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January 2025

Tax Alert

Guyana



Focus on Guyana Budget 2025

Executive summary of fiscal measures

On 17 January 2025, the Honourable Dr. Ashni Singh, the Senior Minister in the Office of the President with the responsibility for Finance (the Minister), moved a motion in the National Assembly for the approval of the Estimates of the Public Sector and the Budget for Financial Year 2025. The Presentation, entitled ***A Secure, Prosperous, and Sustainable Guyana*** included a number of fiscal measures for the Financial Year 2025, which we have outlined in summary in this document.

Please note that we intend to release a comprehensive analysis of the aforementioned presentation which will be circulated to our clients and uploaded to our electronic media platforms in short order.



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The better the answer.
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Key highlights

- In 2024, the Guyana economy has grown by 43.6% overall, with an expansion of 13.1% in the non-oil economy.
- With an estimated production of 225.4 million barrels of crude oil in 2024, the oil and gas sector expanded by 57.7% in 2024.
- In 2024, the Stabroek Block, on average, produced crude oil at a rate of 616,000 barrels per day (bpd), with the Liza Destiny FPSO producing an average of 149,000 bpd, the Liza Unity FPSO 231,000 bpd, and the Prosperity FPSO 236,000 bpd.
- The overall balance of payments recorded an estimated surplus of US\$113.8 million at the end of 2024, supported by a strong performance on the current account.
Underlying this result, total export earnings grew by 50.7% to an estimated US\$19.8 billion in 2024.
Crude oil exports, which contributed US\$18 billion to overall export earnings in 2024, increased by 55.4 percent, driven largely by higher volumes.
- The balance of payments surplus resulted in the Bank of Guyana's external reserve position increasing to an estimated US\$1 billion at the end of 2024, up from US\$896.4 million a year prior.
- The 12-month inflation rate at the end of 2024 is estimated at 2.9 percent, driven primarily by food prices, which rose by 5.6 percent and contributed 2.8 percentage points of the overall rate.
- The total non-financial public sector deficit (after grants) was \$365.8 billion or 7.1 percent of GDP.
- The Central Government recorded a deficit of \$376.4 billion or 7.3 percent of GDP, at the end of the fiscal year.
- Deposits into the Natural Resource Fund (NRF) for the year 2024 amounted to US\$2.6 billion.
- At the end of 2024, the balance of the NRF, inclusive of interest income and net of withdrawals, stood at US\$3.1 billion.

TARGETS FOR 2025

- Overall growth is projected at 10.6 percent for 2025 of which, growth in non-oil economy is projected at 13.8%.
- The 12-month inflation rate of this year is projected to be largely in line with 2024 at 2.8%.
- The overall balance of payments is expected to record a higher surplus of US\$561.3 million in 2025, largely attributable to improvements in the capital account, with the deficit reducing by an estimated US\$4.2 billion.
- Export earnings from crude oil are anticipated to decline by 2.1% to US\$17.6 billion, on account of lower market prices for crude oil expected this year.
- Central Government's current revenue, net of NRF withdrawal, GRIF and Carbon Credit inflows, will increase from \$437.6 billion to \$454.6 billion in 2025.
- The overall deficit after grants of the Central Government is projected at \$317.8 billion, or 5.9% of GDP.
- With the average price of Brent crude expected to decline to an average of US\$71.9 billion per barrel, Government's petroleum revenue deposits are projected to be 2.6% lower than in 2024.
- Government is projected to earn an estimated US\$2.2 billion in profit oil and US\$340.6 million in royalties.
- Based on the 2024 petroleum deposits, an estimated US\$2.5 billion can be withdrawn from the NRF and transferred to the Consolidated Fund to support national development priorities in this year's Budget.

Changes at a glance

INCOME TAX

▪ **Increase in Income Tax Threshold**

The Government proposes to increase the income tax threshold from \$100,000 to \$130,000 monthly, with effect from year of income 2025.

This will increase the annual minimum Personal Allowance from 1,200,000 to 1,560,000.

▪ **Adjustments to Taxes on Personal Income**

The current tax rates are 28% on chargeable income up to \$2,400,000 and 40% on chargeable income above \$2,400,000.

To further increase the disposable income of persons, the Government proposes to reduce the rate applicable to the first band of chargeable income from 28% to 25%.

▪ **Adjustment to Taxes for Children**

With a view to increasing the disposable income of parents, the Government proposes to allow one parent to claim \$10,000 monthly per child as a deduction in determining their income subject to tax.

▪ **Adjustment to Taxes paid on Overtime**

To ensure that workers are rewarded for their productivity, the Government proposes that the first \$50,000 of overtime earnings will be non-taxable on a monthly basis.

▪ **Adjustments to Taxes paid on Second Job**

The Government proposes that the first \$50,000 of income earned monthly from secondary employment will be non-taxable. This measure is aimed at increasing both productivity and disposable income.

▪ **National Insurance Injection**

The Government proposes to inject \$10 billion into the National Insurance Scheme to support individuals aged 60 and above who have not met the minimum requirement of 750 contributions in order to be entitled to receive old age pension.

Eligible individuals with contributions ranging from 500 to 749 will receive a full and final grant based on the year their last contribution was made.

CORPORATE TAX

▪ **Depreciation of Capital for Poultry Farmers**

Currently, capital allowances may generally be claimed at the rate 20% on plant and machinery. The Government proposes to allow accelerated tax depreciation on machinery and equipment by poultry farmers.

VALUE ADDED TAX (VAT)

▪ **Removal of VAT on Agricultural Machinery**

In an effort to further support expansion of the agricultural sector, the Government proposes to remove import VAT on the importation of machinery used in the sector, where VAT has not already been removed, thereby reducing the cost of inputs. This is expected to cost the Government in excess of \$1 billion annually. In addition, to further support the agricultural sector, VAT will be removed on automated poultry pens and veterinary supplies.

▪ **Removal of VAT on Back-Up Generators**

The Government proposes to remove VAT on electricity generators, which will cost the Government over \$200 million annually. This is in recognition of the challenges associated with the provision of reliable and stable power.

Changes at a glance

SOCIAL MEASURES

▪ **Reduction in Electricity Costs**

The Minister proposed that upon completion of the Gas to Energy Project, electricity costs for every consumer in Guyana will be reduced by 50%. It is anticipated that with the introduction of the 300 MW combined cycle power plant in Guyana, this reduction in electricity cost will lower household expenses as well as significantly reduce the operational costs of businesses. This will allow for the stimulation of investments and increase the competitiveness of local business.

▪ **Abolition of Bridge Tolls**

With the completion of the Demerara River Bridge, the Government proposed the abolition of tolls for all types of vehicles. Tolls will similarly be abolished for commuters utilising the Berbice River Bridge and the Wismar Bridge. It is anticipated that the removal of these tolls will result in substantial savings to the benefit of over 50,000 daily commuters, amounting to an estimated \$3.5 billion annually.

▪ **Containing the Cost of Fuel**

The Minister announced that the excise tax rate on petroleum products will continue to be charged at a rate of zero percent. This rate has been in effect since 2022 at an estimated cost of \$90 billion.

▪ **Reduction in Freight Charges**

It is proposed that during the 12-month period from 1 January 2025 to 31 December 2025, freight charges will remain at pre-pandemic levels for the purpose of calculating import taxes at an estimated annual cost of over \$6 billion. This action was taken to address rising shipping costs and has been in effect since 2021.

▪ **Continuation of Part-Time Job Programme**

The Government plans to allocate \$11 billion to the part-time job programme to encourage participants to develop skills that would allow for transition into full-time employment. Historically, this initiative has been aimed at providing economic support to citizens through part time employment in public offices in close proximity to their homes and was initially introduced in 2022. Under this initiative, participants earn \$40,000 for 10 days' work per month.



Changes at a glance

OTHER COST OF LIVING MEASURES

The Government proposed a \$9 billion increase into targeted relief efforts in 2025, based on stakeholder consultations, to ease cost of living pressures and to support initiatives aimed at mitigating price increases.

- **Free University and Technical and Vocational Education**

In keeping with the Government's Manifesto promise to deliver free tertiary education, effective January 2025, current and future students of the University of Guyana (UOG) as well as every Government technical and vocational training institution will not be required to pay tuition fees.

- **National Cash Grant**

The Government has budgeted an additional \$30 billion to facilitate the further roll out of the \$100,000 cash grant to the coastal regions. This will support the Government's aim to increase the disposable income of Guyanese citizens aged 18 years and older.

- **Because We Care Student Grant**

To support the parents of approximately 205,000 children across public and private schools, the Government proposes to increase the Because We Care Student Grant to \$50,000 per annum.

In conjunction with the uniform voucher allowance of \$5,000, parents will now receive \$55,000 per child.

- **Increase in Old Age Pension**

The Minister proposes to increase the Old Age Pension effective 1 January 2025 from \$36,000 to \$41,000 per month. This increase is estimated to benefit approximately 76,000 pensioners.

- **Increase in Public Assistance**

The Minister proposes to increase monthly Public Assistance from \$19,000 to \$22,000 with effect from 1 January 2025. This increase is estimated to benefit approximately 40,000 persons.

- **Universal Health Voucher**

The Government proposes to grant a \$10,000 universal healthcare voucher to each citizen to help finance a basic menu of health tests. This is estimated to potentially benefit 500,000 persons.

- **Support for Newborn Babies**

In aid of supporting the development and wellbeing of newborn babies who will constitute the future of Guyana, the Government proposes a one-off grant of \$100,000 for every newborn baby born in Guyana to a Guyanese mother.

SUMMARY OF PRACTICAL MEASURES TO IMPROVE BUSINESS COMPETITIVENESS

- **Depreciation of Capital for Poultry Farmers**

Currently, capital allowances may generally be claimed at the rate 20% on plant and machinery. The Government proposes to allow accelerated tax depreciation on machinery and equipment by poultry farmers.

- **Removal of VAT on Agriculture Machinery**

In an effort to further support expansion of the agriculture sector, the Government proposes to remove import VAT on the importation of machinery used in the agriculture sector, where VAT has not already been removed, thereby reducing cost of inputs. This is expected to cost the Government in excess of \$1 billion annually. In addition, to further support the agriculture sector, VAT will be removed on automated poultry pens and veterinary supplies.

- **Removal of VAT on Back-Up Generators**

As Government acknowledges the short-term challenges of the provision of reliable and stable power, the Government proposes to remove VAT on electricity generators, which will cost over \$200 million annually.

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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This tax alert is based on the presentation delivered by the Honourable Minister in the National Assembly on 17 January 2025.

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