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POLICY

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Trinidad and Tobago Eliminates Value Added Tax on Most Foods

Report Categories:

Policy and Program Announcements

Trade Policy Incident Report

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Report Highlights:

Trinidad and Tobago (TT) has announced the temporary removal of its 15 percent Value Added Tax (VAT) on most food items effective November 15, 2012. Approximately 70 basic foodstuffs are already zero-rated, but this new action expands the list of zero-rated items to more than 4,000 food and beverage products (excluding alcoholic beverages and “luxury” items). Certainly demand for imported products could improve (and thus opportunities for U.S. suppliers) if the savings from the VAT removal is passed completely on to consumers. U.S. suppliers will want to be aware of changing price points in their interactions with TT importers.

General Information:

The Government of Trinidad and Tobago (GOTT) recently announced the removal of the 15 percent VAT on more than 4,000 food items. This action is being taken mainly to provide relief to consumers from dramatically rising food price inflation, which in June 2012 the Central Bank said was 24.1 percent on a year-on-year basis. The removal of the VAT on food items, which the Government says is a temporary measure until the escalation in food prices abates, is scheduled to become effective on November 15. The VAT on alcoholic beverages will not be removed.

Approximately 70 basic foodstuffs were already zero-rated, including: bread, soybean oil, baby formula, aerated beverages, rice, cheese, grapefruit juice, flour, milk, vanilla essence, peanut butter, tomato ketchup, baking powder, pasta, tuna, mackerel, butter, corn flakes, coffee, salami sausages and others. As a result of the VAT Act Amendment, the product categories that are now zero-rated include:

- Biscuits, sweetened

- Certain meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal

- Yogurt

- Dairy spreads

- Tea, whether or not flavored, including herbal teas

- Cereal grains otherwise worked (for example: hulled, rolled, flaked, pearled, sliced or kibbled), except rice; germ of cereals, whole, rolled, flaked or ground

- Prepared and preserved meat, meat offal or blood of: a) turkey; b) fowls; c) hams and cuts of swine; d) other mixtures; e) bovine animals; f) other prepared or preserved meat, meat offal or blood including preparations of blood of any animal; g) luncheon meat

- Certain jams, fruit jellies, marmalade, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter

- Certain fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter

- Certain vegetables, prepared or preserved otherwise than by vinegar or acetic acid.

Over 4,000 supermarket items are reportedly affected by this recent amendment. The amendment itself, including the complete list of foods added to Schedule 2 of zero-rated VAT items, is available at <http://www.legalaffairs.gov.tt/Fooditems.pdf>.

Media reports indicate the GOTT's decision to remove the VAT from most food items has met with mixed reactions. On one hand, consumers welcome the much needed reduction in food prices. On the other hand, there is considerable uncertainty as to just how much retailers will scale back consumer prices as a result of this action. The temporary nature of the measure is also unclear. No specific timeline has been given in terms of the duration of the VAT removal or as to when the reinstatement of the VAT would be assessed.