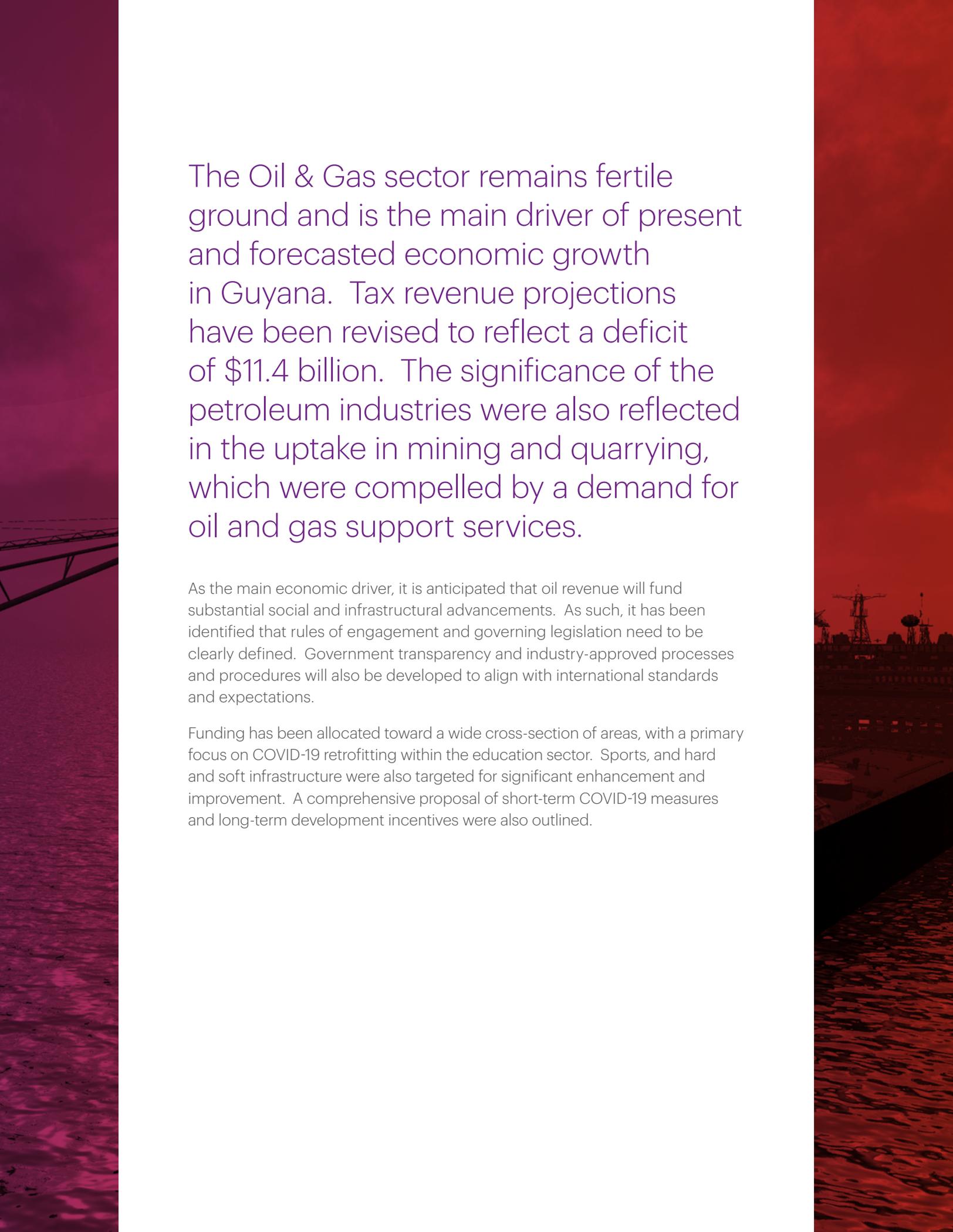


Guyana

A Synopsis
of the Inaugural
Budget 2020,
GY \$329.5 Billion





The Oil & Gas sector remains fertile ground and is the main driver of present and forecasted economic growth in Guyana. Tax revenue projections have been revised to reflect a deficit of \$11.4 billion. The significance of the petroleum industries were also reflected in the uptake in mining and quarrying, which were compelled by a demand for oil and gas support services.

As the main economic driver, it is anticipated that oil revenue will fund substantial social and infrastructural advancements. As such, it has been identified that rules of engagement and governing legislation need to be clearly defined. Government transparency and industry-approved processes and procedures will also be developed to align with international standards and expectations.

Funding has been allocated toward a wide cross-section of areas, with a primary focus on COVID-19 retrofitting within the education sector. Sports, and hard and soft infrastructure were also targeted for significant enhancement and improvement. A comprehensive proposal of short-term COVID-19 measures and long-term development incentives were also outlined.

Economic Overview



Guyana's real economy is estimated to have grown by 45.6%, driven by the petroleum sector. However, the non-oil economy contracted by 4.9%, with significant declines recorded across many major industries.

Central Government's current revenue is estimated at \$226.5 billion, 5.9 percent or \$14.1 billion.

Real GDP is expected to grow by between 48.4% and 51.2%, while the non-oil economy is expected to contract by between 1.4% and 4.3%.

Tax revenue, in 2020, is estimated at \$214.5 billion, \$11.4 billion less than the \$226 billion collected in 2019 on account of reduced economic activity and the introduction of measures by the Guyana Revenue Authority (GRA) to reduce the burden on both businesses and individuals, amid the COVID-19 pandemic.

The Guyana Revenue Authority (GRA) revised the 2020 estimated collections. The Authority's revision included:

- Lower expected collections from self-employed income tax and corporation tax on account of reduced profits from current year basis, and deferred payments owing to the deadline extensions;
- Reduction in estimated collections from travel tax and travel voucher tax due to international travel restrictions;
- Lower collections of VAT as a result of reduced remittances from utility companies and reduced economic activity;
- Reduction in estimated collections of excise tax on petroleum products owing to low worldwide prices for fuel and increasing exemptions to major companies.

Expected decline in tax revenue could be attributed to lower collections from three divisions:

- Excise tax
- Customs and trade administration
- Value Added Tax (VAT).

It was noted that excise tax collections are projected to decline by 26.9%, or GY \$11.8 billion in 2020, largely as a result of lower collections from the importation of petroleum products. Customs and trade taxes are also anticipated to decline by 9.6%, or GY \$2.4 billion, mainly as a result of a 10%, or GY \$2.2 billion, fall in collections from import duties due to lower economic activity amid the pandemic and protracted General and Regional Elections.



Guyana's real economy is estimated to have grown by **45.6%**, driven by the petroleum sector. However, the non-oil economy contracted by **4.9%**, with significant declines recorded across many major industries.

Traditional Industries



Mining and Quarrying

The growth of mining and quarrying was driven by the emerging petroleum and gas and support services industry, which grew by 124.2% over 2019. This was further supported by growth in gold mining, by 3%, other mining, and quarrying, by 7.3%, and bauxite, by 1.7%.

In the bauxite industry, growth slowed to 1.7%, its lowest rate since 2015. In the other mining and quarrying industries growth was driven by increased sand mining, by 12.9%, which outweighed a 11.5% contraction in diamond declarations and a 2.5% contraction in stone quarrying.

Traditional Sectors

Guyana's traditional sectors, particularly the agriculture, forestry and fishing industries contracted by 0.5%, on account of declines in sugar, livestock, and forestry.

The forestry industry also contracted in 2019, by 3.9%, undoing the gains in the previous two years. The Honorable Minister explained that this was because of declines in log production, by 5.2%, and primary lumber, by 3.6%.

In relation to the production of other crops, this industry is estimated to have grown by 0.3% in 2019, with total production, excluding coconuts, rising by 1.5 percent above the previous year.



Oil Industry & Revenue



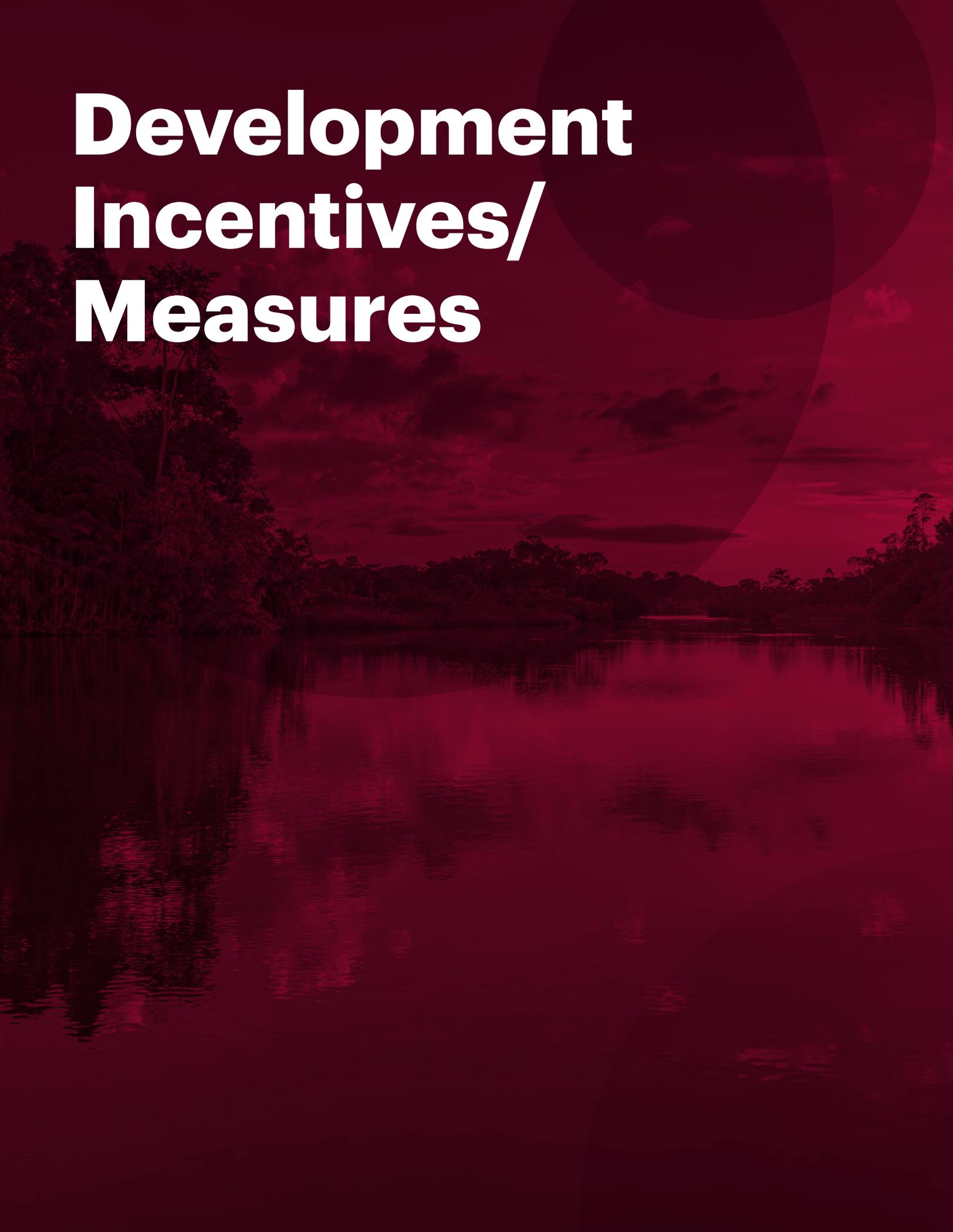
Oil revenue will be directed to job creation, world-class education and health care for locals, social and economic infrastructure, and targeted cash transfers to locals particularly the elderly, children, the poor, and other vulnerable groups

The Government plans to immediately engage the oil and gas companies in better contract administration/renegotiation, establish an arm's length Sovereign Wealth Fund (SWF) insulated from political interference. A commitment was given to define by legislation how funds will flow from the SWF into the budget and the purpose for which they will be used, ensure that expenditures are transparently determined and go through the parliamentary process, and establish a model Production Sharing Agreement (PSA) based on industry-wide standards and best practices.

The Government intends to uphold the Santiago Principles of transparency and accountability as well as those associated with the Extractive Industries Transparency Initiative (EITI), criminalise non-disclosure of receipt of funds from oil revenues, ensure annual reports from the Government are laid in the National Assembly detailing oil revenues and expenditures, and ensure there are regular audits.



- An allocation of GY \$52 billion was allocated to the education sector for the retrofitting of schools with the necessary infrastructure required due to the Coronavirus (COVID-19) pandemic;
- The Government of Guyana (GoG) has allocated \$790M to operationalise the Centre for Disease Control and Prevention (CDCP) at Liliendaal, East Coast Demerara;
- GY \$2.8B has been allocated to support the operations of the Guyana Water Incorporated (GWI);
- GY \$644.2 million has been allocated for sanitation interventions in 2020;
- GY \$200M has been allocated for the reconstruction of the Lusignan Prison on the East Coast of Demerara. Further, over GY \$1B was allocated for ongoing works on police stations and divisional headquarters to align the Police's boundaries with Guyana's administrative regional boundaries. The Government has also set aside \$428.1M for the procurement of 50 vehicles to ensure police officers are adequately equipped to fight crime.
- The government has set aside revenues to reopen the Enmore, Rose Hall, and Skeldon Estates in a phased approach. During the presentation of his 2020 budget speech, the Minister said that the government will carry out an assessment on the state of the assets and the level of reinvestment to be done, starting with an initial allocation of \$3 billion, in 2020, for critical works, with an additional \$2 billion being made available should works progress.
- GY \$2.7B allocated for Culture, Youth and Sports, for which GY \$805.3 million is for sports. GY \$185 million has been allocated for the National Sports Commission to accelerate works on the synthetic tracks in Regions 6 & 10, as well as the purchase of sports gear and ground enhancements.
- GY \$5.2B was budgeted for the development of the country's Information and Communications Technology (ICT) capability. The National Data Management Authority will receive an increased subvention of GY \$2 billion to ensure the bandwidth expansion and continued connectivity.
- GY \$65.6M for the completion of a call centre in Linden, which will then be operated by a private company, generating more than 200 jobs for our people.



Development Incentives/ Measures

- GY \$150 million allocated to support frontline medical workers;
- A two-week tax-free bonus will be made available to the Joint Services, in recognition of their service during the COVID-19 pandemic;
- With effect from October 1, 2020 Value Added Tax (VAT) on electricity and water will be reversed (it currently stands at 14%);
- Homeowners who occupy their properties will now have access to mortgage interest relief (MIR) on housing loans of up to \$30 million, \$15 million above the existing threshold. As such, interest incurred on loans up to \$30 million, will now be tax-deductible from their income tax;
- Banks will be granted corporate tax relief for low income loans, which will allow low-income households to borrow up to an additional \$2 million at a lower interest rate;
- GY \$25,000 allocated per household for COVID-19 relief. For this initiative, an allocation of \$4.5 billion has been made in Budget 2020;
- The reversal of the ban on the importation of used tyres, along with the allowance of the importation of vehicles more than eight years old;
- The removal of Value Added Tax (VAT) on building and construction materials where VAT was imposed after 2014;
- Removal of VAT on the purchase of cellular phones;
- Reduction in License Fee by 50% for Any License that was increased after 2014;
- Removal of 25% Corporate Tax on Education;
- Removal of 25% Corporate Tax on Health and VAT on Medical Supplies. Removing the corporate tax on private health care;
- Removal of VAT on Machinery and Equipment;
- Removal of VAT on All Terrain Vehicles (ATV) for Mining, Forestry, Agriculture and Manufacturing;
- Reversal of VAT on Exports;
- Removal of Police Clearance requirement for Miners to Transport Fuel in Their Own Vehicles and Removal of Requirement to Register and Take Out Road License for Mining Equipment;
- Change of Log Export Policy to Allow Saw Millers to Export Logs;
- Effective January 1, 2021, GY \$15,000 cash grants will be made available for school children. Uniform voucher allowance will be doubled to GY \$4,000 per child;
- Effective January 1, 2021, Old Age Pensions will increase from \$20,500 to \$25,000, allowing \$4.4 billion, on annualised basis, to be injected into the disposable income of our senior citizens. Pensioners will also benefit from free water service;
- Reversal of Land Lease Fees across all sectors and Water Charges Back to 2014 Rates, and the Reversal of Land Taxes and Drainage and Irrigation Charges Back to 2014;
- Removal of VAT on Fertilisers, Agrochemicals, Pesticides, and Key Inputs in the Poultry Industry and the implementation of Zero-Rated VAT status of the Poultry Industry;
- Tax Concessions on Investment in Agro-Processing Facilities, Cold Storage and Packaging;
- Special Incentives to be made available for planting of corn and soybean. Special incentives, inclusive of land, will be made available for planting of corn and soybean to satisfy local and regional mill demands;



- Allocation of \$3 billion for the recapitalisation of GuySuCo and an additional \$2 billion as required to allow for the financial outlay required towards the reopening of estates and to cater for deferred/ delayed recapitalisation;
- Amerindian Development: \$300 million from the ADF for investments in productive assets including tractors, trailers and agriculture tools; \$10 million for commencement of the design of the National Toshiacos Council Headquarters; and Resumption of the Amerindian Land Titling programme;
- Removal of VAT on hinterland travel. This will immediately reduce the cost of transporting cargo and personal travel for our hinterland brothers and sisters, the business community, including the mining sector and tourism sectors, especially air service operators, and anyone who needs to travel from coast to hinterland.

The 2020 budget was presented by the Acting Finance Minister, the Honourable Juan A. Edgehill, Minister, Ministry of Public Works

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