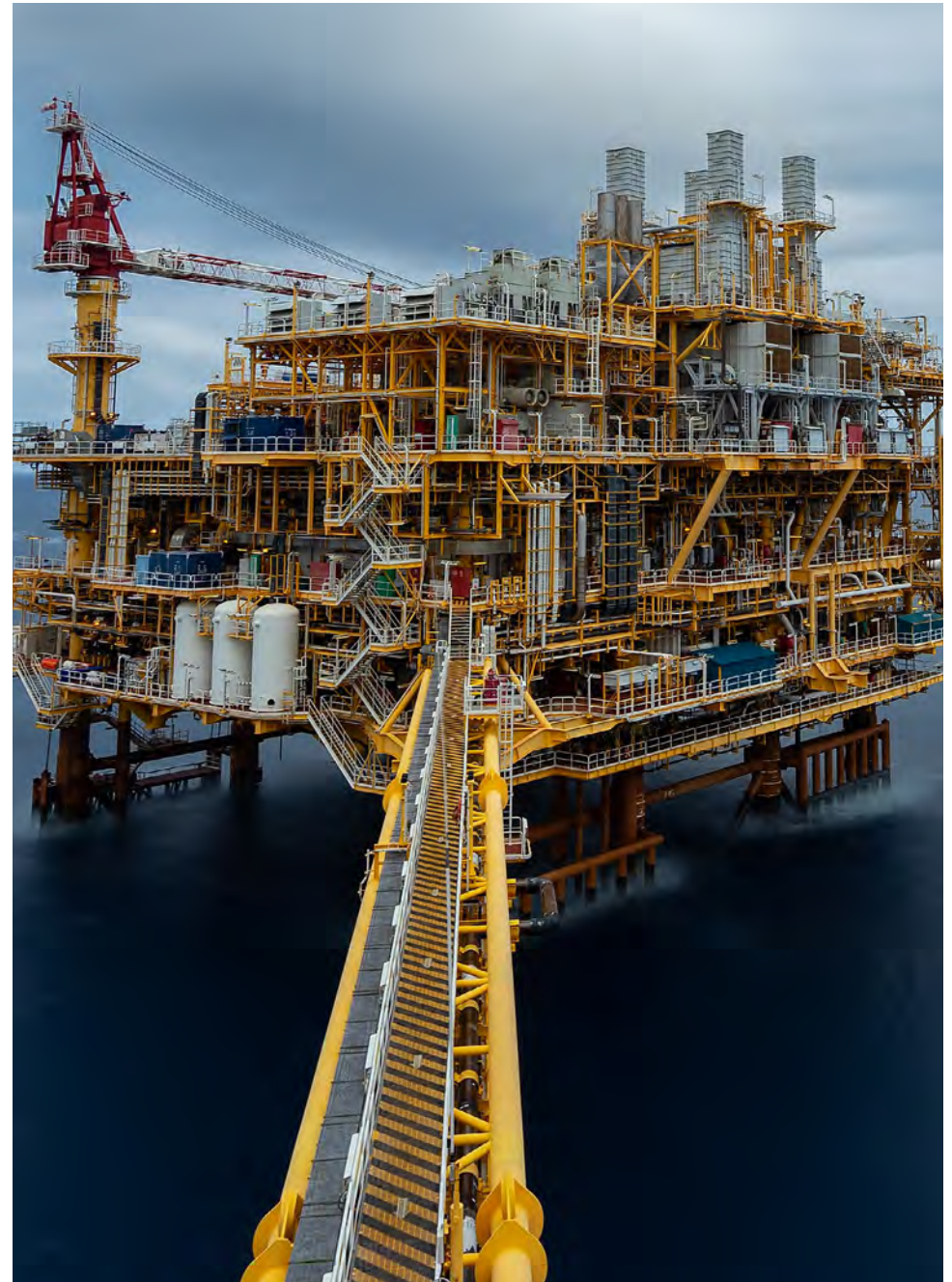
The Minister proposes to encourage the transition to lower emission vehicles through the following measures:

- ▶ The removal of the 14% percent VAT on electric motor vehicles less than 4 years old (not hybrid) of any power rating.
- ▶ An increase in capital allowances available in respect of all electric motor vehicles to 50 percent annually.

Reduction in Cost of Motor Vehicles

To encourage motor vehicle ownership, the following measures were announced:

- ▶ On the importation of motor vehicles less than 4 years old and below 1500 cc, the applicable duties will be reduced from 45 percent to 35 percent. This will reduce the cost of importing such a vehicle by approximately \$200,000.
- ▶ On the importation of vehicles 4 years old and older and below 1500 cc the applicable duty will be at a flat rate of taxes of \$800,000. This will on average reduce the cost of importing such a vehicle by \$300,000.



Proposed tax rates for income year 2023

CORPORATE TAX

Corporate tax rates

▶ Telephone company	45%
▶ Commercial company ¹	40% ²
▶ Non-commercial company ³	25%
▶ Investment company	Exempt
▶ Capital gains tax rate	20% ⁴

Withholding tax rates

Payments to non-residents

▶ Interest	20%
▶ Royalties	20%
▶ Rents	20%
▶ Management charges or charges for personal services and technical managerial skills	20%
▶ Premiums, commissions, fee or licences	20%
▶ Discounts, annuities or other annual or periodic payments	20%

Dividends and distributions

Branch profits remittance

¹ A commercial company is a company where at least 75% of its gross income is derived from trading in goods not manufactured by it and is defined to include commission agencies, banks and insurance companies carrying on insurance business other than long term insurance business.

² Where 40% of chargeable income is less than 2% of turnover, the commercial company would be required to pay up front corporation tax at the rate of 2% of turnover (referred to as 'minimum tax'). Where the Guyana Revenue Authority (GRA) is satisfied with the company's calculation of chargeable income, the GRA would allow the company's tax liability to be limited to 40% of chargeable income and any excess minimum tax paid may be carried forward and offset against future corporation tax liabilities with certain restrictions.

³ Any company that does not fall within the definition of commercial company would be regarded as a non-commercial company, including manufacturers and service companies.

⁴ In the case of capital gains arising within a period of 12 months, such chargeable gains shall form part of chargeable income subject to corporation tax. Moreover, gains from the disposal of assets after 25 years would not be subject to capital gains tax.

Other applicable Withholding Taxes

▶ Payments to Non-Residents carrying on business in Guyana	10% ⁵
▶ Payments to Resident Contractors	0% ⁶

Payments to residents

▶ Inter-company distributions	Exempt
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Net operating losses (years)

▶ Carry back	Not Applicable
▶ Carry forward (corporation tax)	Unlimited ⁷
▶ Carry forward (capital gains tax)	24 years

CAPITAL ALLOWANCES

Petroleum sector

▶ Petroleum capital expenditure	20% per annum
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Diamond and gold mining sector

▶ Exploration and development expenditure	20% per annum
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Other sectors

Asset	Rate ⁸
▶ Aircraft	33.3%
▶ Boats	10%
▶ Buildings (housing machinery)	5% on cost
▶ Buildings used for providing services and warehousing	2% on cost
▶ Furniture and fittings	10%
▶ Electric motor vehicles	50%
▶ Motor vehicles	20%
▶ Electronic office equipment	50%

⁵ This tax is creditable in computing the tax liability of the non-resident.

⁶ This tax was previously imposed at the rate of 2% however, it has been removed.

⁷ The loss to be set off in future years may not exceed 50% of the amount of tax payable had the set off not occurred. This limitation does not apply to petroleum operations or commercial companies.

⁸ Allowances may be claimed on a reducing balance basis or straight line basis. Where the latter basis is applied, allowances are limited to 90% of the cost of the asset.

- ▶ Other office equipment 15%
- ▶ Plant and machinery 20%
- ▶ New equipment for industries harnessing alternate energy through wind, solar, water and biomass technologies capital expenses to be written off within two years

VALUE ADDED TAX

- ▶ Supply and import of most goods and services 14%
- ▶ Supply of financial services Exempt
- ▶ Rental of residential property Exempt
- ▶ Essential food items 0%
- ▶ Exports of goods 0%
- ▶ Certain supplies of services to non-residents 0%

PROPERTY TAX RATES – COMPANIES AND INDIVIDUALS

Net property value

- ▶ On the first \$40m of net property Nil
- ▶ For every dollar of the next \$20m of net property 0.5%
- ▶ For every dollar of the remainder of net property 0.75%

INCOME TAX RATES – INDIVIDUALS

- | | |
|---|------|
| Band of Taxable Income (GYD) | Rate |
| ▶ Taxable income up to 1,800,000* | 28% |
| ▶ 1,800,001 and over | 40% |

Personal allowances

Basic deduction – greater of \$1,020,000 or one third of total income from all sources excluding income subjected to withholding taxes

- ▶ Mortgage interest 100% of interest paid (conditions apply)
- ▶ Employee NIS contributions 100%

Employee national insurance contributions

National insurance contributions (% of maximum insurable earnings of \$280,000 per month)

National Insurance	Employee (%)	Employer (%)	Total (%)
Employed persons	5.6	8.4	14
Self-employed persons	–	–	12.5

*While the rate of 28% applied for Year of Income 2022 in respect of this band of income, it is likely that this band will increase given the increase in the basic deduction.

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- ▶ Technology consulting
- ▶ People advisory services

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- ▶ Corporate and/or partnership law advisory services
- ▶ Business immigration related services
- ▶ Corporate services

Strategy and Transactions

- ▶ Capital transformation services
- ▶ Corporate finance strategy
- ▶ Transaction diligence services

Tax

- ▶ Business tax services
- ▶ Indirect tax services
- ▶ International tax services
- ▶ Transaction tax services
- ▶ Accounting compliance reporting
- ▶ Corporate secretarial services

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Tax services

Business tax services

- ▶ Business tax compliance and advisory
- ▶ Tax planning
- ▶ Tax controversy/disputes
- ▶ Tax accounting

Accounting compliance reporting

- ▶ Bookkeeping
- ▶ Financial Statement Close Process support
- ▶ Statutory reporting (including compilation)
- ▶ Payroll
- ▶ Financial advisory support

Indirect tax services

- ▶ VAT compliance and advisory
- ▶ Property tax
- ▶ Insurance premium tax
- ▶ Hotel accommodation tax
- ▶ Stamp duty
- ▶ Financial services tax
- ▶ Credits and incentives

People advisory services

- ▶ Expatriate tax compliance and advisory
- ▶ Global employment tax services
- ▶ Global business immigration services
- ▶ Work permits
- ▶ Personal tax services

International tax services

- ▶ Cross-border corporate income tax advisory
- ▶ Double tax treaty analysis
- ▶ Tax-effective supply chain management
- ▶ Withholding tax

Transaction tax services

- ▶ Evaluation of significant tax exposures
- ▶ International tax
- ▶ Tax structuring
- ▶ Identification of post-transactional tax reduction options

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