

# Focus on Guyana Budget 2024

Staying the Course: Building Prosperity for All

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

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

# Caveat

Focus on Guyana Budget 2024 is based on the presentation delivered by Dr. Ashni Singh, Senior Minister (the Minister) in the Office of the President with responsibility for Finance in the National Assembly on 15 January 2024 for the approval of the Estimates of the Public Sector and the Budget for Financial Year 2024.

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Ernst & Young Services Inc.  
Suite 302, Pegasus Suites & Corporate Centre  
Seawall Road, Kingston  
Georgetown  
Tel: +011 592 225 2835 | +011 592 501 1990

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# Budget highlights

## Budgeted central government positions for 2024

Projected real GDP growth	34.3%
Current revenue (net of GRIF, carbon credits & NRF withdrawals)	G\$427.3b
Total expenditure (27.5% projected growth over 2022)	G\$1.146t
Overall deficit	8.5% of GDP
Natural Resource Fund deposits (202 lifts projected for 2024)	US\$2.1b
Natural Resource Fund royalties	US\$319.9m

## Performance of domestic economy 2023

Real GDP growth	33.3%
Oil and Gas Sector expansion	45.9%
Current revenue (net of GRIF, carbon credits & NRF withdrawals)	G\$382.1b
Total expenditure	G\$804.1b
Overall deficit	5.8% of GDP
Natural Resource Fund deposits (142 lifts in 2023)	US\$1.4b
Natural Resource Fund royalties	US\$218.1m
Total oil production	142.9m barrels

# Macroeconomic indicators



## Real economic growth

Guyana remained among the fastest-growing economies in 2023, experiencing another year of double-digit real GDP growth of 33.1%.

Non-oil GDP also surpassed projections in 2023, growing by 11.7%, after being projected to grow by 7.9%. The non-oil economy is projected to grow 11.9% in 2024. 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 2024.

Real GDP is projected to grow by 34.3% in 2024. Once realised, this will result in Guyana growing at an annual average of 38.8% over a five-year period.



## Gas sector development

A new Petroleum Activities Act 2023 was enacted, introducing among other measures, a regulatory foundation for licensing pipeline operations and carbon dioxide storage. A National Gas Strategy is currently being drafted, along with Requests for Proposals to design, finance, construct and operate the required gas infrastructure to support upstream developments.



## Oil production

The oil and gas sector is estimated to have expanded by 45.9% in 2023, with a total of 142.9m barrels of oil produced, compared with 101.4m barrels produced in 2022.

This is the result of improved performance from the Liza Destiny and Unity FPSOs, along with the commencement of production from the Prosperity FPSO in November of last year. In 2023, the Liza Destiny FPSO produced crude oil at a rate of approximately 142,000 barrels per day (bpd), and the Liza Unity FPSO produced at a rate of 235,000 bpd.

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

In the oil sector, export earnings are estimated to have grown by 18% to US\$11,631.5m, with an estimated 40.2% increase in export volume.

2023 also saw three new oil discoveries, two in the Stabroek Block and the other in the Corentyne Block. In 2024, the Stabroek Block alone is projected to realise the production of 550,000 to 600,000 bpd.

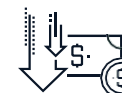


## Natural Resource Fund (NRF)

In 2023, US\$1.6b in petroleum revenue was deposited into the NRF, and at the end of the year, the overall balance, inclusive of interest income, stood at US\$1,973.5m. For 2023, the NRF received US\$1,398.9m in profit oil, US\$576.6m from Liza Destiny and US\$822.3m from Liza Unity. Regarding royalty payments, US\$218.1m was received from the Stabroek Block operator.

In 2023, US\$1,002m was withdrawn to finance national development priorities, pursuant to the conditions of the NRF Act 2021.

In total, there were 142 lifts of crude oil from Guyana's three producing FPSOs in 2023.



## Public debt

At the end of 2023, total Public and Publicly Guaranteed (PPG) debt stood at US\$4,508.8m, up 23.4% in 2022, due to increased external and domestic borrowing. Guyana's total PPG debt-to-GDP was 27% at the end of 2023, with external debt amounting to US\$1,775.5m and domestic debt totaling US\$2,733.4m (13.0% and 31.0% increases from 2022 respectively).



### Fiscal sector

At the end of 2023, the non-financial public sector deficit (after grants) was \$201.6b, or 5.8% of GDP. The Central Government recorded a deficit of \$202.9b, or 5.8% of GDP at the end of 2023 on account of increased capital expenditure. Total expenditure in the sector totalled \$804.1b at the end of the year, and its growth outweighed the 39.2% growth in total revenue to \$597.9b.



### Inflation

According to the Government, Guyana's 12-month inflation rate at the end of 2023 is estimated at 2.0%, significantly lower than the 7.2% recorded in 2022. This largely reflects more moderate increases in the average prices of key commodities at the end of last year. Food prices in the consumer basket increased by an estimated 3.8% at the end of 2023, substantially lower than the 14.1% increase at the end of 2022. Inflation is projected to accelerate to 2.5%, reflecting mostly global developments, as domestic production is ramped up to meet demand pressures.



### Monetary policy

Treasury bill yields trended downward with the 91-day, 182-day, and 364-day treasury bill yields falling from 1.54%, 1.00%, and 1.09% to an estimated 1.10%, and 0.99%.

Monetary policy in 2024 will remain focussed on containing prices and keeping exchange rates steady.



### Exchange rates

Monetary policies in 2024 will remain centred on keeping prices and exchange rates stable. It is of note also that the external reserve position is equivalent to 1.1 months of import cover. This is substantially less than the recommended 3 months' import cover.



### Agriculture, fishing & forestry

The agriculture, forestry and fishing sector is estimated to have expanded by 7.0% in 2023, despite the effects of El Niño. Other crops, livestock, forestry and fishing subsectors are expected to grow by 4.1%, 12.7%, 5.4% and 37.8% respectively. The sugar sector grew by 28.0% and rice grew by 7.0% in 2023.



### Trade performance

Total export earnings grew by 16.9% to an estimated US\$13,182.3m, reflecting higher earnings from both the oil and non-oil sectors. Total import payments expanded by 83.1% to an estimated US\$6.6b in 2023, mainly due to arrival of Prosperity FPSO.



### Extractive industries

The mining and quarrying sector is estimated to have expanded by 42.6% in 2023, largely due to the inclusion of the oil and gas sector under this sector. This sector is projected to expand 43.6% in 2024.

The gold mining industry is estimated to have contracted by 11.2% in 2023. The bauxite mining industry is estimated to have declined by 20.4% in 2023.

Stone and sand extraction are estimated to have grown by 98.0% and 21.0%, respectively, with demand from construction activity in the public and private sectors continuing to grow. Manganese production also grew in 2023, by an estimated 13.0%, to 314,538 tonnes. Conversely, diamond declarations are estimated to have fallen by 19.3% to 67,444 metric carats in 2023.



# Tax measures

**The following are the proposed fiscal measures for the Guyana Budget 2024:**

▶ **Increase in Income Tax Threshold**

The Government proposes to increase the income tax threshold to \$100,000 monthly, with effect from year of income 2024.

This will increase the annual Personal Allowance from \$1,020,000 to \$1,200,000.

▶ **Increase in Allowance for Life and Medical Insurance**

In an effort to incentivize citizens to obtain life and medical insurance, the Minister proposes to increase the Life and Medical Insurance allowance, allowing taxpayers a deduction in computing their chargeable income for premiums paid for life and medical insurance up to a maximum of 10 percent of their income or \$50,000 monthly, whichever is lower.

▶ **Removal of Duty and VAT on Sports Equipment and Technology**

In order to further promote access to sports and technology, the Government proposes to:

- ▶ remove VAT and Duty on sports equipment
- ▶ remove VAT and Duty on essential cell phone accessories, such as chargers, charging cables, and headphones, along with phone components for repairs

VAT is currently not applicable on data for residential and individual use or on cell phone purchases.

▶ **Removal of Duty and VAT on Firefighting Equipment**

In order to promote household fire prevention, the Government proposes to remove VAT and Duty on:

- ▶ fire extinguishers
- ▶ smoke alarms

▶ **Containing the Cost of Fuel**

The Minister stated that in an effort to maintain the cost of fuel, the Government will maintain the zero percent excise tax on petroleum products to absorb the impact of elevated fuel prices.



# Tax measures *continued*

**The following are the proposed fiscal measures for the Guyana Budget 2024:**

▶ **Reduction in Freight Charges**

The Minister proposes to extend the adjusted freight charges to the pre-pandemic levels for the purposes of computing import taxes for a further 12-month period from 1 January 2024 to 31 December 2024.

▶ **Increase in Old Age Pension**

The Minister proposes to increase Old Age Pension effective 1 January 2024 from \$33,000 to \$36,000 per month.

This increase is estimated to benefit approximately 76,000 persons.

▶ **Public Assistance**

The Minister proposes to increase Public Assistance from \$16,000 monthly to \$19,000 with effect from 1 January 2024.

All persons with a disability are automatically registered to receive monthly public assistance.

▶ **Minimum Pension**

The Government proposes to increase the Minimum Pension paid by the National Insurance Scheme from \$35,000 monthly to \$43,075, with effect from 1 January 2024.

▶ **Survivor's Pension**

The Government proposes to increase the Survivor's Pension paid by the National Insurance Scheme from \$17,500 monthly to \$21,537, with effect from 1 January 2024.

The Survivor's Benefit is payable to the dependants of a deceased insured person, subject to certain qualifying conditions.



# Tax measures *continued*

The following are the proposed fiscal measures for the Guyana Budget 2024:

## ▶ **Invalidity Pension**

The Government proposes to increase Invalidity Pension paid by the National Insurance Scheme from \$35,000 monthly to \$43,075, with effect from 1 January 2024.

Invalidity Benefit is paid to an insured person who is incapable of work otherwise than as a result of employment injury, has been so incapable for a period of not less than 26 weeks and is likely to be permanently incapable of work.

## ▶ **Support to University of Guyana Students**

The Minister announced that the support for University of Guyana students will commence through the elimination of outstanding loans owed by graduates of the University of Guyana, on the condition that these graduates can demonstrate proof of being employed or self-employed in Guyana after their graduation, for a minimum period to be specified.

## ▶ **Grants**

The Government proposes to implement/increase the following grants:

**One-Off Grants** - The Government proposes to offer eligible persons the option to accept a one-off grant where such persons have attained the age of 60 but have not met the minimum requirement of 750 contributions to qualify for receipt of an old age pension. The one-off grant would be made where contributions ranging from 700 to 749 have been made and will be paid in an effort to resolve pending claims with the National Insurance Scheme.

**Because We Care Student Grant** - The Government proposes to issue:

- ▶ An increased student grant of \$40,000 to benefit children in the public and private schools
- ▶ A uniform voucher allowance of \$5,000

## ▶ **Other Costs of Living Measures**

The Government proposes to allocate a total of \$7 billion for measures to be determined, after consultations with stakeholders, towards food production aimed at containing the impact of price increases.

## ▶ **Expansion of Part-Time Job Programme**

The Part-Time Job Programme will be expanded to allow one person per household to work in public offices in close proximity to their homes and earn \$40,000 per month for 10 days per month.





# Tax measures *continued*

The following are the proposed fiscal measures for the Guyana Budget 2024:

▶ **Support to Small Businesses**

The Government proposes to partner with commercial banks to facilitate the lowering of interest rates on loans up to \$5 million, thereby reducing the cost of financing for small businesses.

▶ **Supporting Eye Care for School Children and Pensioners**

The Government proposes to improve health services for citizens, including in the specific area of promoting eye care for school children and pensioners. The measures announced to provide such support are:

- ▶ **Eye Test** - \$3,000 vouchers towards the cost of an eye test for school children and pensioners to determine the need for spectacles
- ▶ **Spectacles** - \$15,000 vouchers towards the cost of the spectacles for school children and pensioners

▶ **Support for Cervical Cancer Testing**

The Government proposes to provide a voucher of \$8,000 for women between the ages of 21 to 65 to meet the cost of Cervical Cancer Testing.

# Proposed tax rates for income year 2024

## Corporate tax

### Corporate tax rates

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

### 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, fees or licences .....	20%
▶ Discounts, annuities or other annual or periodic payments.....	20%

Dividends and distributions.....20%

Branch profits remittance.....20%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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%<sup>5</sup>

### Payments to residents

▶ Inter-company distributions .....

Exempt

### Net operating losses (years)

▶ Carry back .....

Not Applicable

▶ Carry forward (corporation tax) .....

Unlimited<sup>6</sup>

▶ Carry forward (capital gains tax) .....

24 years

## Capital allowances

### Petroleum sector

▶ Petroleum capital expenditure .....

20% per annum

### Diamond and gold mining sector

▶ Exploration and development expenditure .....

20% per annum

### Other sectors

Asset .....	Rate <sup>7</sup>
▶ 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%

<sup>5</sup> This tax is creditable in computing the tax liability of the non-resident.

<sup>6</sup> 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.

<sup>7</sup> 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 sectors continued**

- ▶ 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%
- ▶ Sports equipment.....0%
- ▶ Cellular phones and essential accessories.....0%
- ▶ Fire Extinguishers and Smoke Alarms.....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 2,040,000* ..... | 28%  |
| ▶ 2,040,001 and over .....              | 40%  |

**Personal allowances**

Basic deduction – greater of \$1,200,000 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

\*Given the increase in the personal allowance, it is likely that the band for which the 28% rate applied for Income Year 2023 will increase.



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- ▶ Technology consulting
- ▶ People consulting

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- ▶ Business immigration services
- ▶ Entity compliance & governance services
- ▶ Corporate secretarial services

### Strategy and Transactions

- ▶ Strategy
- ▶ Corporate finance
- ▶ Buy and integrate
- ▶ Sell and separate
- ▶ Reshaping results
- ▶ Sustainability and ESG

### Tax

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

#### Aruba

Ernst & Young Dutch Caribbean  
Vondellaan 4, Oranjestad  
Tel: +297 521 4400  
Fax: +297 582 6548

#### Barbados

Ernst & Young Management Limited  
One Welches, Welches, St. Thomas,  
BB22025  
Tel: +1 246 430 3900  
Fax: +1 246 426 9551

#### Curaçao

Ernst & Young Dutch Caribbean  
Zeelandia Office Park  
Kaya W.F.G. (Jombi)  
Mensing 16, Willemstad  
Tel: + 599 9 430 5000  
Fax: + 599 9 461 5020 (Audit)  
+ 599 9 465 6770 (Tax)

#### Guyana

Ernst & Young Services Inc.  
Suite 302  
Pegasus Suites & Corporate Centre  
Seawall Road, Kingston, Georgetown  
Tel: +011 592 225 2835

#### Jamaica

Ernst & Young Services Limited  
8 Olivier Road, Kingston 8  
Tel: +1 876 925 2501  
Fax: +1 876 755 0413

#### St. Lucia

Ernst & Young Services Ltd  
2nd Floor Mardini Building  
Rodney Bay, Gros Islet  
Tel: +1 758 458 4720/30  
Fax: +1 758 458 4710

#### Suriname

Ernst & Young Services Limited  
Cornelis Jongbawstraat 17  
Paramaribo  
Tel: +599 9 430 5033

#### Trinidad and Tobago

Ernst & Young Services Limited  
5/7 Sweet Briar Road, St. Clair  
Port-of-Spain  
Tel: +1 868 628 1105  
Fax: +1 868 622 0918 (Tax)  
+1 868 622 1153 (Audit)

EYC Energy Centre  
DSM Warehouse Complex  
Pacific Avenue, Pt. Lisas  
Tel: +1 868 628 1105  
Fax: +1 868 679 4972

# 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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# Contacts

**Gregory Hannays**  
**Country Managing Partner**  
+1 868 822 5501  
[gregory.hannays@tt.ey.com](mailto:gregory.hannays@tt.ey.com)

**Gail Marks**  
**Associate Partner**  
+011 592 225 2835  
[gail.marks@tt.ey.com](mailto:gail.marks@tt.ey.com)

**Anna Richards**  
**Senior Manager**  
+011 592 225 2835  
[anna.richards@tt.ey.com](mailto:anna.richards@tt.ey.com)

**Sham Ramnarain**  
**Associate Partner**  
+011 592 225 2835  
[sham.ramnarain@tt.ey.com](mailto:sham.ramnarain@tt.ey.com)

**Amrita Prashad**  
**Manager**  
+011 592 225 2835  
[amrita.d.prashad@tt.ey.com](mailto:amrita.d.prashad@tt.ey.com)

**Rocky Hanoman**  
**Manager**  
+011 592 225 2835  
[rocky.hanoman@tt.ey.com](mailto:rocky.hanoman@tt.ey.com)

**Tremaine Alphonso-Clovey**  
**Manager**  
+011 592 225 2835  
[tremaine.alphonso-clovey@bb.ey.com](mailto:tremaine.alphonso-clovey@bb.ey.com)

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