

## Business leaders call for action on VAT refund delays

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WHEN Finance Minister Colm Imbert delivered the 62-page budget statement on September 30, one line in particular offered hope to small and medium enterprises.

While delivering the fiscal measures for 2025, Imbert said Value Added Tax refunds owed to SMEs would be paid by December 31, 2024.

However, many businesses that applied for these refunds have reported not receiving them, resulting in setbacks to their operations.

As a result, various business leaders have expressed concerns from their members, noting that although they have sought answers, the reasons for the delay remain unclear.

President of the Chaguanas Chamber of Commerce Baldath Maharaj said many SME members are experiencing significant delays in receiving funds, resulting in immense strain on cash flow and overall operations.

In a telephone interview with Express Business, Maharaj said, 'Despite repeated assurances that these delays are due to fiscal constraints, the lack of clear communication and consistent timelines have left business owners frustrated and uncertain. Our membership has so far not reported an improvement in this process.'

Maharaj said although there is constant talk about the Government's commitment to improving the ease of doing business, the business community has yet to see actionable steps taken to address issues like these.

He added that the delay has also led to a dwindling of trust in the Government within the SME sector.

'The inefficiencies and excessive bureaucracy in the VAT refund process have created additional barriers for SMEs already struggling in a challenging economic climate. These delays have led to serious repercussions, including postponed investments, increased borrowing to maintain operations, and in some cases, a scaling back of business activities. This financial strain has also eroded the trust SMEs have in working with the Government, making many hesitant to engage in State-led initiatives or projects,' he stressed.

Maharaj urged the Government to move beyond rhetoric and take decisive action.

He suggested implementing stricter timelines for processing and paying VAT refunds, increasing transparency by providing regular updates to applicants, and streamlining the overall system to reduce inefficiencies.

'These measures are critical to rebuilding confidence and ensuring the sustainability of SMEs, which form the backbone of our economy,' he explained.

He assured that the chamber remains committed to advocating for the interests of the business community and called on the Government to recognise the critical role SMEs play in national development and take immediate steps to resolve these issues.

Maharaj added, 'Creating a truly supportive environment for businesses is not only about words but meaningful action, and it is essential for driving economic growth and prosperity in T&T.'

The head of the Couva/Point Lisas Chamber of Commerce, Deoraj Mahase, said his SME members have also expressed challenges in receiving their refunds, and when they do, 'it's few and far between.'

'When late payments are made SMEs are charged interest religiously but if the Government is late with refunds no interest is paid to the business,' he said.

He added that the reasons for late reimbursements are not always given or understandable.

Asked about the process for SMEs, Mahase said the Board of Inland Revenue 'seems to have challenges'.

He said challenges continue to persist even if the process is adjusted to meet the requirements for certain SMEs.

Mahase suggested, 'To assist with the VAT refunds, the Government should implement a system where the refunds can be set off against VAT payables or even Corporation Tax payables as this would now mean the refunds would actually have some worth to the SME. This would lend relief to the SME and improve the process at the same time.'

He added that the current system discourages businesses, as it is highly inflexible, and suggested that a more modern approach should be considered.

'A much more modern approach must be taken, not just to encourage and improve payments by SMEs and generate revenue for the Government but to improve accountability on all sides and strengthen the taxation system.

Businesses will be looking to see how the T & T Revenue Authority will address these and other matters which have plagued the whole system for years,' said Mahase.

As for the repercussions of delayed payments to SMEs, he said it affects these businesses' cashflows which cause ripple effects on the economy.

Mahase explained, 'The payment delays affect cashflows which delay investment and economic growth for the SME also most SMEs don't have access to large credit reserves so without payments the business will continue to suffer, downgrade or even close, which will mean more unemployment and less revenue for the Government.'

President of the Greater San Fernando Business Chamber Kiran Singh noted that his members are also bearing the brunt of the delays, with some businesses unable to restock shelves or manage recurring expenditures, such as salaries, utilities, loans, and insurance.

'While some businesses have received VAT refunds, quite a few enterprises have been complaining about persistent delays in the larger VAT brackets. However, we have been reliably informed that VAT payments are being processed in a timelier manner. The Christmas season delayed the system,' said Singh.

He stressed that the system needs improvements, with digitisation being the key to achieving them.

'The system needs improvement. A ramped-up digitisation

of the process will see a smoother throughout of VAT Refunds which can be a lengthy process,' said Singh.

Addressing the payment delay, Singh said, 'When delays occur, it drives up the cost of doing business as overdraft expenses increase, staff numbers can be restricted and of course, stock can be limited in variety and quantity. Our businesses are entrenched within the borders of our country. Our livelihoods depend on the profitable operation of our enterprises. Motivation comes from managing expenses while seeking future income-generating streams.'

#### **VAT Bonds**

During his budget presentation, Imbert acknowledged the reliance that companies have on VAT refunds.

In addition to promising VAT refund payments, Imbert also stated that the Finance Ministry intends to issue \$3 billion in interest-bearing VAT bonds, with a target date of January 31.

'Madam Speaker, the Government is aware that there is a significant sum of VAT refunds outstanding, particularly for companies in the energy sector, which are zero-rated. In fact, over 80% of VAT refunds are normally due to energy sector companies at any given time,' said Imbert during his presentation.

He continued: 'On a previous occasion when a large quantity of VAT bonds was issued, many of these bonds were redeemed almost immediately and used by energy sector companies to pay taxes on income and profits. This had the effect of reducing the availability of foreign exchange in the commercial banking sector since it is expected that energy sector companies that export all of their production or sell their production locally in US dollars, such as upstream gas producers, would pay their taxes in US dollars.'

'In appreciation of the situation, recognising that companies depend on VAT refunds for cash flow, the Ministry of Finance intends once again to issue interest-bearing VAT bonds in fiscal 2025 in the sum of \$3 billion with a target date for issuance of January 31st, 2025,' he said.

In the Central Bank's most recent Economic Bulletin it stated that from October 2023 to June 2024, VAT refunds had fallen by \$2.5 billion when compared to the same period the previous year.

The Central Bank's Economic Bulletin for July 2024 stated that total revenue from the non-energy sector for the nine-month period was \$23.7 billion.

'The growth in non-energy revenue was led by an additional \$2.5 billion in taxes on goods and services, of which Value Added Tax (VAT) receipts were the largest component. For the period under review, gross VAT receipts of \$7.3 billion and VAT refunds totalling \$360.2 million resulted in higher net VAT receipts of approximately \$7 billion,' it stated.

In comparison, for the same period last fiscal year, Gross VAT collections amounted to \$7.4 billion, while refunds amounted to \$2.9 billion.