

*Leave of Absence**Friday, January 20, 2006***HOUSE OF REPRESENTATIVES***Friday, January 20, 2006*

The House met at 1.30 p.m.

PRAYERS[MR. SPEAKER *in the Chair*]**LEAVE OF ABSENCE**

Mr. Speaker: Hon. Members, since this is the first day of the year that the House is meeting, I hope you all had a very enjoyable Christmas season and now we can look forward to a very constructive period in the Parliament Chamber.

Hon. Members, I have received communication from the following Members requesting leave of absence: Mrs. Camille Robinson-Regis, Member of Parliament for Arouca South, for the period January 20 to 31, 2006; Mr. Jarrette Narine, Member of Parliament for Arouca North, for the period January 18 to 21, 2006; Mrs. Kamla Persad-Bissessar, Member of Parliament for Siparia from today's sitting of the House and also Mr. Gerald Yetming, Member of Parliament for St. Joseph from today's sitting of the House. The leave which the Members seek is granted.

As I am on my feet, Members, I think some of you may and some of you may not know that the hon. Member for Siparia has suffered the loss of her brother recently. I think that is perhaps the reason she is not in attendance.

GREETINGS

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Thank you very much. Mr. Speaker, this is the first sitting of the House and may I use this opportunity to also wish all Members of the House a happy and productive New Year.

PAPERS LAID

1. Annual administrative report of the Ministry of Education for the fiscal year 2002 to 2003. [*The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley)*]
2. Annual report on the administration of the Ministry of Health for the period October 2003 to September 2004. [*Hon. K. Valley*]
3. Report of the Public Service Commission for the year 2003. [*Hon. K. Valley*]
4. Annual audited financial statements of Metal Industries Company Limited for the year ended December 31, 2003. [*Hon. K. Valley*]

To be referred to the Public Accounts (Enterprises) Committee.

5. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Chaguanas Borough Corporation for the year ended September 30, 2001. [*Hon. K. Valley*]
6. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Chaguanas Borough Corporation for the year ended September 30, 2002. [*Hon. K. Valley*]

Papers 5 and 6 to be referred to the Public Accounts Committee.

7. The World Trade Organization Second Trade Policy Review of Trinidad and Tobago 1998—2005. [*Hon. K. Valley*]
8. The Value Added Tax (Amendment of the Second Schedule) (No. 3) Order, 2005. [*Hon. K. Valley*]

ORAL ANSWER TO QUESTION

Trinidad and Tobago Housing Development Corporation (Availability of Forms)

4. **Mr. Subhas Panday** (*Princes Town*) asked the hon. Minister of Housing:
 - (a) Whether forms to apply for houses and buildings lots are available to members of the public at any of the offices of the Trinidad and Tobago Housing Development Corporation and in particular at its head office at South Quay, Port of Spain;
 - (b) If the answer to (a) is negative, can the Minister indicate why such a situation was permitted to occur; and
 - (c) Can the Minister further advise whether the head of department and employees responsible for ensuring that forms are readily available to the public are workers who were transferred from the National Housing Authority to the Trinidad and Tobago Housing Development Corporation?

The Minister of Housing (Hon. Dr. Keith Rowley): Mr. Speaker, application forms for housing accommodation are available to members of the public at all offices of the Trinidad and Tobago Housing Development Corporation. They are lodged at the Head Office, South Quay, Port of Spain and distributed to the area offices.

Mr. Speaker, part (b) of the question is not applicable.

With respect to part (c), the answer is yes. The head of the department and employees responsible for ensuring that the forms are readily available to the

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public are employees of the Trinidad and Tobago Housing Development Corporation and they were previously employed by the National Housing Authority.

FINANCE BILL

Bill to provide for the imposition or variation of certain duties and taxes and to introduce other provisions of a fiscal nature and for related matters [*The Minister of Finance*]; read the first time.

Motion made, That the next stage be taken at a later stage in the proceedings. [*Hon. C. Enill*]

Question put and agreed to.

OCCUPATIONAL SAFETY AND HEALTH (AMDT.) BILL

Bill to amend the Occupational Safety and Health Act [*The Minister of Labour, Small and Micro Enterprise Development*]; read the first time.

Motion made, That the next stage of this Bill be taken on Monday, January 23, 2006 at 1.30 p.m. [*Hon. K. Valley*]

Question put and agreed to.

STUDENTS' REVOLVING LOAN FUND (AMDT.) BILL

Bill to amend the Students' Revolving Loan Fund Act to provide for the Permanent Secretary of the ministry with responsibility for Tertiary Education, to replace the Chief Personnel Officer as Chairman of the Board of Management of the Students' Revolving Loan Fund [*The Minister of Finance*]; read the first time.

FINANCE BILL

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):
Mr. Speaker, I beg to move,

That a Bill to provide for the imposition or variation of certain taxes and to introduce other provisions of a fiscal nature and for related matters, be now read a second time.

Mr. Speaker, the success of the Government's policies is reflected in the economic prosperity of the nation. In 2005, the economic performance as measured by real GDP recorded an unprecedented 12th consecutive year of positive growth, increasing by 7 per cent.

In fiscal year 2005, our external balance has been further strengthened with the external reserves now at a comfortable level of US \$3.8 billion, the equivalent of seven months import cover. Provisional estimates indicate an unemployment rate of 7.8 per cent at the end of 2005.

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The Central Bank is pursuing an aggressive monetary policy with higher repo rates, increased Treasury Bills and Treasury notes issue limits, which are presently under the consideration of the Government's specially created Central Bank notes and the requirement of commercial banks to lodge an aggregate of \$1 billion at the Central Bank. The Central Bank has been proactive in sterilizing these increases in liquidity in the banking system in the light of inflationary trends.

The Government is working assiduously to cap inflation and maintain a level of price stability which would influence consumer and investor confidence in the economy's prospects.

Improved performance in the energy sector continued in 2005, particularly the vibrant petrochemical subsector. Subsumed in this development were the start-up of the Atlantic Energy Train 4 and the Methanol Holdings N5000 plant. Concurrently, the Government has formulated policies to accelerate sluggish growth in the non-petroleum industry, inclusive of lower corporation tax rates.

The Government is aggressively pursuing policies and programmes geared towards diversification of the economy through expansion in the non-energy sector especially the financial services sector and is also putting measures in place to deal with poverty and the level of crime.

The key medium term objectives for the period 2006 to 2008 include, pursuing the human development agenda where policies are presented to ensure that economic growth becomes more inclusive and socially responsive and that all citizens are afforded opportunities for personal growth. Diversification and growth of the economy which primarily revolves around the expansion of the non-energy sector is the new engine of economic growth.

The key to the accomplishment of these objectives is represented in the Bill that is before the consideration of this honourable House and seeks to materialize the policy prescriptions announced by the hon. Prime Minister and Minister of Finance in the September 28, 2005 budget presentation for the year ending September 30, 2006.

Mr. Speaker, the fiscal measures that I shall discuss are part of the Government's holistic approach to the achievement of developed country status by the year 2020. I shall refer to these measures in the legal context in which they are subsumed. Mr. Speaker, I would now examine the Finance Bill clause by clause.

Clause 1 of the Bill which cites the short title of the Bill is self explanatory.

Clause 2 of the Bill proposes amendments to the Income Tax Act as follows: Clause 2(a) of the Bill amends section 2(1) of the Income Tax Act. Section 2(1) is the general definition of the Income Tax Act. Clause 2(a) of the Bill repeals the current definition of “management charges” and inserts a new definition. The term “management charges” has been redefined to include “head office charges, foreign research and development fees and other shared costs charged by head office”. Mr. Speaker, it should be noted that this new definition is now consistent with the definition of “management charges” contained in the Petroleum Taxes Act.

Clause 2(b) of the Bill amends section 8(1) of the Income Tax Act. Section 8(1) is the exemption section of the Income Tax Act. Clause 2(b)(i) repeals paragraph (f) (a) of section 8(1). Paragraph (f) (a) exempts from tax the interest income received by financial institutions on loans made to the small business sector under the Business Development Company Limited. This exemption is now being removed for new loans granted after December 31, 2005. The removal of this benefit is replaced by the five-year exemption from tax now being granted to approved small companies.

Clause 2(b)(ii) of the Bill amends paragraph (k) of section 8(1) of the Income Tax Act. At present, paragraph (k) exempts from tax the income of resident individuals up to \$25,000. This exemption is now being increased to \$60,000 as a result of the increases in personal allowances to this amount.

Clause 2(b)(iii) of the Bill amends paragraph (t) of section 8(1) of the Income Tax Act. Paragraph (t) exempts from tax the annuity payable under an immediate annuity to a person who has attained the age of 60 years. The amendment in the Bill seeks to remove the age restriction.

Mr. Speaker, an individual who contributes to a deferred annuity policy is entitled to a tax deduction. The annuity payable on a deferred annuity policy at maturity is subject to tax. However, payments toward an immediate annuity are not tax deductible. Accordingly, section 8(1)(t) exempted from tax the annuity payable under a deferred annuity to avoid double taxing in income. Since the immediate annuity is purchased from after tax income it should not matter what age the person is. The principle is that income should not be taxed twice. Accordingly, the age restriction for benefiting from the amendment is now removed.

Clause 2(c) of the Bill inserts a new section 8A of the Income Tax Act. As stated earlier, clause 2(b)(i) of the Bill removes the exemption from tax of interest income received by financial institutions on new loans made to the small business sector. Section 8A preserves the tax exemption in respect of loans made on or before December 31, 2005.

1.45 p.m.

Mr. Speaker, clause 2(d)(i) amends subsections (1)(b) and (2) of the Income Tax Act. These provisions deal with management charges. Currently, there is a limit to the tax deductibility of management charges paid to the non-residents; legislation limits such management charges to 1 per cent of all expenditure. The amendment in clause 2(d)(1) increases this limit to 2 per cent. This 2 per cent is consistent with the current limitation in the Petroleum Taxes Act.

Mr. Speaker, clause 2(d)(ii) repeals section 10(3) to (8) and (11) of the Income Tax Act. These provisions grant an \$18,000 deduction for mortgage interest expenses. This deduction has been removed since the increase in personal allowance from \$25,000 to \$60,000 factored in this deduction. The repeal is also a part of the tax simplification process.

Clause 2(d)(iii) and (iv) amends section 10(9) and (10), which provides a deduction for tertiary education expenses. Free tertiary education will be available to all citizens of Trinidad and Tobago pursuing undergraduate programmes at local and regional institutions, including distance learning programmes. This benefit will be extended to all citizens of Trinidad and Tobago at approved local tertiary institutions.

With respect to the medical facility at St. George's University in Grenada, the existing scholarship arrangements remain. Furthermore, a maximum of 25 additional scholarships will be awarded, each representing 50 per cent of the tuition fees. Students at postgraduate level pursuing programmes at local and regional tertiary institutions, including distance learning programmes, will be eligible to access the GATE programme for grants of 50 per cent of tuition. Since tertiary education at local institutions is now free, the \$18,000 deduction for tertiary education is now limited to study at local institutions other than regional public institutions situated outside of Trinidad and Tobago.

Clause 2(e)(i) repeals paragraph (k) and (l) of section 11(1) of the Income Tax Act. These paragraphs make provision for the employment allowance and the apprenticeship allowance respectively. The employment allowance was introduced in 1997 at the time of high levels of unemployment. However, such an allowance

has now become unnecessary given the low current and projected rates of unemployment. The apprenticeship allowance has become unnecessary with the introduction of such schemes as the Helping You Prepare for Employment (HYPE) programme; the Multi-sector Skills Training (MuST) programme, and the Youth Apprenticeship Programme in Agriculture (YAPA).

Clause 2(e)(ii) institutes a new section 11(3) of the Income Tax Act. Section 11(3) deals with wear and tear allowances in respect of private motor cars. There is currently a cap of \$100,000 on the value of a private motor vehicle on which wear and tear allowances are made. The new section 11(3) contained in clause 2(e)(ii) of the Bill preserves this \$100,000 limitation only in respect of vehicles purchased prior to January 01, 2006. Accordingly, wear and tear allowances may now be calculated on the full value of private motor vehicle cars purchased on or after January 01, 2006. The amendment in clause 2(e)(iii) is a consequential drafting amendment, based on the new section 11(3).

Section 2(f)(i) inserts two new subsections of section 11(A) of the Income Tax Act. Section 11(A) provides for the pooling concept in computing wear and tear allowances. This concept was introduced in 1995 and requires that all plant and machinery acquired after January 01, 1995, be classified in a class of pool specified in the seventh Schedule of the Income Tax Act and the wear and tear allowances computed using the aggregate value of each class. All plant and machinery acquired prior to January 01, 1995, continue to be depreciated on an individual basis.

A new subsection 11A(1A) has now been inserted, which transfers the written down value of all plant and machinery acquired prior to January 01, 1995, to its relevant class or pool in the seventh Schedule. Accordingly, the pooling concept will apply to all plant and machinery. This is also part of the simplification process of the Income Tax Act.

A second new subsection, 11A(1B) has also been introduced by clause 2(f)(1) of the Bill. This relates to wear and tear on buildings. It provides that all buildings acquired after January 01, 2006 that qualifies for wear and tear allowances under the Income Tax (In Aid of Industry Act), will now be classified under the seventh Schedule of the Income Tax Act. It should be noted that the seventh Schedule of the Income Tax Act provides for greater wear and tear allowances on buildings than those granted under the Income Tax (In Aid of Industry) Act. In fact, 10 per cent versus 2 per cent.

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Mr. Speaker, clause 2(f)(ii) repeals paragraph (h) of section 11A(2) of the Income Tax Act. This paragraph limits the amount that can be credited to the pool upon the disposal of plant and machinery to the original cost of the said plant and machinery. The limitation has now been removed in the interest of simplification.

Clause 2(g) repeals section 13(A) of the Income Tax Act and provides a tax deduction to persons making investments in approved hotel or tourism projects. The tax deduction granted is 25 per cent of the investment. This deduction is now being removed, having regard to the comprehensive system of incentives now available under the Tourism Development Act.

Clause 2(h) repeals section 18 of the Income Tax Act and substitutes a new provision. The new section 18 increases the personal allowance to resident individuals to \$60,000. Nonresident individuals in receipt of a pension derived from Trinidad and Tobago will also benefit from this allowance.

Mr. Speaker, the personal allowance in Trinidad and Tobago has been determined to be low by regional and international standards. There are two arguments in favour of a high personal allowance in developing countries. The first is an equity argument; given that a large number of individuals in developing countries are at the low end of the income distribution, the personal allowance removes them from tax. Second is a tax administration argument; a high personal allowance reduces the need to rely on itemized allowances to help low income individuals, thereby reducing the cost of administering the tax system.

Clause 2(i) inserts a new subsection to section 18(A) of the Income Tax Act. Section 18(A) provides a \$10,000 allowance for five years to persons who acquired, for the first time, on or after January 01, 2003, a house to be used as a residence. A new subsection (6) has been introduced which removes the allowance for acquisitions after January 01, 2006. This has become necessary due to the increase of the personal allowance to \$60,000, as well as the tax simplification process. However, persons who purchased a house for the first time between January 01, 2003 and December 31, 2005, will continue to benefit from the five-year \$10,000 allowance.

Clause 2(j) repeals section 18(B) of the Income Tax Act. Section 18(b) provides for a deduction of up to \$10,000 for the purchase of shares in credit unions. This repeal is a further part of the simplification of the income tax system. The increased personal allowance of \$60,000 compensates for the repeal of this benefit. [*Interruption*]

Mr. Speaker: One minute, please, hon. Members, on the Government lower front and back Benches, the Minister is making his contribution. I am having difficulty hearing. I ask you to turn down your voices.

Sen. The Hon. C. Enill: Clause 2(k) repeals section 20(3) of the Income Tax Act. Section 20(3) exempts from tax, payments made to a former spouse for the maintenance of children. The exemption was limited to \$1,200 per child per year; this is now removed in the interest of tax simplification and having regard to the increased personal allowance.

Clause 2(l)(i) repeals paragraph (ga), (q) and (r) of section 28(1) of the Income Tax Act. These paragraphs make provision for the withdrawal of up to \$35,000 from pension plans and deferred annuity policies to be used for the first time acquisition of a house. These provisions are now being removed, having regard to the improved financial options now available for the purchase and construction of homes. Furthermore, very few pension plans were ever amended to take advantage of this benefit.

Clause 2(l)(ii) contains amendments that are consequential upon the removal of the withdrawal of contributions for first-time acquisitions of a house.

Clause 2(l)(iii) amends section 28(7)(b) of the Income Tax Act. At present, pensions can only be commuted, that is, converted into a lump sum, if their monthly value is less than \$65. This limitation is unrealistically low and the present amendment increases this figure to \$500 per month.

Clause 2(l)(iv) and (v) contains amendments that are consequential upon the removal of the withdrawal of contributions for first time acquisitions of a house. Clause 2(l)(vi) amends section 28(10) of the Income Tax Act. Section 28(10) provides for a 10 per cent tax payable on the refund of pension contributions. Mr. Speaker, this amendment increases the tax rate to 25 per cent to make it consistent with the present flat rate of income tax, as well as the rate of tax applicable on the surrender of deferred annuity policies. This would also serve to discourage early refund of pension contributions and so encourage savings.

Clause 2(m) repeals section 29(A) of the Income Tax Act. This repeal is consequential upon the removal of the withdrawal of contributions for first-time acquisition of a house. Clause 2(n) amends section 35 of the Income Tax Act. Section 35 makes provisions for employee profit sharing plans, ESOPs. Where shares in an ESOP are transferred to an employee prior to retirement or death, there is a tax charge on the market value of the shares transferred. The rate of tax charged is based on a sliding scale from 5 per cent to 25 per cent. The amendment

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will now tax such transfer at a flat 25 per cent, which is consistent with the current rate of income tax.

2.00 p.m.

Clause 2 of the Bill introduces a new section 134(6E) of the Income Tax Act. This new provision applies where a company provides a loan to any of its directors or employees and where the rate of interest of the Central Bank of Trinidad and Tobago, as at December 31 of the prior year of income is greater than the rate charged by the company, the difference shall be treated as a taxable benefit in the hands of the director or employee. Such loans to employees at preferential interest rates have always been taxable benefits. The amendment seeks to standardize the calculation of the benefit.

Clause 2(o)(ii) also introduces a new section 134(6F) of the Income Tax Act. This section applies to the loan to the director or employee referred to in section 134(6A) and is written off by the company. In such a situation, the outstanding balance on the loan is to be treated as a taxable benefit in the hands of the director or employee.

Where the Board of Inland Revenue is satisfied that the written-off loan could not be recovered by the company, then, the outstanding balance could not be considered to be a taxable benefit. This provision will encourage transparency in the writing-off of such loans.

Clause 2(o)(iii) amends section 134(9) and inserts a new section 134(10) and 134(11) of the Income Tax Act. Where a company makes available to any director or employee for private use, any motor vehicle or equipment, then this is considered to be a taxable benefit in the hands of the director or employee. The quantum of such benefit per month at present is 1 per cent of the cost of acquisition or 33 per cent of the monthly rental value.

The present amendments will alter the monthly quantum of the benefits for motor vehicles or equipment acquired after January 01, 2006, 50 per cent of the wear and tear or the monthly rental value. Previously, a director or employee would be taxed more if he were using a company-owned vehicle or equipment wear and tear, compared to if he were using a vehicle or an item of expenditure rented by the company. The present amendment seeks to have a more level playing field.

Clause 2(p) substitutes a new section 135(3) of the Income Tax Act. Section 135(3) deals with the situation where a company makes available to any director or employee, any property owned by it as living accommodation. At present, this

is considered to be a taxable benefit in the hands of the director or employee and the quantum of the benefit is the annual value of the property.

The present amendment seeks to change the simplification of the benefit, since the use of the annual value of the property represents an unrealistically low figure. There is a measure of inequity because where a company makes available rented property to any director or employee, the value of the benefit is calculated by reference to the annual rent which is substantially higher than the annual value of the property. Accordingly, where a company makes available property that it owns, the director or employee will now be taxed on the fair rental value of the property.

Clause 2(p) also inserts a new section 135(3A) which defines fair rental value as the value of the rent which the property can obtain in the open market between unrelated parties.

Clause 2(q) amends Part I of the Third Schedule of the Income Tax Act to reflect the new flat rate of income tax or the per cent.

In keeping with Government's policy of progressively reducing the rate of personal income tax, clause 2(q) will amend the Income Tax Act as follows:

For individuals, the new rates with effect from January 01, 2006, will be 25 cents for every dollar of chargeable income.

Clause 2(r) represents the Eighth and Ninth Schedules of the Income Tax Act. This has the effect of repealing the employment allowance and the apprenticeship allowance referred to earlier.

I will now turn to the amendments under the Corporation Tax Act.

Clause 3(a) repeals paragraph (g) of section 3A(2) of the Corporation Tax Act. Paragraph (g) exempts from business levy the gross sales or receipts of approved small companies. Since clause 3(1) exempts such companies from corporation tax for a period of five years, the exemption from business levy is now unnecessary since there is an automatic exemption from business levy where there is a corporation tax exemption.

Clause 3(b)(i) repeals paragraphs (c), (ka), (s) and (t) of section 6(1) of the Corporation Tax Act.

Section 6(1) is the general exemption provision of the Corporation Tax Act. Paragraph (c) exempts from tax, the profits of any trade or business carried on by a local authority. This exemption is being removed so that private companies

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carrying on the same trade or business can compete on more even terms. Paragraph (ka) exempts from tax, the interest earned by financial institutions on loans to fund projects in the small business sector under the Small Business Development Company Limited. Paragraph (s) exempts from tax, 50 per cent of the interest earned by financial institutions in respect of loans to approved small companies. Paragraph (t) exempts from tax, 50 per cent of the interest earned by financial institutions in respect of loans made for the purchase of certain agricultural equipment.

The exemptions provided in paragraphs (ka), (s) and (t) are now being repealed in the interest of tax simplifications and having regard to the fact that the reduced rates of corporation tax compensate for the loss of these benefits. Further, approved small companies are now exempt from corporation tax for a period of five years.

Clause 3(b)(ii) preserves the benefits provided by paragraphs (ka), (s) and (t) to persons entitled to these exemptions on or before December 31, 2005.

Clause 3(c) repeals sections 10C and 10E of the Corporation Tax Act.

Section 10D provides for a deduction by financial institutions of 10 per cent of the net increase of loans made to approved small companies.

Section 10E makes provisions for 150 per cent allowance for the training and retraining of employees.

Sections 10C and 10E are now being repealed in the interest of tax simplification. It should also be noted that approved small companies are now exempt from corporation tax for five years, where other companies have the benefit of a reduced corporation tax rate which would compensate for the loss of these benefits.

Clause 3(d) amends section 10G of the Corporation Tax Act. Section 10G provides for an art and culture allowance equal to 150 per cent of the actual expenditure up to \$1 million. The effect of the amendment is to remove the 50 per cent so that only the actual expenditure would now be allowed.

Clause 3(e) amends sections 10I and 10J of the Corporation Tax Act. Section 10I provides for an allowance for sports and sportsmen, while section 10J provides an allowance for sponsorship of audio and visual productions.

In both instances companies can claim 150 per cent of the actual expenditure up to a maximum of \$1 million. The effect of these amendments is to remove the 50 per cent uplift so that the actual expenditure would now be allowed.

Clause 3(f) repeals section 10K of the Corporation Tax Act. Section 10K provides to production companies, a deduction equal to 150 per cent of the expenditure incurred in making productions. The repeal of this section is that production companies will now claim only the actual expenditure incurred in making productions. Clauses 3(g), (h) and (i) contain drafting amendments consequential on the repeal of sections 10E and 10K of the Corporation Tax Act.

Clause 3(j) amends section 10 O of the Corporation Tax Act. Section 10 O makes provisions for a tax deduction for donations to charities by way of a deed of covenant. This clause deletes section 10 O(2) which had limited donations via deed of covenants to \$1 million. This restriction has now been removed so that companies may now claim a deduction of up to 15 per cent of their total income in respect of charitable donations by way of deed of covenants.

This clause also repeals section 10 O(5A) of the Corporation Tax Act. Section 10 O(5A) has amalgamated the deed of covenant deduction with the training allowance; art and culture allowance; scholarship allowance; the allowance for sports and sportsmen; the allowance for sponsorship of audio visual productions and the allowance for production companies. The repeal of section 10 O(5A) now has the effect of delinking these other allowances from the deed of covenant deductions.

Clause 3(j) also contains an amendment to section 10 O(5) of the Corporation Tax Act. This is a drafting amendment consequential on the repeal of sections 10E and 10K of the Corporation Tax Act.

Clause 3(k) repeals section 16 of the Corporation Tax Act. Section 16 provides for a tax deduction for approved property development companies. Such companies were granted a deduction equal to 15 per cent of the capital expenditure on the construction of commercial or industrial buildings. The deduction has now been removed in the interest of tax simplification and having regard to the reduction in the corporation tax rate. Based on information that was available this benefit was very rarely utilized.

Clause 3(l) amends section 16A of the Corporation Tax Act. Section 16A sets out benefits to approved small companies; approved companies carrying on business in a regional development area and approved activity companies. These companies are currently entitled to a tax credit equal to 25 per cent of chargeable profits. In order to qualify as an approved small company the following conditions must be met:

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The company must be locally owned and controlled.

The value of the company's machinery, equipment and working capital must not exceed TT \$1.5 million.

The company has the potential to create permanent jobs.

The company has at least five permanent employees.

The company makes optimum use of locally produced raw materials.

An approved company carrying on business in a regional development area must carry out its operations in an area designated by the Minister of Trade and Industry as a regional development area. In order to be so designated, the area has to be outside of Port of Spain and San Fernando; be non-industrial and has a high level of unemployment.

In order to qualify as an approved activity company the following conditions must be met:

The activity must be capable of earning or saving foreign exchange.

The activity must be capable of creating a significant number of permanent jobs.

The activity must be capable of stimulating technological development.

The activity must make efficient use of local raw materials.

The amendments to section 16A will have the effect of removing the 25 per cent tax credit and instead, will exempt approved small companies, approved companies carrying on business in a regional development area and approved activity companies from corporation tax for a period of five years.

The clause also repeals section 16A(2) and (4) which are amendments consequential upon the repeal of the 25 per cent tax credit.

2.15 p.m.

Clause 3(m) of the Bill repeals sections 16F and 16G of the Corporation Tax Act. This is also consequential upon the repeal of 25 per cent tax credit. Clause 3(n) of the Bill deletes the reference to section 13(A) of the Income Tax Act from the table in section 19 of the Corporation Tax Act. This is necessary due to the repeal of section 13(A).

Clause 3 of the Bill amends the First Schedule of the Corporation Tax Act—

Dr. Nanan: Would the Minister give way? On (n) in section 19, could you give us an idea of the deduction for the investment that you are removing from your approved hotel or tourism development project?

Sen. The Hon. C. Enill: In 13(n)?

Dr. Nanan: Yes.

Sen. The Hon. C. Enill: Clause 13(n) deletes the reference to section 13 (A) of the Income Tax Act from the table in section 19 of the Corporation Tax Act and this is necessary due to the fact that we are repealing section 13(A). The question was: What is being repealed in 13(A)?

Dr. A. Nanan: I know that you have repealed 13(A) already and you have to do it here, but what was the deduction for investments before you repealed it?

Sen. The Hon. C. Enill: I will have somebody look at it and get back to you, but it would have been investments that are now under that Tourism Development Act.

The new Tourism Development Act that we recently looked at took all these incentives and put them inside there. What we are seeking to do here, is to remove from the Income Tax Act certain amendments that were there before. I will have somebody pull that for me.

Clause 3 of the Bill amends the First Schedule of the Corporation Act to reflect the reduction in the rate of corporation tax from 30 per cent to 25 per cent.

Mr. Speaker, I now turn to the petroleum provisions in the Bill. Payment of unemployment levy, petroleum profits tax, supplemental petroleum tax, clause 4. The Finance Act, 2005 contains measures which give effect to Government's intention to review and revise the energy sector fiscal regime. The provisions in the Finance Bill, 2006 pertaining to payment of unemployment levy, petroleum profit tax and supplemental petroleum tax continue the process in the reform of a system of taxation of income from petroleum operations. To this end, the Unemployment Levy Act and the Petroleum Taxes Act would be amended to ensure that the legislation is comprehensive, easily administered, predictable and transparent. The provisions are the following:

In clause 4(a)(1) the words "due and" have been inserted in section 8(1) thereby establishing that a person under the Employment Levy Act has a liability to pay unemployment levy.

Clause 4(a)(2): Mr. Speaker, the Finance Act, 2005 changes the basis on which unemployment levy, PPT and SPT, would be computed. Prior to the Finance Act, 2005, the taxes and levy were computed on income from the preceding financial year. The law now provides that they be calculated on a current year basis. The effect of the amendment was to increase the levy and taxes due to the board.

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This provision was retroactively implemented from January 01, 2004; however, the Finance Act, 2005 was not assented to by the President until July 2005. Persons under the Unemployment Levy Act and the Petroleum Taxes Act by that time would have computed and paid to the board, levy and taxes based on the law prior to the amendment. In these circumstances, the law should have provided a grace period and date by which persons should submit to the board the outstanding levy and taxes under the new regime. The legislation omitted to do so.

In view of this, the Bill seeks to accomplish the following:

Extend the time in which outstanding levy and taxes as a result of the coming into operation of the Finance Act, 2005 are to be paid to April 30, 2006; and

Absolve the persons from paying interest on outstanding levy and taxes up to April 30, 2006, and any outstanding taxes and levy not paid by April 30, 2006 accrues interest from May 01, 2006 to the date of payment.

This provision does not apply where persons fail to pay all or any part of levy and taxes as required by the law prior to the amendment. These amendments are found at clauses 4(a)(ii) and 6 of the Bill in respect of the Unemployment Levy Act and the Petroleum Taxes Act, respectively.

Clause 4(b) of the Bill seeks to correct the following; clause 4(b)(i). Section 9 of the Unemployment Levy Act provided in error that a person who failed to pay levy should pay interest at 15 per cent rather than 20 per cent. Clause 4(b)(ii), amendments made to section 9 of the Unemployment Levy Act in the Finance Act, 2005 erroneously deleted the requirement that the remainder of the levy for the financial year be paid on or before April 30 in the next year and if not paid, would attract interest at 20 per cent a year from the next day up to the date of payment.

Clause 5 of Bill repeals part 10 of the Miscellaneous Taxes Act which deals with the Road Improvement Taxes Act. Clause 6(a) defines the terms “deepwater” and “deepwater block”. Clause 6(b) repeals the existing section 7. This serves not only to include new sub-provisions but also acts as a tidying up measure. To this end the subsections contain the following:

- That the PPT would be computed and assessed for a current financial year and paid quarterly.
- That the SPT be computed and assessed on current income on the quarterly

basis and paid by the 15th day after the end of each quarter, but where the PPT and SPT are not paid by the end of the quarter, outstanding tax attracts interest at the rate of 20 per cent.

- That persons must furnish the Board of Inland Revenue with information that it may require inter alia for crude oil and natural gas. This provision always formed part of the law, however, it excluded the requirement to provide information in respect of natural gas. The Bill seeks to correct this omission.
- That a penalty for late filing of returns of income in respect of PPT and SPT would be imposed. This provision is contained in the Corporation Tax Act but was not incorporated into the Petroleum Taxes Act. The Bill seeks to correct this omission. The board, however, has in the past applied this provision to persons subject to the Petroleum Taxes Act who failed to furnish a return of income. In order to protect the Board of Inland Revenue it would be necessary to validate the actions of the board prior to the coming into operations of the Finance Act, 2006. The validation is to be found at clause 12 of the Bill.
- That for the purpose of SPT, persons are to supply the board with a return of income 15 days after the end of the quarter and also in the circumstance where the person ceases to carry on business. The provision also provides for submission of returns for the years ended December 31, 2005. This requirement was excluded from the Finance Act, 2005 and the Bill seeks to address this omission.

Mr. Speaker, clause 6(c) will be explained later. The amendments at clause 6(d) and (e) are as a consequence of the change in the basis of computing PPT. Since the law now requires that PPT be computed on a current year basis, it is necessary to remove the reference to the PPT being calculated on chargeable income for the preceding year.

Clause 6(f) of the Bill amends the Petroleum Taxes Act to allow companies to benefit from the provisions for covenanted donations to charity. The companies would now be able to claim the donation as a deduction in ascertaining the chargeable profits.

In 2005, the law was changed so that SPT would be computed, assessed and paid quarterly. Additionally, companies are now required to furnish the board with a return relating to the tax payable.

Clause 6(g) is a consequential amendment whereby provisions under the Income Tax Act pertaining to assessments, additional assessments, notices of

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assessments and appeal against assessments will now be applicable to SPT under the Petroleum Taxes Act.

Clause 6(h): Mr. Speaker, the Finance Act, 2005 made the company that was issued a licence to produce petroleum liable for SPT on gross income derived from the disposal of condensate recovered along a natural gas pipeline. Prior to last year, condensate escaped the charge since it was recovered after the producers sold the petroleum as natural gas.

In view of the discussions held with the tax committee, the BIR and the industry, it was agreed that the payment of SPT would be levied on the company which first sells the condensate as that product. This would require that sections 21(1A) and 22(A) of the Petroleum Taxes Act be repealed.

Mr. Speaker, I now turn to Fair Market Value, clause 6(i), (j) and (k). In view of the complex nature of the issues involved in energy taxation, it was Government's decision to treat with the taxation of crude oil separately from that of natural gas. In this regard, the Finance Act, 2005 unveiled measures pertaining to the taxation of crude oil and represented phase 1 of the plan to redesign the petroleum tax regime in Trinidad and Tobago.

Expanding activity in the natural gas subsector has resulted in this country being referred to as a gas-based economy. As a consequence, the aim must be to derive a fair share of returns from this subsector. In this regard, a basic principle of determining corporate income tax, petroleum profit tax, royalties and other fiscal features is that the oil and gas are valued on the basis of the fair market value.

While this concept already exists in the petroleum tax legislation and is the responsibility of the Petroleum Pricing Committee, there is need to establish the market value concept in the natural gas tax regime. The existing legislation provides for the Petroleum Pricing Committee to determine the fair market value in the case of crude oil, petroleum products and natural gas exchanges or transfers between persons carrying on production and refining businesses or transfers between affiliated parties for the assessment of tax liabilities in Trinidad and Tobago.

The present legislation, however, does not provide for the treatment of natural gas sales for export. It has also been determined that the contracts entered into for the purpose of natural gas export should be consistent with arm's length pricing principles.

2.30 p.m.

In view of Government's objective to ensure that all contracts along the LNG value chain be based on fair market principles, the Petroleum Tax would be amended as follows:

1. To require that all current and future contracts be submitted to the Board of Inland Revenue for examination.
2. To provide that the BIR determine, if necessary, that the Petroleum Pricing Committee review and make a determination on the nature of the contracts as to whether they satisfy fair market value principles.
3. To provide that the Minister of Energy and Energy Industries can reconsider the contracts where he is satisfied that circumstances have been so altered to effect the fair market value of the natural gas as previously determined by him, and to provide that the Petroleum Pricing Committee in determining the fair market value of the gas take into consideration such parameters which include, but are not limited to, shipping costs, regasification costs, liquefaction costs and the price of gas at the final destination.

Clause 6: Today, approximately 38 per cent of Trinidad and Tobago's marine acreage has been explored, the majority of which is in shallow water. A considerable amount of the remaining acreage to be explored is located in deep water. It is generally recognized that drilling of development in deep water is more costly than drilling in shallow waters. And given the large available deep water acreage and the lack of results in deepwater exploration in Trinidad and Tobago, thus far, it seems that there is economic justification for providing more generous fiscal terms. In keeping with the Government's objectives to provide incentives to stimulate petroleum exploration, the Petroleum Taxes Act would now provide as follows:

That a person engaged in the drilling of exploration wells in a deepwater block could be granted a capital of 40 per cent on such expenditure with respect to the computation of the petroleum profit tax.

The Minister of Energy and Energy Industries would classify a deepwater block and exploration well.

That the rates of supplemental petroleum tax to be applied from a disposal of crude oil from any well in a deepwater block would be at a rate set out in column D of part B of the Third Schedule under the Petroleum Taxes Act.

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Mr. Speaker, I now turn to the Fiscal Incentives Act. Termination of fiscal incentives: The effect of section 23 of the Fiscal Incentives Act, is to provide for companies to pay annual allowances only in the year in which the allowances become due. This provision was enacted in the Finance Act, 2005. However, the amendment omitted to require a company to claim the allowance for the exhaustion by wear and tear resulting from the use of its assets. Clause 7(a) of the Bill seeks to correct the omission.

Clause 7(b) of the Bill is as a consequence of clause 7(a). In respect of clause 7(c) is that benefits, including tax holidays, would no longer be available to companies as provided under the Fiscal Incentives Act, and we propose to move an amendment at the committee stage because the Bill, as is currently before us has as the date January 01, 2006, that we are proposing January 01, 2007.

Capital allowance: The law provides that companies engaged in oil and gas exploration and production are entitled to deduct annual allowances in respect of expenditure incurred in exploration operations and intangible drilling and development costs from the year following the year in which the expenditure actually occurred. However, in order to provide the appropriate incentives to encourage companies to begin deeper drilling, given the known geology of the existing fields, the Petroleum Taxes Act has been amended to allow that where the expenditure is in respect of exploration costs, the annual allowance would commence from the year after the expenditure.

Mr. Speaker, this relates to clause 6(c) of the Bill. In the legislation annual allowance is the greater of 20 per cent or the fraction of output or production over output, plus reserves as at the end of the year applied to the rest of expenditure. This is in keeping with the depletion of the wealth written down in a unit of production basis. In view of the changes to the time from which the write-off of capital expenditure commences, it is no longer necessary to retain the basis on which the annual allowance is derived. The Income Tax (In Aid of Industry) Act would now provide that the allowance is 20 per cent of the residue of expenditure. This is found in clause 8(a) of the Bill.

Clause 8(b) amends the Income Tax (In Aid of Industry) Act and serves as a tidying up measure to make it clear that a company other than a company carrying on production business is required to claim allowances for capital expenditure in the year in which the assets were first put into use by the company and the years immediately following the year in which the allowance was made. And, that a company carrying on production business is required to keep allowances for capital expenditure in the year in which the expenditure was actually incurred and

the years immediately following the year in which the allowance was made. In calculating the residue of expenditure on which the actual allowance would be applied where the person did not claim allowances, the subsection gives the board the authority to deduct allowances which the person was entitled to as though they had, in fact, claimed such allowances.

Decommissioning and abandonment cost: The subsections at clause 8(b) of the Bill seek to amend the Income Tax (In Aid of Industry) Act and are tidying up measures to provide for the set-off of decommissioning and abandonment costs.

Clause 8(c) refers to the application of the Fiscal Incentives Act.

Clause 9 refers to the Tourism Development Act. Apart from the removal of the tax deduction for equity investment in hotels up to a maximum of 25 per cent, it is also proposed to discontinue the tax exemption on interest payments made to financial institutions which provide loans to tourism projects on or after January 01, 2006. The Tourism Development Act would therefore need to be amended by the removal of the provisions relating to such exemptions. Under the existing law the tax exemptions would have been granted under section 38 in respect of an approved loan which is defined to mean not only loans granted upon completion of a project but also includes bridging finance provided during the period that the project has not yet been given interim or final approval by the Minister of Tourism.

At clause 9 of the Bill all references to an approved loan or to a tax exemption on the interest income are to be removed from the legislation. In order to preserve the expectations of tourism investors who have been granted tourism approval for their projects on or before December 31, 2005, and whose finances would have been eligible to enjoy a tax exemption under section 38, a new section 38(A) would be inserted into the Tourism Development Act saving the tax benefits which would ordinarily be granted to banks financing these projects. As at December 31, 2005, fifty-two tourism projects have received interim approval estimated at the capital cost of approximately \$3,380 million; the proposed employment of 3,875 persons and the construction of some 2,250 rooms. The tax benefit under the existing section 38 is granted to the financial institution and not to the owner or operator of an approved tourism project. Despite the removal of the exemption under section 38, the owner or operator of the approved tourism project will continue to benefit from the following:

- Tax exemption in respect of the gains or profits derived from the approved tourism project.

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- Tax exemption in respect of gains or profits derived from the initial sale of a villa or condominium or the site for a villa or condominium that forms part of an integrated resort development.
- A carry-over from a tax exemption period of any loss arising out of the operations or renting of an approved tourism project.
- Reduced custom duty on the importation of vehicles to be used in approved tourism projects and exemptions from motor vehicle tax on such vehicles in respect of which a licence has been issued.
- Accelerated depreciation of equipment owned by the owner or operator and used in the approved tourism project.
- Capital allowance in respect of approved capital expenditure incurred by the owner or operator in the creation of a new tourism project or the expansion of an existing project.

Mr. Speaker, retroactivity, clause 10: The petroleum measures contained in the Finance Act 2005, took effect retroactively from January 01, 2004 and as previously mentioned, the Finance Act became law in July 2005. In discussions with many of the stakeholders, it was agreed that due to the length of time the matter remained outstanding, most international companies have already presented their results to their international shareholders which impact the share value of these companies.

In lieu of implementing the provisions from January 01, 2004, Government pursued alternative measures which would result in payment of the equivalent value retrospectively. Additionally, it was agreed to revisit the tax holiday provisions for Atlantic Train 1. In light of the preceding, the petroleum measures would now take effect from January 01, 2005. Part XI of the Bill amends the Finance Act, 2005 accordingly.

Mr. Speaker, clause 11 validates the actions of the BIR prior to the coming into operation of the Finance Act, 2006 in relation to the collection of any penalty in excess of \$100.

Clause 12 refers to the date on which the Act comes into operation. This Bill is another step towards the realization of our key social and economic objectives. This government has been consistent in its thrust to ensure that the revenue from the energy sector is utilized in a manner which would guarantee our nation's economic growth and development.

The Finance Bill, 2006 removes some of the anomalies in the system and places the non-energy sector securely on a path towards greater competitiveness.

Mr. Speaker, with regard to the question that was asked by the hon. Member for Tabaquite, if you will, we would answer this either during the wind up or during the discussion.

Mr. Speaker, with those few remarks, I beg to move.

Question proposed.

Mr. Winston Dookeran (*St. Augustine*): Mr. Speaker, may I compliment the hon. Member for his very lucid presentation of the Finance Bill, but at the same time, may I indicate that his opening remarks that this issue was an expression of the success of the Government's policy in promoting prosperity in Trinidad and Tobago is a statement without foundation.

Mr. Speaker, the hon. Minister went on in his opening remarks identifying a number of financial indicators which he said were, in fact, measures of his financial prosperity. Regrettably, the hon. Minister has, in fact, reflected a lack of appreciation of the meaning of those financial indicators. There used to be a time when financial indicators of which he made reference, reflected what were then called the macroeconomic fundamentals of the country. But we know now that that is no longer so and most commentators on this issue have spelled out that that should not be an indicator of the fundamentals. In fact, there is now a new approach; much more to suggest that these are, in fact, indicators of prosperity levels. I labour on this point if only to emphasize that if the hon. Minister does not appreciate the meaning of the very indicators he has used we must be worried in this country for the conduct of our economic policies. He is on the wrong track in terms of his assessment of what constitutes prosperity and what constitutes economic fundamentals, and he erred today in his presentation in trying to make that assertion.

The Finance Bill before us is but a legal and an administrative expression of the fiscal measures that were first enunciated in the budget statement of 2005. At that time it was enunciated in the context of promoting the development of the country. After all, that is what we are here for: to serve the people's interest, all the people, and all of their interests at all times. And, therefore, this set of fiscal measures which we are debating here today has, as its end result, serving of the people's interest by promoting the development of our country.

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For four years now, we have been told in each budget presentation that there will be a fundamental and comprehensive review of the fiscal measures in order to be able to create a regime that will serve the people's interest and the interest of development. So, if we are to assess what has been proposed, and we are to do so with any sense of appreciation of our goal, we must find out whether these measures do in fact succeed in the test of serving our developmental interest.

Of course, in the wider sense, Mr. Speaker, the development interest of the country is about our freedom. Today, we will not talk about that, but we do know that beyond these very narrow economic indicators there is a much wider issue in our land as to whether or not our freedom today is in fact being curtailed—our freedom, in so many different ways; not only in terms of our physical freedom, but also in terms of our freedom to aspire to the limits of higher possibilities and particularly for our young generation. We will, on another occasion, discuss that whole issue of our freedom. The fight in our country today is to regard that freedom.

Today, I want to focus purely on the very narrow definition of development for which these fiscal measures have been enunciated. We start with the premise that development in our country cannot be imported. That is a fundamental premise that has slipped the thinking of the current Government—that development in the final analysis cannot be imported; that it must spring from the energies of our people and must be able to sustain itself over time. If we get these fundamentals correct, then we can get our economic programmes correct.

I say this in my opening remarks because what I sense is happening is a response, not to the fundamental issues of development, of which I shall speak in this contribution, nor to the adherence to the concept that development must be internally generated and fiscal measures must support that kind of thrust.

The Finance Bill before us dealt with three main areas, which the Minister, in a most detailed way, outlined. He talked in the first instance about the issue of a new compliance regime and much of the proposals outlined in the Bill were really aimed at providing greater compliance penalties and systems. In its own right, this is correct, but there are many shortcomings that have been included in this compliance process that have now opened up the system of administration of tax to much ministerial discretion. I will try to outline some of those areas. If we are to have good legislation, we must not have those missing elements.

The second part of these provisions that have been outlined; whether it is true that the petroleum tax review, the corporation tax review, the income tax review, or the Fiscal Incentives Act or whatever provisions he has outlined, really reflect what I will call more optics and illusions than real changes. In other words, there is a high content of optics in this presentation; optics in order to convey to the population a sense of prosperity when in truth there will be no such prosperity. That has created an illusion today that the country is facing as it combats the real problems of rising prices and falling real incomes; as it combats the various problems of rising cost of living and lowering standards of living; as it combats the problem of dealing with an uncertain future and a sense of fear of when we will get to the edge of the precipice.

That is why I say that the measures here really reflect a sense of optics. When we look at the details, Mr. Speaker, we will see that the measures are aimed at the short-term objective of revenue collection, much less than the longer term objective of increasing our resolve and our exploration activity; notwithstanding some of the assertions that have been made by the Minister. I have no doubt that later in the debate we will have some discussion as to whether or not what we are doing in these measures is really aiming at getting the revenue today without regard to creating the resources for tomorrow.

I can argue this in terms of the very specific details that have been outlined and, in so doing, much of the measures that have been outlined are aimed much more at increasing consumption and not setting the basis for investment and savings. No wonder we talk about the tax measures which I said are based on a sense of optics. But the fundamental flaw in the package before us, in terms of achieving the goals of development, is the short-term nature of revenue collection being our primary priority. In other words, we are sensing that the Government has now become obsessed with collecting the revenue in true compliance and short-term measures and tomorrow's problems would be left to be attended by another regime. Secondly, we will have more consumption and less investment.

Mr. Speaker, what are some of the key issues in the fiscal regime before us? The measures in many instances are driven by the requirements of the administration of the tax system and not by a programme to expand the economy.

There are two provisions in the legislation that are steps in the right direction. In the first instance, let me say that we on this side of the House have argued, when the issue of retroactivity was raised some one year and a half ago, that that issue was in fact contrary to good practice in today's global world and that it had no place in a modern tax system. The Member for St. Joseph, I remember, argued

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that to a great extent, and many others who have commented on this issue have done the same. It is to the Government's credit that they have in fact removed the issue of retroactivity in the system.

Secondly, they have introduced a deepwater exploration incentive. My advice on this matter is that that is perhaps a step in the right direction, but in the context of the economics of that sector of the oil industry, it will not yield the results because you need a more comprehensive programme in the system—what has been called a high-risk investment area. The Government has not been able to get to the heart of that problem and has simply pointed to the optics of the solution without really understanding the substance of the solution that is required.

What I will speak about to some extent today is the whole issue of smaller based producers and what really has happened in that respect. The measures before us do have major loopholes in terms of their ability to generate development. An example in terms of equity is that there seems to be no difference with the rate at which a taxpayer with \$100,000 of income would be charged and one with \$1 million of income. There is an inequity in that system and today those figures have been called about all the time. There seems to be a fundamental inequity in that particular area. This, Mr. Speaker, suggests also that there is not a developmental objective in the fiscal measures that have been outlined.

There are no real incentives to save except in the very limited pension contributions of \$12,000. Especially in today's world, it is necessary to build that saving capacity. The country as a whole has not been able to do enough of that. The Government has, in its own way, exhibited behaviour to discourage savings in its own camp. Even today, four years later, we still do not have the legislation with respect to the Revenue Stabilization Fund, subsequently renamed Revenue Stabilization and Heritage Fund, and we still have very little resources in that particular fund and no legislation.

3.00 p.m.

The priorities for looking ahead and looking to the future have always escaped this Government's economic strategy and that is reflected by the slowness in which these things are being done and the fact that it is not even happening. If the Government is demonstrating to the people that their future savings are not important, it has not included in its fiscal incentive measures to encourage savings among the people themselves. They have removed many of the allowances and increased the tax level to give that perception of prosperity. Mr. Speaker, those are the fundamental issues of which the Minister spoke in his presentation.

Let me come to some of the more specific issues, tax incentive and capital allowance in the deepwater blocks. As I said, this is a step in the right direction but there are a number of compliance measures that need to be looked at. In fact, in the Explanatory Note to the Bill, there is a reference to the use of the prices committee that at one time existed in order to determine the price at which energy products are assessed for purposes of taxation. There was a reference to it in the Explanatory Note, but when we look at the Bill and the specific clause, we see that is not included, but rather we see a reference to the ministerial discretion on the matter.

The role of the pricing committee is significant to ensuring that citizens of this country obtain a price based on international market price for the country's crude oil and natural gas, whether that is through local or multinational operators. It is our understanding that that committee, which performed an essential role in the government of the UNC, is not functioning and statements by the Minister on this issue have in fact confirmed that in the other place. This is a major problem in the compliance that we have removed that and replaced it with ministerial discretion, rather than the working of the prices committee.

It has been recommended that in clause 6(b) of the legislation before us that the prices at which crude oil and natural gas are disposed of should in fact be verified by that process. It leaves a loophole that we wonder about when the Minister of Finance says that he is looking for a better take from the oil sector, but leaves these loopholes unattended.

The other area is with respect to LNG fair prices where, in the provisions of the Bill, clause 6(k), there is reference to the factors that should be considered, but there is no formula or reference to the regulations for a formula that would determine the fair market price for the LNG project. These are important issues in terms of the intake and have not been included in the present legislation before us.

There are some issues on compliance. Even on the issue of the deepwater blocks, while the Bill outlines very specifically, the definition of these things, it goes back into the legislation and puts the discretion once more in the hands of the Minister. We are suggesting, at this time, that these administrative loopholes, by the removal of the prices committee, by the absence of an appropriate formula for LNG fair market pricing and by the ministerial determination of what is considered to be those eligible for concessions, we are moving back to a situation where ministerial control is more important than a rule-based approach. That is why my reference earlier on that the Minister's appreciation of best practice in these issues is left wanting. For now, those kinds of changes are no longer seen as

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best practice and open the door for much discretion in an area for which there is need for greater certainty. I raise these points of compliance in order to emphasize that there is, in fact, the absence of a proper system to try to ensure that there is a transparent approach to dealing with the measures of compliance.

Mr. Speaker, as I said earlier, the key issue in this legislation before us is whether we are now in a period where we shall have expenditure without any development. There is enough evidence in this country that what we are doing is having expenditure on all fronts; expenditure in the sky without development on the ground, without acknowledgement of the people's real interest and real concerns and there is enough evidence to suggest that this Government is guilty of expenditure without development. That is the fundamental flaw of these fiscal measures which have not directed this country into different kinds of priorities of expenditure in order to create development that can be promoted internally.

Mr. Speaker, I think it is on today's *Guardian* that I saw a headline:

“TTCA knocks Government on development”

This is what it says in that article:

“The Government is not taking into consideration national development as it proceeds with its development projects, said Mikey Joseph, president of the T&T Contractors' Association.

‘Our view is that the Government's development programme should also take into consideration national development, and the pace of its construction programme is not taking national development into consideration.’”

It goes on:

“...the country's young engineers should be able to gain work experience on these projects, as should potential craftsmen. Trainees should be allowed to work on these projects, but the pace of Government's projects doesn't allow for that.”

It continues. This is an independent body involved in the actual development of the country, making a public statement saying that the Government is not putting the priorities on development correctly.

Mr. Valley: Mr. Speaker, if the Member would give way. I want to ask an opinion. Having read that article, is he talking about training or development?

Dr. Moonilal: Do not waste time. Did you read it?

Mr. W. Dookeran: Mr. Speaker, as usual, training is a part of development.

The article goes on to talk about infrastructural development and physical development. This is the point I was making earlier, where the Minister defines his package in a very narrow context; so, too, we were defining development in a very narrow context. Training is an important part. I will explain in a few minutes what are the components of development that are required to encourage local participation in the energy sector, which is the critical issue, I believe, in this legislation before us. Mr. Speaker, that is a statement that was on today's newspaper.

Not too long ago, in November of last year, at a conference held by the AMCHAM organization in their globalization conference, the title of which was very intriguing: "Rethinking Today for Tomorrow's Success", this is what the chairman said. I would quote one or two pieces:

"This year's conference, to put it bluntly, is motivated by a deep concern that we are not getting the responsibility of governance right and we need to urgently reassess and reconsider how we are going and where we are heading."

The chairman of the conference goes on to say:

"These are not necessarily easy times, with the abundance of money coming out of the ground; money we have done little to earn. We must take care to spend it wisely and to avoid the temptation to fall into the trap of what has been aptly named: the drunken sailors' economics or the Dutch Disease. The famous Irish wit Oscar Wilde once said that he could resist anything, but temptation."

Mr. Speaker, the chairman goes on to say, at that conference which was made public:

"There is no disputing that at the current time we are earning revenues far in excess of our ability to spend them. How are we spending those revenues? Are we optimizing them or putting them to the right use? Have we got our priorities right? Are we putting enough of the excess aside and investing it in a wise manner that would best assist us when we most need it?"

These are questions that are being asked by serious citizens of this country who are saying what they would like to see is a change in the priorities of the Government's economic programmes and a very serious attempt at a fiscal package that would bring about development. That is what they are saying and that is what the country, as a whole, is saying.

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In fact, I would not belabour the point because it has been expressed again in the most recent commentary of the IMF commentary on fiscal and monetary management in Trinidad and Tobago when they said:

“The Directors (of the IMF) expressed some apprehensions about the recent significant expansion of the non-energy fiscal deficit...the deficit excluding the energy revenues. They noted that the plans for current spending needed to be assessed against institutional limitations and the economy's capacity to absorb the higher levels of expenditure. There were, in particular, emerging concerns about inflation and the risks of the Dutch disease down the road. Directors also indicated that the expanding non-energy deficit rendered the public finance vulnerable to sudden downward swings in energy prices.

Against this background, directors called on the authorities to consider increasing the share of energy revenue that is saved.”

That is the point I was making earlier.

“Noting the limited energy reserves, Directors underscored the importance of ensuring long-term sustainability of public finances.”

This was very recent in terms—[*Interruption*]

Mr. Valley: There were a few other things too.

Mr. W. Dookeran: Of course they have said other things.

3.15 p.m.

Mr. Ramnath: How many persons have been murdered to date?

Mr. W. Dookeran: Mr. Speaker, I am dealing with the Finance Bill; I am dealing with an instrument available to the Government to put things right to be able to get the fiscal package and the economic programme that would remove those kinds of uncertainties in the economy and to give us that future. I am saying that it has reflected itself when people are talking; it has reflected itself in the life of every citizen of this country.

We know the problems they are facing in terms of transportation; we know the problems they are facing in terms of dealing and coping with high food prices; we know the problems they are facing in trying to provide safety for themselves; and we know the problems they are facing in trying to have some kind of comfort for the future of their children. We know the problems they are facing. We see it every day. That is the end result of the fact that the Government has misconceptualized what the development programme in this country is all about.

[*Desk thumping*] That is the point I am making. When they get an opportunity to bring a set of fiscal measures before us to deal with everyday problems in the land, they put up their eyes in the air and decide they would deal with the politics of the air and forget the politics on the ground. [*Desk thumping*]

Mr. Speaker, that is the tragedy. That is why this Parliament is here. It is here so that we can have an intensity of debates about the road ahead and what needs to be done. We have to tell the Government when they are going on the wrong track, that they are going on the wrong track. They have lost another opportunity to do so here today. [*Desk thumping*]

Let me deal very briefly with the most important issue in these fiscal incentives, in terms of the development the Minister talked about, and in terms of his measures. He said that they were interested in encouraging more exploration in the energy sector, but there has been a perennial issue that we have been facing for a long time, and that is the issue of increasing local participation in the energy sector.

In terms of our energy policy, this is the single most important issue, and we have had a long history with respect to this matter. There was a time when the only participation of our citizens in the energy sector were limited to very mundane things. They were limited to things like renting cars and providing catering services. The level of participation in the local energy sector remained unattended for many years.

It was in the 1980s that this situation began to be acknowledged to some extent by the public authority at the time. During that period, we saw a great fall in production in the energy sector. There were idle resources that could not withstand the high overhead costs and, therefore, the Lease Operator and Farmout Programme was introduced. That programme was put in place in order to deal with that matter. It has been a success over a time.

Total production from these lease operators and farmout accounts for some 5,000 barrels of oil per day, to date. This is less than 20 per cent of the total land base oil production. The programme was indeed a success. Since the inception of the programme in 1989, the lease and farmout operators have produced 14 million barrels of oil or approximately 12 per cent of all land production for that period.

The sector generates employment and contributes to economic activity in the south of the island. They also provide much needed work for the small oil service companies. Again, many of these companies are owned by our citizens. This is the struggle we have been engaged in from the early nationalist movement of the

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1960s. The survival and continuance of this subsector is important to the country as a whole. The tax regime proposed by this administration today is to remove the allowances under the supplemental petroleum tax regime, and this would therefore have a negative impact on this sector. [*Desk thumping*] Instead of encouraging investment in land operations it would discourage investment.

It is in that context that we must look at the need to deal with this issue of increasing local participation in the energy sector. There are many pillars on which we can build that new programme. This was an ideal opportunity for the Government to deal with that issue. The Prime Minister and Minister of Finance, on four previous occasions, has been threatening us to bring a comprehensive programme of fiscal incentives to deal with the petroleum sector in this country, and what he ends up with is a lot of housekeeping measures in order to call that development, and omitting the most fundamental issue as to how to increase local participation in the energy sector. [*Desk thumping*]

We talked a lot about local content and we hear a lot of this being said by the former Minister of Energy and Energy Industries. I have no doubt that when the new Minister of Energy and Energy Industries speaks, we would hear the same noise about local content. We have to deal with that matter. We can only build local participation in the energy sector by a number of measures operating at the same time. This is what I was really hoping to get in this Parliament today.

In the last budget speech, the Prime Minister said that he was having a very comprehensive programme on this matter of the energy sector. I thought that since this was to bring about development in the country, the most important thing to do was to create the framework to increase local participation in the energy sector.

There were many comments made by persons who have been talking about this issue, particularly in south Trinidad. Some of the comments have called on the Government, not only to deal with the issue of taxation and retroactivity which I have dealt with here today, but to also deal with the wider issues.

In fact, two headlines within recent times on this issue say: "The new oil and gas taxation regime is not in Trinidad and Tobago's long term interest". The other headline reads: "Is Trinidad and Tobago's fiscal regime scaring off investment in the oil production". These were fundamental questions raised by persons who are in the field. These are citizens of this country who are raising these fundamental issues which the Minister has had an opportunity to deal with here today, in terms of his measures to deal with taxation, well within the demands, and the mandate

that the Prime Minister announced in his budget speech, when he said that he was going to deal with the issue of development of the energy sector.

We have to deal with that matter, not only on the basis of expenditure, local value added and local content that we have been hearing about, as if that is the solution to the problem. That is part of the optics. You create a sense of feeling that they are dealing with the problem by asking for more local expenditure. To deal with that you have to deal with expenditure; you have to deal with investment; you have to deal with equity and development of the local capital market; you have to deal with the issue of project financing; and you have to deal with the engineering issues where we are assembling platforms rather than building platforms in the country. [*Desk thumping*]

There are a number of economic platforms that we can develop to have a comprehensive approach in dealing with this very vexing issue of local participation in the energy sector. We can talk, as I said, about investment; we can encourage the investment by having the right incentive structure. Rather than removing those kinds of capital allowances, we should be promoting it. In that sense, the Government has failed. They have failed the country in development and, therefore, they have failed the people in getting a better standard of living. That is the connection and the link.

Too often we believe that public policy is separate and apart from the lives of the people. It is in the discharge of public policy that the lives of the people would be made better off. [*Desk thumping*] That is why this Parliament is here. We are here to have an intense debate and intense discussion on the investment that is required to be promoted in that area.

Mr. Speaker, we have been talking on the third issue which is equity ownership in the multinational corporations that are operating in our land. We have heard that it is a complex problem, but the fact that it is a complex problem does not mean that there is no solution. There is complexity to the problem, but that does not excuse us by saying there is no solution. In order to develop the local capital market we need to bring those kinds of shares onto the local market so that we can also expand the local market.

Recently, we heard the Governor of the Central Bank talking about the thinness of the local capital market and the fact that there is enough activity. Within recent times there have been some tremors in that market. So while we are talking here as if we are bringing about development, the Minister failed to appreciate, in his early remarks, how to measure prosperity and economic

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fundamentals. I am not surprised that he does not understand how to go about developing this country through fiscal measures. [*Desk thumping*] I think we need to deal with the issue of equity and we need to negotiate with the multinationals in this matter and do not accept their argument that this is a complex problem and, therefore, we cannot touch it.

In today's world, we must have the confidence as citizens of this country to tackle any problem. There is no limit to the possibilities of economic advancement of this country if we have the knowledge to do it. Expenditure is one issue; investment is another issue and also equity in land and development of the local capital market. Those are the things we hope to get. Project financing is another area that should be dealt with.

Mr. Speaker: Hon. Members, the speaking time of the hon. Member for St. Augustine has expired.

Motion made, That the hon. Member's speaking time be extended by 30 minutes. [*Mr. Singh*]

Question put and agreed to.

Mr. W. Dookeran: Mr. Speaker, thank you. I also want to thank Members of the House for this extension. As I was saying, project financing is another issue that needs to be tackled. The Executive Director, Republic Bank of the Caribbean, at an energy conference recently in Miami had this to say and, I quote:

“This sector also accounts for one-third of government's revenues and provides some three-quarters of the country's foreign exchange earnings. Despite the significance of the sector to the local economy, it attracts less than 10 per cent of outstanding bank loans. This should not be seen as the lack of interest by local banks to finance energy projects but rather the result of practical, prudential and policy constraints.”

Mr. Speaker, today that sector is even more dominant. Where is the project financing? In other words, where is the financing to develop local participation? Should we not deal with that problem through our incentive programme or whatever programme we need to deal with it? We can build local participation. That is what development is about. That is why these measures must be linked to development. When the country is developed in this respect, you would then solve some of the problems. Do not go with excuses to the people and create scapegoats for the people at all times and try to hoodwink them into believing that the

problems are outside your control. The problem in this country is the fact that our public policy is wrong and the Government has failed to achieve proper public policy performance in this country. [*Desk thumping*] This is a good example of it.

As we look at local participation in the energy sector, we can build a programme on these very premises to be able to enhance that and create the resilience, and also be able to deal with what people have been calling the disconnect between the offshore and the onshore. That has been a perennial problem. We have the opportunity now; we have the resources; and we have the knowledge. What we need is the political will to do it.

3.30 p.m.

Mr. Speaker, the Government must start demonstrating the political will or, if not, the country must decide to give some others the opportunity to demonstrate that political will. [*Desk thumping*] In that respect, I have no doubt that the Prime Minister would pull out from his back pocket the envelope that says when the next election will take place and we will be ready. [*Desk thumping*]

The other area is the issue of engineering. We do not build platforms in Trinidad and Tobago; we assemble them; another example in which we could have deeper involvement of the people in the energy sector. So the solution lies on all these fronts: expenditure, investment, equity, project financing and engineering. This is where fiscal measures ought to be directed, rather than be directed in those very minimal housekeeping things that we talk about here.

Mr. Ramnath: I am sitting next to a brilliant man!

Mr. W. Dookeran: So what am I saying? We have enormous expenditure and little development. It is understood; people have said it and are reading it. Our Minister of Works and Transport defines development by giving promises about interchanges. For the last four years that has been happening, but these are the optics and not the substance of development. They would result from development. Our transportation problem ought not to be what it is today.

Let me go on to talk, very briefly, beyond the local participation in the energy sector, which I believe is our number one public policy priority in the area of taxation, fiscal programming and economic strategy to deal with the problem. There are wider issues, but, at least, we can deal with that. I read a bit about the risk of development that we face today in Trinidad and Tobago and I wondered. Mr. Speaker, I ask two questions here that I believe are of public interest. One question deals with the adequacy of our gas supplies to support the development

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of the country. It is an issue that has now been aired. There has been recent commentary within the last two days on this issue; and I quoted from another newspaper article.

There is increasing worry that natural gas is not going to be available for several projects which have already received the green light from the Government. The concern has been heightened by the fact that some of the major suppliers appear to be more interested in using whatever gas they have for the future LNG expansion and have taken a long time to conclude supply agreements with the National Gas Company (NGC). Mr. Speaker, NGC has for months been in negotiations with major suppliers of natural gas, including bpTT, BGTT and EOG for additional supplies. The issue has been raised.

This issue has also been raised in some technical circles. I have no doubt that the Member for Couva South would be more knowledgeable on those matters and would be able to outline them. It is a major issue. It is a risk that we are undertaking. When I look at that risk in the context of the information I have gleaned on the market on natural gas prices today, I begin to wonder whether or not we might see an impending problem. Remember that this economy has moved from a petroleum to a gas-based economy. Today we boast all over the place that we are, in fact, a gas-based economy and that we are supplying the eastern United States with their gas requirements. We know that. It is now contributing more to our revenues, our external reserves and our foreign exchange.

A technical report within the last few days has tried to make an assessment, not only of the supply of gas, but also of the issue of gas prices. Natural gas prices have virtually collapsed on the international market, from a peak in December 2005 of approximately US \$16 per million btus, to a current price of US \$8.5 per million btus. Prices have, therefore, fallen roughly nearly 50 per cent from their heights, all in a matter of less than 30 days. Oil prices have also fallen from a height of \$72 per barrel to approximately \$60 per barrel; a drop of roughly 15 per cent. Crude oil prices have proved to be much more resilient and this may be attributed to the geo-political events taking place in the world and perceptions of a possibility of an oil embargo from Iran.

For the purposes of Trinidad and Tobago, which is a major exporter of natural gas and crude oil, crude oil production is now approximately 110 barrels of oil per day, which is miniscule when compared to the production and export of natural gas. Also, Trinidad and Tobago's national budget and expenditure is heavily reliant on funding from royalties accrued from the natural gas prices. The implication of the reduced market price for natural gas is unmistakably clear;

significant reduced revenues to the Treasury. We expect that royalties from natural gas will increase roughly 30 per cent as a result of the above price drop, assuming that the prices would remain stable.

I raise these concerns, if only because they are some of the intelligence we are beginning to see on the market. It may well be that these things are an overstatement and do not reflect a trend. It may well be that they are just short-term blurbs on the market, but it is, in fact, the beginnings of our concern to make assessment as to where we are heading in terms of gas supplies and gas prices and their impact on the local economy.

I would be happy if these things were blurbs and if they are momentary cycles in the process, but we cannot build our entire future and our entire security on those things and hoodwink the people to believe that would be sustainable for them forever. I raise this as a matter of public concern, in order to get a firm statement to the Minister on those two issues of natural gas prices and supplies.

In that context, there was a gas master plan commissioned by the UNC government before it left office. That plan was to look at the very, very important resource and be able to point out a strategy, so we could decide whether or not the use of our natural gas via the LNG plant was the most beneficial way to proceed or if there were other ways to have more value added in the process. The gas master plan, I understand, has been completed. I do not know to what extent it informs Government's gas strategy.

I have never heard the Minister of Energy and Energy Industries in his contributions in Parliament talk about the overall strategy. They always talk about specific projects, but within what context we never know. In that context, I make a call that we make the gas master plan a public document, so that the nation as a whole can see where the future lies and what is the technical knowledge available to us as we embark on these strategies. [*Desk thumping*] We can no longer take for granted that the Government knows what it is doing. [*Desk thumping*]

We have to be informed as citizens that we must be engaged in that dialogue of information, knowledge and strategy in order to feel secure. We have placed in their hands the responsibility to chart the new future for this nation; that means the future for all the people, all the citizens. Our citizens cannot sit idly by and say, "We leave this kind of information for intelligent, strategic decision-making," as if that was not for the purview of public debate in our country. I make a call for the gas master plan to be enunciated, so we could see what the strategy is in terms of utilizing that major resource for the development of this

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country and in so doing we would then be able to provide confidence to our people; that the problems they are facing are only short term, but we have long-term solutions to them. We must have that confidence.

There is no doubt that wherever we go today, and I sense this within the Government, that it has also lost the confidence in its ability to discharge the very plans they have enunciated. Today we are facing those kinds of challenges. That is why there is so much discontent and disconnect in the society that has reflected itself almost everyday; whether in terms of the flood problems in Mayaro or Caparo or whether it is reflected in all the problems we face in terms of demonstrations here, there and everywhere; whether it has reflected itself in the fact that civil society is now beginning to feel lost as it has handed over to a government that is no longer discharging the public duty and responsibility; whether or not the time has come to have a new policy perspective for Trinidad and Tobago or whether the time to choose has come.

I believe this was an important opportunity that the Minister and the Government missed to instill confidence in their economic programme and that placing this charge in their hands is something we can feel comfortable about as citizens of this country. As a member of this party, I want to tell you that our common interests and our interest for the total development of this nation for everyone, all the people's interests, all the people shall always be our mandate as we discharge our responsibility in this Parliament.

Thank you. [*Crosstalk*]

The Minister of Works and Transport (Hon. Colm Imbert): Mr. Speaker, I wondered at the reason the Member for St. Augustine seemed so uninformed and confused, throughout his contribution, about energy matters. He appeared very confused and uninformed. I then understood when he made the brilliant statement that we have moved from a petroleum-based economy to a gas-based economy. I then understood.

The problem is that he was venturing into areas about which he knows nothing. I shall now educate the hon. Member. If he knew anything, he would know that gas is subsumed within the term "petroleum". To further educate him, because he knows nothing, I would go to the Petroleum Taxes Act where there is a very good definition of natural gas. "Natural" means petroleum in a gaseous state and "petroleum" means any mixture of naturally occurring hydrocarbons and hydrocarbon compounds. It is, therefore, nonsense to make a statement that we have moved from a petroleum economy to a gas-based economy, since gas is petroleum.

When I heard the distinguished Member make that absurd remark, I understood why I was so confused throughout his contribution; he just has no idea of what he is talking about, none. I welcome the discussion however. I would ask the Member to go and educate himself. He should understand something about the energy and petroleum sector, because he tripped all over himself in his contribution.

I just asked the hon. Member for San Fernando East who then asked the hon. Member for Couva South to confirm what is the Henry Hub price for gas today.

3.45 p.m.

I think that the hon. Member for Couva South whispered that the last time he checked it was \$14. Hon. Member for St. Augustine, the LNG plant was based for profitability on a Henry Hub price. I would not bother to tell you what is a Henry Hub price. You have to find out. Three dollars and fifty cents is the benchmark used to determine the profitability of the LNG plant in Trinidad. The Henry Hub price is now \$14, four times the benchmark price and that is the basis on which we get our revenues. The hon. Member comes here and reads some foolishness that says that gas prices and revenues from gas will be down by 30 per cent. The revenues are 300 per cent more than anticipated. You need to understand these things. I welcome the intervention and request for a debate on energy policy, energy issues and the developmental policy of the Government, but do some reading and try to understand what is going on.

Mr. Ramnath: You are not talking about policy. You are talking about fluctuation.

Hon. C. Imbert: Fluctuation! Fluctuation! What nonsense!

I also heard the Member for St. Augustine carrying on at a rate about the fact that in the new taxation measures for land-based petroleum which could be either oil or gas, that the Government had taken away the incentives; that is not good policy and it would not encourage persons to get involved in land-based production of oil and we were not putting in place proper—he does not understand that when we changed the supplemental petroleum taxation regime, we changed the rates and bands of tax. The Member for Couva South would have told you if you had asked him. Behind all the vitriol that flows out of the Member for Couva South sometimes, he understands the sector. Member for St. Augustine, if you want to understand, talk to the Member for Couva South.

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In changing the taxation regime; reducing the rates of tax; widening the bands and removing the incentives at the same time, the net effect is beneficial to all companies. We are giving them back money. Previously, there were incentives and different rates of supplemental petroleum tax. We have now changed the bands; reduced the rates; removed the incentives and the net effect is that the net tax that is being paid by the land-based companies is lower than it was before. You have to look at the whole rubric, the entire picture. This is why I am glad that the Member for St. Augustine has asked us to talk about these things. We should, if only to educate him. I hope that has dealt with that.

The Government has been very holistic in its approach to the reform of petroleum taxation. Again, for the benefit of the Member for St. Augustine, that means both oil and gas. The Government has been very, very comprehensive in its reform of the petroleum tax regime. When one looks at this Bill before the House there is a very revolutionary initiative. There is the whole question of fair market value; the Government through the board looking at the prices along the value chain for natural gas, as it is extracted, converted, processed, shipped and regassed. The Government is now taking a look at the charges and costs along the value chain and reserving the right to determine a fair market to determine the taxes a company should pay on petroleum, particularly in the case of natural gas.

Page 15 of the Bill speaks to the sale, exchange, transfer and other dispositions for export purposes of natural gas whether in the gaseous or liquefied state.

What is revolutionary about this is for the first time the Government will be asking companies to ensure that the best value for money or a fair market price is obtained to ensure that the maximum revenues that are logical, rational, fair and equitable come to Trinidad and Tobago. This was never the case and this is indeed revolutionary.

I heard the Member for St. Augustine complain that we are now reintroducing ministerial discretion. I want to let him know that he needs to read the Petroleum Taxes Act. If he had looked at this thing very carefully he would have seen that when the Minister was making the determination of the fair market value, it was in accordance with paragraphs 6, 6A and 6B of the Second Schedule of the Act. If he had taken the time to read the Second Schedule, he would have seen that paragraphs 6, 6A and 6B of the petroleum taxes legislation refer to arrangements for the purpose of advising the Minister in determining fair market value, or processing fees:

“...there shall be appointed by the Minister a Permanent Petroleum Pricing Committee consisting of public officers drawn from the Ministry of Finance,

the Board of Inland Revenue and the Ministry of Energy and Energy-based Industries.”

The Minister is not acting in isolation. I will come to your point in due course. He is not acting in a vacuum. He is advised on petroleum pricing by technocrats from the Ministry of Finance, the Board of Inland Revenue and the Ministry of Energy and Energy-based Industries. He does not operate willy-nilly or arbitrarily. He receives advice from these highly experienced technocrats in these key ministries in determining the fair market value. There is a provision that if a particular supplier or company feels aggrieved that the determination is not in their interest, it is an adverse decision, they could ask him to reconsider it and he would look at it again.

The salient point that the Member appears to have missed is the fact that now you are introducing the Minister with the changes that were made to our laws during the last few years, where we introduced the concept of judicial review. Now, after the Minister is advised by the Petroleum Pricing Committee, reconsiders and makes his final decision, the Minister is now subject to judicial review. It is not a recipe for capricious or arbitrary decision making on the part of the Minister. It is a very structured arrangement. I hope that that deals with that aspect of the presentation.

Mr. Dookeran: Would the Minister indicate whether or not he agrees with the statement made by the Minister in the Senate that that committee is no longer functional?

Hon. C. Imbert: The Act requires the committee to be in place. I can assure you that it would be in place. I cannot get into any argument with the Member for St. Augustine for some—what shall I say? I do not want to use words that will be deemed unparliamentary. I cannot hold myself responsible for his misinterpretation of the English language. In other words, you are wrong! The Minister said no such thing.

Member for St. Augustine, this is so trivial. The committee exists and comprises technocrats. I have said where they come from and the Minister invokes the committee when it is required. You will have a committee looking at nothing? What is the point in that? Foolish! I will not waste any more time with that trivial intervention.

The Member for St. Augustine complained bitterly that we cannot import development. I would like the Member for St. Augustine to show me one country in the world that was able to reach developed country status without importing

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successful models of development from the rest of the world. He cannot! Look at what China is doing? China is borrowing technology from every country in the world and now becoming an industrial giant because it has now understood what has to be done to accelerate its development. Any successful country in the world has borrowed successful models of development from other countries. The Member for St. Augustine will like us to close our eyes and ears; switch off the TV; turn off the radio; stop reading the international papers; do not travel overseas; lock ourselves in Trinidad and Tobago and re-invent the wheel. It is as simple as that. Re-invent the wheel that was invented a couple thousand years ago. It is foolish!

Of course we have to look in a globalized environment as the world is becoming more and more globalized; as telecommunication has made communication instantaneous; you can go online and get real time information. You can have teleconferencing as the world shrunk because of the development in telecommunications in the last 10 years. Only a very foolish country would adopt a policy like this, that you cannot import development.

[Mr. Dookeran attempts to stand.]

No. I am not giving way. The last time you asked me to give way you wasted my time. You had enough time to talk. We are going to import development. You could stay over there and we are here. You could stay there and to make sure that we stay here, we are going to import development. We will take the best models of development that exist in the world, modify and adapt them to suit our local circumstances and environment. We will modernize to develop our country.

I will use a specific example. Just recently I was at a function where CL Financial was welcoming some foreigners—they were actually investing—who represent a very large interest in alcohol and spirits. It was quite surprising that this little Trinidadian company is doing a takeover of huge alcohol and spirits interest in Europe, France and Poland. The chairman of CL Financial made a very interesting comment that Methanol Holdings—the local company which owns the four or five metal plants that CL Financial now owns—is now perhaps one of the largest exporters of methanol in the world.

4.00 p.m.

The larger company is Methanol Holdings, in which they have an interest. It is now perhaps one of the largest exporters of methanol in the world. It is not just Trinidad and Tobago being the largest exporter of methanol, but a local Trinidadian company being, perhaps, the largest exporter of methanol in the world, but that is not the point. He made the point that because of the experiences

that Methanol Holdings has had in constructing and operating methanol plants in Trinidad and Tobago, the last plant that was built on commission is the most efficient methanol plant in the world. The reason being that because of the experiences of this Trinidadian company and Trinidadians in constructing, developing and operating methanol plants over the last 20 to 25 years—I guess it has been going on—they were able to get this new plant to produce methanol at 20 per cent beyond what is called its nameplate capacity.

Mr. Speaker, this is a typical example of a local company. The Member for St. Augustine was at pains to say that this Government is not encouraging local investment in the energy sector but here you have a Trinidadian company, encouraged by this economy, encouraged by successive governments over the years going back 20 to 25 years, which is now the largest exporter of methanol in the world and which is now producing methanol in a plant that is one of the most efficient methanol plants in the world.

In addition, Mr. Speaker, if the Member for St. Augustine only knew what he was talking about—he has no idea what he was talking about when he spoke about the construction of platforms. If he took a drive to the Labidco Estate—I understand it is full, and Union Estate is full as well. The Labidco Estate started off building one or two little parts of a platform and now they have got to the stage where they are building very significant elements of oil platforms. I think the Cannon Ball was the last one that they did. When I listened to what the foreign project manager had to say about the local ability in terms of construction of these oil facilities here in Trinidad and Tobago, we are second to none in the world. We have developed a certain capability and now you have more and more companies looking towards the construction of major elements of the oil industry here in Trinidad and Tobago. All of this has developed because of the incentives and the regime of fiscal incentives that has been put in place in Trinidad and Tobago and which has continued with various governments over the years.

When I listened to what the Member for St. Augustine said, I had to ask myself: Is he living in this country? One billion US dollars in investment is coming into this country, I think, within the next year or so and it could be more. *[Interruption]* This Government has committed TT \$8 billion in investment in this economy in the industrial and the energy sector. They do not want us to talk about these things, the Member for St. Augustine will get hot under the collar and wave his hands and gesticulate and “rah, rah, rah, rah” about how we are not encouraging local; we have it all wrong; and we have misconceived and “bah, bah, bah, bah” but the reality is that there is TT \$8 billion in committed investment

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just for the next year or so because of the policies, the programmes and the vision of this PNM administration. [*Desk thumping*] What on earth are they talking about, Mr. Speaker? They wish it were not so!

Mr. Speaker, when we made the tax cuts in the budget there was a set of noise; they “pooh—poohed” it, they said the tax cuts were illusionary; people will not get any tax benefits; they will end up paying more tax. There was a lot of song and dance, noise and carrying on. When the reality of the increase in the personal allowance and the reduction in the flat rate of the income tax started to kick in, the next thing that was heard was that we were squandering the revenues; we are giving away too much; it will cause inflation; the people would not be able to handle all of this additional disposable income; Mr. Speaker, they were talking from both sides of their mouths.

We have given back almost \$2 billion in tax cuts to the population of Trinidad and Tobago. Mr. Speaker, almost \$2 billion. I am seeing ads in the newspapers inviting financial consultants; inviting persons to get advice on how to handle all the new disposable income they are getting. But last year there was a big song and dance about how the tax cuts were illusionary and there was going to be no additional income coming into people’s pockets and so on.

Mr. Speaker, I read something about we are running out of gas. Every time I hear that foolishness coming from the other side— Since we were in government in 1992 I have been hearing that we are running out of gas from hon. Members opposite and I keep remembering the letter that the hon. Prime Minister and hon. Member for San Fernando East has a copy of from 1905—100 years ago—from some rumourmonger to some alarmist saying—[*Laughter*] Let me repeat that, from some rumourmonger to some alarmist: “We would run out of gas if you do not do something about it now.” One hundred years ago!

In 1992, 14 years ago, I was in this place and listened to Members opposite talk about “We are running out of gas.” Now, in 2006, I have heard the Member for St. Augustine say: “We are running out of gas.” Mr. Speaker, I will be here in 2016 and I will hear them say, “We are running out of gas.” [*Laughter*] And the other will come after us and in 2105 somebody will say, “We are running out of gas.” Mr. Speaker, they have no understanding of the complex geology of Trinidad and Tobago. [*Desk thumping*] The Member for Couva South knows! He knows! [*Interruption*] I know he is not a geologist but he knows that the only area in this part of the world that has geology that is as complex as Trinidad and Tobago is Louisiana, I believe. That is the only other area in this hemisphere that has complex geology like Trinidad and Tobago.

He knows that the gas companies have become so expert at finding gas, they know how to get gas very quickly. Mr. Speaker, they could operate on a shorter reserve now than previously because they have become so experienced in locating gas that they could do it in the shortest possible time. As I have said, the Member for Couva South knows, so all these alarmists who are saying that we would not have gas for our projects; the economy is in trouble; the PNM has misunderstood development; we are not encouraging local investments, it is all a hodgepodge of irrelevant clichés, Mr. Speaker.

This PNM administration—and this is a point I want the Member for St. Augustine to understand; he has to do some work; he has to educate himself—over the last 12 months has made fundamental changes to the petroleum tax regime in this country both on the oil and gas side and has increased the revenue take for the citizens of this country by up to 300 to 400 per cent. This growth in the economy is because of the increased revenue take for the citizens of this country because of the fundamental reform that has been done in terms of petroleum taxation. I congratulate the technocrats; I think they need to get the credit for having negotiated this new regime of petroleum taxation over the last 12 months. [*Desk thumping*] They have utilized the services of a foreign expert on oil and gas taxation and they have really been able to get contractual arrangements with the oil and gas producers that truly redound to the benefit of this country and will now lay the stage for future development.

I cannot understand anything the Member for St. Augustine says because it is not rooted in reality. He makes a lot of noise about the legislation governing the Heritage Fund and completely ignoring the fact that this PNM administration is putting up to 100 per cent of surplus revenue into that fund and because the regulations have not been made we cannot take it out. There is no mechanism now for this PNM administration to make any withdrawals from the Heritage Fund—[*Interruption*] That is a fact! Mr. Speaker, once that money has gone in, it cannot come back out. It cannot come back out because there are no regulations that will allow the withdrawals of funds. [*Interruption*] That is a fact!

This PNM administration has been putting billions of dollars into the Revenue Stabilization Fund and doing so in the knowledge that we cannot tamper with it; we cannot pull it out if we want, willy-nilly, in an ad hoc arbitrary manner. The rules that are going to come in when the Revenue Stabilization Fund comes to Parliament are what we have already published in the public domain: that 60 per cent of surplus revenues would go into the fund. Those are the rules! We have published that many times! It is no secret! You base your budget on a particular

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price for oil; whatever you get in excess of that price, 60 per cent of it goes into the fund. In at least two of the last four years we have put in 100 per cent that is why there is over \$5 billion in the Revenue Stabilization Fund right now.

Mr. Speaker, it is very difficult to discuss these things when all the utterances of the hon. Members opposite are based on false premises; are based on fictional concepts; are based on imaginary situations and so on. It is extremely difficult, Mr. Speaker.

I wish to compliment the Minister of Finance and the Minister in the Ministry of Finance for bringing this Finance Bill here today. This Bill will now set the stage for the future development of this country. It will set the stage and preserve the wealth of this country for the citizens of this country.

I thank you, Mr. Speaker.

Mr. Kelvin Ramnath (*Couva South*): Mr. Speaker, I want to suggest to my hon. friend that not because the Ministry of Energy and Energy Industries is vacant that he could aspire to that position by attempting to come here and pose and parade in his pedestrian way as an expert on energy matters.

The treatise on development today by the Member for St. Augustine should be compulsory reading for my friend from Diego Martin East. He spent his entire 45 minutes delving in unadulterated piffle. Let me just say that it is really sad that he would continue this role behaving as a political clown at the behest of the Prime Minister every time a brilliant contribution comes from this side.

I suggest to him that, having been vindicated, after being dismissed as Minister of Works and Transport and returned to that portfolio that he should stay there and try to do some work.

4.15 p.m.

The Member for Ortoire/Mayaro in the newspaper recently lamented the fact that only three officials of the State from the Office of Disaster Preparedness visited his constituency, albeit the constituency that he would hold until the next general election—three persons. I was quoting from the newspaper and lamenting the fact that the response, Mr. Speaker, was so poor that his constituents were undergoing difficult times. If, therefore, my friend from Diego Martin East would understand what the Member for St. Augustine, my political leader [*Laughter*]—since we had legitimate elections in the party, elections that I did not succeed in—but nevertheless, if he had listened to the treatise on development he would have understood what the Member for Ortoire/Mayaro was saying.

For several days people were marooned, for several days the army had to feed modern Trinidad and Tobago, by their own admission, with “Crix and cheese”. And if that is not enough, the Minister of Labour and Small and Micro Enterprise Development indicated, “well, we may have to give them some money to buy fridges, stoves, mattresses and so forth.”

In modern Trinidad and Tobago, in developed Trinidad and Tobago, in gas-based Trinidad and Tobago, we find ourselves in a situation where the Prime Minister has to go to Caroni East and Central, in these modern times, not being able to at least have a policy on disaster preparedness and alleviation of poverty in those areas. You can spend all your time criticizing this brilliant contribution and you can laugh as much as you want, the reality is there is Tamarind Square. Every time I come into Port of Spain, and I pass through Independence Square and I see what I see, I say this is 50 years of the People's National Movement's legacy. You should be proud of the fact that you have 25 murders already in a few days in January; you should be proud that you had 387 murders last year in developed Trinidad and Tobago, but I do not want to go into those details.

So if you do not understand development then you should try to read a bit and listen at least and understand what the Member was saying. You should understand that oil production dropped from 229,000 barrels per day to 120,000 barrels per day, last year; 229 in 1978 to 125—[*Interruption*] okay, you are now an expert, you can argue over 10 barrels. And he does not know what he is speaking about, but the Prime Minister will say it was 229,000 in 1978—do not argue with me, you do not know—and production continued to decline, Mr. Speaker, which is an important issue until BHP came on the scene and increased production by their own admission by 42,000 barrels. So that today we should really be producing 167,000 barrels per day, very far away from the figure of 1978.

The point I am trying to make, Member for Diego Martin West, is that we have an industry with fluctuating fortunes. We have an industry that is on the decline, we have an industry that is anticipating that BHP production—if you give me a chance to speak I would educate you.

Mr. Speaker: Order!

Mr. K. Ramnath: So the reality is that you have had declining oil prices; the reality is that Prof. Ken Julien, your guru, and your real minister of Energy and Energy Industries—you think the Member for Port of Spain South had an easy

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time having to deal with nothing more than recording how many feet they drilled in Trinidad while Julien was running the industry and making all the decisions which you accepted? Do you think it is by accident that Dr. Saith is the Minister of Energy and Energy Industries today? The loop has been closed, barring Dr. Saith, and Julien and the rest of you would continue to defend the People's National Movement because you are looking for employment. And if you are not looking for employment you are looking to move materials that are not owned by you. And they should invoke the Larceny Act. Because if you have a beneficial interest in a development and materials have been stolen and put on your land then you should be the next one to be investigated by the Integrity Commission. [*Desk thumping*] Do not get me angry here today. [*Crosstalk*]

Mr. Speaker: Please, we only have about six minutes for tea. Calm down a bit and let the Member conclude his contribution.

Mr. K. Ramnath: Mr. Speaker, you understand the tactics being employed to distract you from the issues: the issue of flooding in the Caroni Plain, the issue of flooding in Nariva; the poverty that stalks Port of Spain; fifty (50) years of PNM rule; 50th anniversary, and you have the worst hovels and ghettos created by the PNM in those 50 years. That is what their concept of development is all about, imported development. They import them from St. Vincent and Grenada and so forth, and now they are talking about importing them from Jamaica.

Mr. Speaker, the Member for Diego Martin East spent all his time trying to reduce this brilliant contribution, talking about development. For a long time I have been saying to the Prime Minister that we must encourage the expansion of the petroleum industry local ownership. If you want to talk about real local content, let the local people be encouraged to drill more wells, own the leases, produce more oil and create more employment for the people. You should abolish supplemental petroleum tax where producers are producing less than 1,000 barrels per day. You should just let them pay their corporation tax. You should not have this punitive tax for land base production under 1,000 barrels per day so you could encourage people. You see, they want to discourage people because the people who are involved in these small operations are perceived by them as not supporters of the People's National Movement. They accused those people of being the products of a UNC policy between 1995 and 2000. I know that as a fact because I worked in the industry. The production on land in this country is declining at a rapid rate and if only for that reason we should have incentives to increase production rather than to decrease production, then we

should listen to the advocacy of the Member for St. Augustine and develop a policy that would encourage the expansion of the local oil industry. [*Desk thumping*]

Mr. Speaker, do you know what they did? They issued a directive to stop the granting of leases based on the policy of the UNC to create lease operators and then they proceeded to say that they are going to have a 3D seismic survey of all the idle leases; that they are now going to have a different approach, but the 3D seismic survey got two fellows into a lot of trouble, big trouble. But the measures proposed in the Minister's presentation would do nothing. It is not only the South Chamber saying that, it is not only the Member for San Fernando West who was aware of that when she was an advocate of the expansion of the lease operation programme and an advocate for reducing the tax burden of these operators. Let me say that I completely support the position taken by my honourable Leader.

Mr. Speaker, it was Prof. Julien who said in 2005: What if our gas reserves would not be able to support the industrial expansion that is being undertaken? He did not say when gas would run out but the reality is we cannot live on the basis of half full and half empty policy articulated by the former Minister of Energy and Energy Industries. We have to be realistic. When you are talking about an aluminium smelter, we need to know in this country what is the deal that is being made between Trinidad and Tobago and the owners of these smelters. Are you taking a tranche which was made available through negotiations that should have been used for the benefit of people of Trinidad and Tobago and giving it to them in order to encourage the developing of an aluminium smelter, which with all its environmental implications has not even been properly thought out by the Government? Are we going to ensure that we have to pay them to come into Trinidad and Tobago? These are some of the issues. And, the Prime Minister would not speak to the country on these issues. The Prime Minister, in the midst of Chavez's position, virtual takeover of the Caribbean market, has not informed this Parliament and the country of a single location of the real implication of the Chavez initiative. It is no surprise to me that the Antiguan Prime Minister is saying, "Well, we need some help and well, we give you \$300 million."

But the people of Trinidad and Tobago have not yet been told of the implications of these initiatives. So you can come with this total piecemeal, you can come to the Parliament from time to time and bring those measures and expect that we will pass them. It was done in such a clumsy way that if you look

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at this thing, you have referred to a whole pile of legislation in order to come to some kind of conclusion with respect to what they are trying to do.

Let me say in winding up that I recommend that the Government seriously consider that development is about people. Development is about what this country is going to look like, what the people are going to look like, what the education system would look like, the transportation system, albeit imported, would look like in 20 years; so that there would be a veritable paradise for all of us to live in because of the enormous wealth that has come our way.

I wish to conclude at this moment.

Mr. Speaker: Hon. Members, the sitting of the House is suspended for tea and will be resumed at 5.00 p.m.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

Dr. Adesh Nanan (Tabaquite): Mr. Speaker, in perusing the Finance Bill 2006, there are some fundamental mistakes that I would like to point out. In preparing for this contribution, it took me through, once again, the Tourism Development Act, 2000, the Act to amend the Tourism Development Act, 2000 and also the Finance Act, which is the Act and Legal Notices, 1994. I had to sift through the various pieces of legislation and what revealed itself was that when the Minister of Tourism came to the House of Representatives, this particular amendment to the Tourism Development Act, 2000—in both Houses and even when he returned—shows quite clearly that there was a mistake.

The Finance Act is pointing to a mistake that was not picked up, which deals with the retroactivity of section 41 of the Tourism Development Act. The Minister in his presentation referred to the repealing of section 13A under the Acts and Legal Notices, 1994, Finance Act amendments, which read as follows:

“(1) Subject to subsection (2), where in a year of income a person makes an investment in the equity capital of an approved hotel or tourism development project, there shall be allowed as a deduction in ascertaining the chargeable income of that person for that year of income, such investment up to a maximum of twenty-five per cent of the investment.”

I asked a question based on the statement by the presenter of the Finance Bill and I went and did some research. It is 25 per cent of the investment.

“(2) The deduction in subsection (1)—

- (a) shall not be allowed unless a certificate of the Minister under subsection (4) is submitted to the Board in support of the claim for the deduction; and
 - (b) shall be spread equally over a period of three successive years including the year in which the investment is made.
- (3) The Minister may approve as an approved hotel or tourism development project any activity conducted on a commercial basis which, in his opinion, is a business venture that promotes the development of hotels and tourism.
- (4) Where a project is approved under subsection (3), the Minister shall, on the application of a person who invests in the approved project, issue to that person a certificate stating—
- (a) the date on which approval for that project is granted;
 - (b) the nature of the project in respect of which approval is granted;
 - (c) the date and extent of the investment of the person in the project;
 - (d) any other information which the Minister considers necessary.
- (5) In this section—
- ‘approved hotel and tourism development project’ or ‘approved project’ means a hotel or tourism development project approved by the Minister under subsection (3);
- ‘equity capital’ means newly issued shares other than redeemable preference shares;
- ‘Minister’ means Minister to whom responsibility for tourism is assigned.”

Mr. Speaker, in the Bill before the House today, this section is being repealed. I am asking the Government to reconsider. The Minister in his presentation said, in repealing section 13A, that these incentives are being picked up in the Tourism Development Act. I would point out, however, that although there are certain tax benefits under the Tourism Development Act, this particular measure should be retained as an incentive for tourism.

If you will recall, Mr. Speaker, it is only the owner or operator that benefits from the tax incentives. It is not any person who wants to invest in that particular

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hotel project. If you want to have some input into the tourism sector and to get the public to buy into it for further diversification of the economy—as we have heard from the Member for St. Augustine with respect to the fluctuation in natural gas prices and the whole outlook in the petroleum sector—we should be concentrating now on further diversification of the economy, utilizing the tourism sector as a pillar. I recommend to the Government that they should not repeal section 13A because it gives an incentive for persons, other than the owner or operator of any hotel or tourism project, so that there will be a buying into the tourism sector.

Mr. Speaker, if you look at the tourism sector today, you must consider airlift—how you get to the destination. Let us look, for example, at Tobago. While we are hearing from the Minister of Tourism on arrivals going up in Tobago, I would read into the record—I would not give the name of the hotel—a letter that I received.

Regrettably, we find it advisable to cancel our reservation for February 14 to 28, 2006. Our son who lives in Eastern Europe organized a visit to Tobago for his law partners and their families over Christmas and New Year's—18 adults and six children.

Some in the group had visited Tobago a number of times. They rented three villas and were aware of security and safety concerns. Today, however, two of the women were attacked in their villas shortly after returning from the beach with their two young children. They were threatened with knives and received minor cuts as part of the threats. The worst part is that one was sexually assaulted at knife point. Items stolen amounted to over EU \$4,000.

It was a thoroughly devastating experience for them all. They were not careless; had locked the security gate upon arrival and the doors. The police were quite indifferent to the problem and gave little comfort that their problem would be treated with any real concern. They had other experiences and felt uncomfortable and concerned about their safety on the golf course and certain beaches.

These are seasoned travellers who are aware of the need to take safety and security into consideration in any part of the world. They were also made aware that a previous renter of one of the villas was attacked on the golf course and, while not seriously injured, lost his possessions.

From what we now read on the foreign government travel websites, it appears that crime involving violence is on the rise in Tobago and it can no longer be considered the once reasonably safe destination we visited a number of times in the past.

We would like to explore the island on our visit but both feel that we would not be comfortable doing so. We appreciate that we would feel secure in the surroundings of your establishment. That is not a concern.

In cancelling our accommodation and car rental reservation, we thought you should be aware of the reasons. We are very disappointed and hope that the authorities would get the situation under control so that we may feel comfortable again in travelling to an island that has given us, our family and friends so much pleasure in the past.

Mr. Speaker, this is an incident that took place in Tobago. We are here talking about incentives and concessions in the tourism sector, trying to attract more people to invest in our country. We are in a state of a glorified curfew enforced by bandits. How can we diversify the economy using the tourism sector when we cannot even secure our own citizenry? We have seen, in recent times, an increase in terms of the kinds of travel advisories—the reporting—for the destination of Trinidad and Tobago.

Mr. Speaker, it is unfair; in fact, in my opinion, it is an infringement on our constitutional rights to have to remain indoors because of the lack of security in our country. In terms of governance, we can no longer rely on the Government to protect us.

[MR. DEPUTY SPEAKER *in the Chair*]

While the Minister of Tourism is travelling all over the world—we saw him in Berlin, Germany, drinking champagne, hugging people and dancing. Every evening now, in San Fernando, we see the red and blue blimp overhead. I do not know if it is the kite season and that particular blimp is being flown often, but I do not feel safe and secure anymore in this country, Mr. Deputy Speaker. The safety and security of the citizenry must be a major part of the tourism sector thrust.

In Tobago, there is a lack of manpower with respect to the police. The government of the United National Congress introduced bicycle policing in Tobago. It started working well, but, for some reason, it is being discontinued. [*Interruption*] It is being continued? [*Interruption*] But they need more bicycles. We must agree with that.

The marine control is not functional. The helicopter patrols are non-existent. Why are these things not in place? If there is a tourism sector plan and the Prime Minister is driving the process, especially during this particular period—the high season—when there are a number of tourists in Tobago, there should be armed patrols of the army and police to secure the visitors.

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There was a proposal for a mounted branch in Tobago, but we are not seeing anything like that materializing. How can you brand Tobago a number one destination in the Caribbean when you are not securing the citizenry and the tourist population?

Mr. Deputy Speaker, I want to make a plug for tourist police. You will recall that national security is not under the control of the Tobago House of Assembly, so there has to be an input by the Minister of National Security if we need tourist police. We call upon the Government to consider that recommendation.

5.15 p.m.

Mr. Deputy Speaker, before the House today is an amendment in the Finance Act which deals with the Tourism Development Act. The Minister, in his presentation, said—he will correct me if I am wrong—that they are no longer going to waive the tax on interest on an approved loan. It is something that is being phased out.

In my opening remarks, I said that the vision of the UNC government—August 03, 1995 was an important date. It was the date we considered the Tourism Development Bill. I recall when I made my contribution, that the Leader of the Opposition at that time, now Prime Minister, said that we were giving the hoteliers something to hold on to in retroactivity.

Mr. Deputy Speaker, on August 03, 1995 the tourism master plan came into effect. I am sure the Member for Diego Martin Central is aware of that date. The current Minister of Tourism agreed with the proposal of the UNC government to waive the tax on the interest of an approved loan. What had happened is that the amendment that came to the House did not allow the hoteliers to access the benefits. It is a fact. It is only because it is now being recognized.

You will recall the history of the amendment to the Tourism Development Act brought by the Minister of Tourism. Firstly, the Bill started in the Senate and came to the House. There were Senate amendments and it went back. The Senate disagreed with the amendments of the House. Still, after all of that; after the champagne drinking, the cattle boil legislation we are told that we brought, and the money that people were told that they were to get back, the way the amendment was drafted—[*Interruption*] Minister Chin Lee was drinking champagne because he had passed the legislation, eventually, in the Senate. If you look through the amendment you would see that they could not access that particular benefit. I will show. Now, what the Ministry of Finance is doing is removing that particular facility that was granted and should be utilized; that is the approved loan facility where you will have the tax being waived on the interest.

[MR. SPEAKER *in the Chair*]

Mr. Speaker, we need to know what is happening in this particular piece of legislation. I need to take the House back to the 2000 Bill, the 2004 amendment and a little further. I will not be long.

Section 2, states to delete the definition of “approved loan”.

“‘approved loan’ means a loan—

(a) that is—

- (i) not guaranteed by the President or otherwise by the Government or any representative thereof;
- (ii) made upon the security of a debenture, mortgage or other similar instrument;
- (iii) approved by the Minister of Finance after taking into account the source of the loan, the period of the loan, the general market conditions in the country where the loan is obtained and any other relevant consideration; or

(b) used for bridging finance;”

As I go on, Mr. Speaker, section 3(4)(b) states:

“a tax exemption in respect of interest received on an approved loan used for an approved tourism project.”

I agree, they are repealing that facility of waiving the tax of the interest.

It goes on to state in clause 9(c):

“by repealing section 38 and by inserting the following section”.

I do not know if this particular Finance Act was drafted before the amendment was passed. Section 38 in the amendment of the Tourism Development Act of 2000 is repealed. What are we saying? By repealing this section, which has already been repealed and by inserting the following section there is a definite problem here. There is no duplication. You are repealing section 38, which is already repealed in the amendment. That has to be changed. That cannot be right. I am going to the fundamental aspects. You need to get it right.

The other part goes on to a new section which you are going to introduce into section 38. Section 38 is very important and I need to read it so that you will understand what has been repealed. It states:

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“38(1) Subject to subsections (2), the Minister to whom responsibility for Finance is assigned, may by Order exempt from tax, interest received on an approved loan for a period not exceeding seven years or the period of the loan, whichever is the lesser period.;

(2) A person in receipt of any interest from an approved loan is exempted from tax under this section shall—

(a) keep a separate account of that interest to the satisfaction of the Board; and

(b) make an annual income tax return in respect of that interest to the Board,

and no claim for exemption in respect of such interest shall be allowed by the Board if paragraphs (a) and (b) are not complied with.

(3) No benefit under this section shall apply to a loan made to the purchaser or lessee of a villa or condominium unit or site for a villa or condominium unit in an integrated resort development.”

This has been repealed in the Tourism Development Act and this is what it has been replaced with in the amendment to the Tourism Development Act.

Section 38(1) states:

“Subject to subsections (3), (4), (5) and (6) the Minister to whom responsibility for finance is assigned may, by Order, exempt from tax the interest received on an approved loan, not being a loan used for bridging finance, for a period not exceeding seven years or the period of the loan whichever is the lesser period.”

That is why you had to remove the definition of “approved loan”. That definition of “approved loan” in the Tourism Development Act of 2000 included bridging finance.

Subsection (2) states:

“(2) Subject to subsections (3), (4), (5) and (6) where a tourism project has been declared an approved tourism project the Minister to whom responsibility for finance is assigned may, by Order, exempt from tax the interest received on a loan used for bridging finance, for a period not exceeding seven years or the period of the loan whichever is the lesser period, notwithstanding that the interest may have been received before the tourism project had been declared an approved tourism project.

- (3) Notwithstanding the Income Tax Act and the Corporation Tax Act, a person in receipt of any interest from an approved loan exempted from tax under this section shall—
- (a) keep a separate account of such interest to the satisfaction of the Board; and
 - (b) for each year of exemption, make a separate annual income tax return in respect of such interest to the Board with effect from the year in which the exemption takes effect and for each year of exemption thereafter,

and no claim for exemption in respect of such interest shall be allowed by the Board if paragraphs (a) and (b) are not complied with.

- (4) Where an exemption is granted under both subsections (1) and (2) the tax-exempt period shall not in the aggregate exceed seven years.
- (5) An Order made under this section may be made retrospective to a date not being earlier than six years from the date on which the Order is signed by the Minister.
- (6) No benefit under this section shall apply to a loan made to the purchaser or lessee of a villa or condominium unit or site for a villa or condominium unit in an integrated resort development.”

5.30 p.m

Mr. Speaker, I need to repeat section 38(A) because it comes in before section 38(1). This is what they are inserting into the following section 38.

“Notwithstanding the repeal of section 38,—“

Now, this is the repeal of section 38 on the Tourism Development Act of 2000 and not the repeal of section 38 in the amendment.

“where, on or before December 31st, 2005, a person would have been eligible to enjoy tax benefits in relation to an approved loan under the repealed section 38 as specified in an interim approval granted under section 13, the provisions of that repealed section together with other ancillary provisions of this Act shall continue to have effect as if section 38 had not been repealed.”

But which section 38? Is it the Tourism Development Act of 2002 or is it the amendment to the Tourism Development Act? It has to be the amendment.

“In section 41, by repealing subsection (2).”

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It is important to understand the chronology in this particular section. In section 41 of the Tourism Development Act of 2000:

“where on the commencement of this Act any person engaged in a tourism project which commenced on, or after 3rd August, 1995, in respect of which he may be eligible to enjoy tax benefits under this Act, such person may submit an application under this Act for the tax benefits that he would be entitled to, had this Act been in force from August 3rd, 1995.”

It went on to say that:

“Subsection (1) shall have effect from the date of proclamation of this Act.

That is initially and:

“Subsection (2) shall not apply to section 38.”

The amendment to this which is now the Tourism Development Act of 2000 amendment says:

“Section 41 of the Act is amended—

- (a) in subsection (1), by deleting the words ‘August 3rd, 1995’ and substituting the words 3rd August, 1995’;
- (b) by deleting subsection (2) and renumbering subsection (3) as (2); and
- (c) in subsection (2) as renumbered, by deleting the words ‘subsection (2)’ and substituting the words ‘subsection (1)’.”

What this is doing is putting in section 41 only two subsections; subsections (1) and (2). Why is that being done? What has happened here now is that subsection (2) would place a limitation on the benefit, because subsection (2) shall not apply to section 38. If I may take you back, subsection (2) deals with the waiver of the tax on the interest received on an approved loan.

There was the limitation in the Tourism Development Act amendment. That is why I said in the earlier part of my contribution that they could not benefit from this concession. Although the Minister of Tourism went about the country beating his chest saying that he did it; he had accomplished what the UNC had promised but could not deliver; and drinking Champagne all over the country and abroad. The hoteliers could not get this concession.

Now, with this amendment to the Finance Act, it is now possible. It is possible because in section 41 of the Act, you are now repealing subsection (2) that limits

section 38. I needed to point that out because this is carelessness. The Minister of Finance should have contacted the Minister of Tourism and get it right. You are repealing a section that does not exist—

Mr. Ramsaran: They are still drinking Champagne from Christmas.

Dr. A. Nanan: The hoteliers could have received their concessions since July last year. We are now in January and they still have not received their concessions. So I needed to point that out. Once they get the drafting correct they would now be able to get this concession. They should be getting it once the Finance Bill is passed this month. They should be getting it shortly because this was a major limitation. I cannot understand—

Mr. Rahael: What is all the fuss about if they are getting it?

Mr. Ramsaran: Remember we are legislators. [*Interruption*]

Dr. A. Nanan: The point is that the Minister of Tourism needs to take his time. He came to this Parliament and gave us the legislation that it was going to happen. Do you know why I came here to talk on this particular matter? The Minister of Tourism told these concessionaires that they cannot get it, and now they are able to get it. He told them there is no way they could get it and now they are going to get it. I had to point that out. I also had to show that there are discrepancies with respect to these particular sections. We need to get the legislation right. Although you may pass the legislation here and say: “Yes, I have done it.” The people are not benefiting.

Mr. Speaker, I know retroactivity is not a good thing and, yes, they are going to get benefits. I think the Minister made an error in his presentation, probably when he read the script. In your presentation you said that there were 52 projects at a cost of \$3.3 million. I think it would be more like a cost of \$3.3 billion from December 2005. It has to be “billion”; it could not be “million”. The Prime Minister would not be leading a proper team for the tourism sector.

I want to put in a little plug for Tobago since I have a few minutes. If you compare Trinidad and Tobago there is a strong manufacturing sector in Trinidad. If I recall, there was a small line plant in Tobago, but there is no manufacturing sector in Tobago, so the tourism sector has to fill that vacuum. That is why the emphasis should be placed on preparing the destination properly. There is no manufacturing sector in Tobago so the economy has to be strengthened by the tourism sector. In so doing, you must prepare the destination. You cannot have people being afraid to come into your country and not feeling safe.

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The Minister of Tourism is going to come in a few weeks and tell us that he has spoken to the Minister of National Security and everything is in place for the Carnival season. They would prepare the country to have the Carnival celebrations, but the citizenry cannot come out of their doors, not even 6.00 p.m. anymore, not even during the day.

In terms of your marketing approach, you could pump all the millions of dollars—in fact, I am not even sure if the Government has not extended its arm to the same three Ministers who went all over the world trying to convince the market that Trinidad and Tobago is safe, because their advisories have been intensified. What has caused these advisories to be intensified is the killing of Baliram Maharaj. You could do all your marketing and one little incident has now intensified the advisories against the country.

Mr. Speaker, before I wind up, I want to make a point here. When they talk of arrivals, they are talking about cruise ships coming here. Little Barbados is now a home port. People can go to Barbados and get a little cruise in the Caribbean. *[Interruption]*

Mr. Imbert: It is now a home port? It has been so for almost 20 years.

Dr. A. Nanan: Stay in the energy field, please. *[Laughter]*

Mr. Imbert: “Shut up boy”. *[Interruption]*

Dr. A. Nanan: Mr. Speaker, the Barbados situation is something we need to look at because we are supposed to be ahead in terms of our marketing drive. These opportunities are there and we are losing them—that particular area with respect to Barbados.

Another situation that I want to touch on quickly before I wind up—how much time do I have, Mr. Speaker? Is it three minutes?

Mr. Speaker: Three minutes.

Mr. Partap: And I will give you another half an hour. *[Laughter]*

Dr. A. Nanan: Mr. Speaker, in terms of the tourism sector, the Carnival celebrations and the hits on our websites, when we have these websites—I do not know if the Government is actually tracking these websites because there are a number of websites now that are blacklisting Trinidad; independent websites. People who are coming in do not normally go to the Government’s websites. If I am going to a country for travel, I would not go to the Government website, but I would go to somebody. In fact, that is why I want to get into the Visitor/Friends

Programme. It is all well and good to talk about arrivals and new visitors to our island, but when your friends and relatives do not want to return to their country, that sends a message. Many persons are not coming back home. The arrivals have been down for visitors and friends because of the situation here. We have to do something to rectify our image. It is all well and good for the Minister of Tourism to travel to Berlin and send the signal: “Yes, come to Trinidad for Carnival celebrations and calypsos”. But your friends and family would not return to the country. That is how I end my contribution.

Mr. Speaker, thank you. [*Desk thumping*]

The Minister in the Ministry of Finance (Sen. The Hon. Conrad. Enill): Mr. Speaker, let me, first of all, thank the hon. Member for St. Augustine for, in the main, agreeing that some of the things that we were doing are in fact correct but, at the same time, he indicated that we had not demonstrated sufficiently that what we are doing is really not optimal, but it is in fact factual.

Mr. Speaker, let me deal with the matter of tax and tax reform and how we got to this space. The technical team from the International Monetary Fund (IMF) in discussing tax reform with us, opinioned in the executive summary that for a long time tax policy in Trinidad and Tobago has focused really on the extensive use of tax incentives for investment, savings and employment, often in an ad hoc and discretionary manner, and mainly in the form of tax holidays and allowances without giving due attention to a broad tax system designed particularly to the tax mix in general, and the contribution of the non-energy sector to the total tax stake. As a result, the tax base has narrowed and the tax system has reached a level of complexity, disproportionate to the economic structure of the country and its tax administration capabilities.

Discussions with public and private sector representatives suggest that the tax system today—that is the tax system prior to what we have put on the table, in spite of the widespread use of tax incentives—deters rather than encourages investment because it lacks transparency and predictability; two of the most important determinants of investment decisions. That is the technical advice coming out of the team that did this exercise.

5.45 p.m.

It goes on to say that nevertheless the fiscal situation has improved in recent years and the outlook is positive for the medium term, thanks to the favourable international energy prices and an increase in gas production that has helped counterbalance the decrease in oil production. The report that was presented

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argues that the current economic and fiscal situation provides a unique opportunity for the authorities to undertake bold tax reform and proposes a strategy based on the following elements.

Just two additional comments, Mr. Speaker, insofar as personal income tax is concerned, the general comment was that there is a strong case for eliminating most deductions for savings and investment which, in some cases, are of very small and doubtful effectiveness and in other cases confer too large a benefit to high income individuals. Insofar as corporate tax is concerned, basically, it advises closing certain loopholes open to tax avoidance. I said that just to balance the view that has been expressed about technical soundness of the exercise that the Government has embarked on and which has produced a particular result articulated in the contents of the Finance Bill.

There were comments made about economic indicators. We agree on this side that they are simply measures and over time if you track them and they are moving up, then it is positive, but if they move down, it is negative. We do not only look at economic indicators, but also social indicators. Insofar as that is concerned, we on this side believe that development is a function of ensuring that the quality of life of our people can prove. Insofar as you intend to deal with that, then the policy prescriptions that you embark on consist of some of the things that have been at the forefront of this Government's policies as they relate to education, housing, health, infrastructure and looking at what is the requirement for a future Trinidad and Tobago, one that can, in fact, compete in the global environment.

Let me deal with the comments made relative to the Petroleum Pricing Committee. This committee is a mechanism that is available under the law and in a sense it is there to deal with the issue of pricing of the particular product. The committee for a number of years did not meet and the reason is because there were really no matters referred to it. In the new environment, however, because the question of natural gas is different to the way in which the oil product is sold on the market, there are going to be instances in which there is going to be need for some independent group to sit and determine at what price the Government's revenues should come.

The concept of natural gas pricing is based on netback arrangements at the well head going from market to well head with a series of interventions through the value chain. In fact, that is where you can lose value and, therefore, lose revenue. It is within that context that the amendments we have proposed, as they relate to natural gas pricing, give the Board of Inland Revenue the ability to look

at contracts to determine the method by which those contracts were determined and whether they are providing fair value. We believe that what we have done, in this particular instance, is going to create more value for Trinidad and Tobago and we should see that in the revenues we will save.

We cannot understate the fact that the energy sector is complex. Anyone who believes that it is not complex and that it is emerging and growing at a significant rate, really does not understand the nature of that sector. We have learnt that we do not know enough about the sector, but we have taken counsel from international reputable individuals who deal with these matters and advise governments. We have put in place a mechanism where using expertise from the Board of Inland Revenue, the Natural Gas Task Force and some of our best technocrats, we have put together relationships that allow us to, basically, present the problem as we see it to these consultants and, in a sense, work through scenarios and come up with what is in the best interest of Trinidad and Tobago. These scenarios and discussions are influenced by local expertise, but using international expertise and experience.

I assure the Member for St. Augustine that we do what we are doing in a particular way using the resources available to us locally, internationally or wherever they are, trying as far as possible to get the best advice to ensure that citizens get the best benefit.

The question of the Revenue Stabilization Fund is really coming. We are now at the stage where before the end of March we will have a bill before you. The question of retroactivity, we agreed, was something that internationally had reputational risks, but in putting it on the table it created an opportunity for us to receive the revenue that would have been foregone had we not gone with retroactivity in a current period. Therefore, we have preserved Trinidad and Tobago's international reputation, but, at the same time, we have gotten the revenue that would not have been available to us if this was not put on the table. We understood what we were doing and we are benefiting today from that particular strategy.

Concerning the issue of ministerial control, I think the Member for Diego Martin East talked about it. Ministerial control, basically, comes from the way in which the Act is set out and the responsibilities of the Minister in relation to carrying out his responsibilities. Once he has responsibility for signing the licence and dealing with issues relative to the licence, we are saying that should there be any circumstances in which those conditions change, then it must be the Minister

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who makes that determination, because, in the first place, he was the individual involved. That is really what is being proposed.

The Member for Couva South found that the bad we were, in fact, doing—and I think in any situation you can always find the bad—however, there is a significant amount of good, and I will talk about some of it just now, because, in a real sense, the Government has embarked on a particular programme. I will just explain a few pieces of that to deal with some of the issues. Insofar as the issue of tourism is concerned, it is Act No. 9 of 2000 amended. As I understand it, the Member for Tabaquite is agreeing with the proposal. He is dealing with the timing of the benefits for the recipients and these things happen in the course of what we do.

Today, our country is really enjoying a long run of economic expansion. As we speak, there are 26 gas-based plants including four trains associated with Atlantic LNG. Over the next three-year period, 2006 to 2008, 12 plants are scheduled to be commissioned, including a steel complex, two aluminium plants with major downstream manufacturing activities. Growth in the energy sector is taking place in a stable and relatively low, poor inflationary environment, although there has been a recent spike in headline inflation due to food prices. On that issue, we are dealing with it.

The non-energy sector driven by manufacturing, construction and financial services has been growing fairly well and, in recent years, recording averages of 4 per cent. We have had solid employment growth, healthy trade surpluses, external reserves and our public debt still remains in a sustainable position. We expect to have increases in gas and oil revenue and this allows us the fiscal space to do some of the things we are doing with public investment expenditure.

In the context of this broad strategy, we do not envisage the emergence of this so-called “Dutch Disease”. Our widely diversified economy and our prudent macroeconomic management would avoid the kind of disruptive effect which emerged in our two previous booms. One is the uncompetitiveness of the non-energy tradable sector and the vulnerability of economy to external economic shock.

More than that though, I end by saying that the Government's capital investment programme, particularly in the areas of education, national infrastructure, community and rural developments, sporting infrastructure, tourism and urban development is on. We would soon see in Trinidad and Tobago modern Government buildings blending elegantly into the architectural landscape. We will soon

experience a modern transportation network with major highways crisscrossing the country and a light rail transit system connecting the major population centres. We will soon be able to benefit from an increasingly knowledge-based economy centred principally at the Tamana Intech Park and the University of Trinidad and Tobago campus at Wallerfield.

We would see major regions of the country occupied with state-of-the-art petrochemical LNG, steel and aluminium plants with substantial downstream activities. Of course, we are already on the world stage from a sporting perspective. Our national soccer team is part of this year's World Cup in Germany and our master batsman, Brian Lara, has all the major cricketing batting records to his name.

Thank you, Mr. Speaker

6.00 p.m.

Question put and agreed to.

Bill accordingly read a second time.

Bill committed to a committee of the whole House.

House in committee.

Clause 1 ordered to stand part of the Bill.

Clause 2.

Question proposed, That clause 2 stand part of the Bill.

Mr. Enill: I beg to move that clause 2 be amended as follows:

Delete clause 2(o)(ii) of the Bill and substitute the following:

(ii) by inserting after subsection (6D), the following new subsections:

(6E)Where-

- (i) a company provides a loan to any of its directors or to a person employed by it in an employment to which sections 133 to 141 apply; and
- (ii) the repo rate of interest set by the Central Bank of Trinidad and Tobago as at the 31st December of the year immediately preceding a year of income, is more than the rate of interest charged by the company on such loan,

the amount of the additional interest that would have been payable by the director or employee in that year of income had the repo rate referred to in paragraph (ii) been applied to the loan, shall be treated as a perquisite of the office or employment of the director or employee and shall be chargeable to tax as emoluments as defined by section 100.

(6F) For the avoidance of doubt, where, prior to January 1, 2006, a company provided a loan to a director or person referred to in subsection (6E) and there remains a balance outstanding on the loan on January 1, 2006, the provisions of subsection (6E) shall apply in ascertaining the income of the director or employee for a year of income;

(6G) Subject to subsection (6H), where a loan referred to in subsection (6E) is written off by the company, the outstanding balance on the loan shall be treated as a perquisite of the director or employee and shall be chargeable to tax as emoluments as defined by section 100.

(6H) Subsection (6G) shall not apply where the Board is satisfied that the loan that was written off cannot be recovered by the company.

Dr. Nanan: I am asking that that section be not repealed and be retained.

Mr. Valley: Why?

Dr. Nanan: That section deals with the matter in 13(A), equity capital and shares that can remain in the tourism project.

Mr. Valley: The policy position is that we are removing incentives other than those that have been approved as at December 31.

Dr. Nanan: The Minister said in his contribution that it would have been picked up in the Tourism Development Act and that is not so. Only owners and operators are benefiting under the Tourism Development Act. This is an independent person who will benefit by buying shares in a particular hotel property. You would give that incentive rather than just being an owner or operator.

Mr. Enill: When this was contemplated we did not have the Tourism Development Act. We are seeking to remove it from here and put it across there.

Dr. Nanan: That is not in the Tourism Development Act.

Mr. Valley: There is an incentive package in the Act.

Question put and agreed to.

Clause 2, as amended, ordered to stand part of the Bill.

Clauses 3 to 5 ordered to stand part of the Bill.

Clause 6.

Question proposed, That clause 6 stand part of the Bill.

Mr. Enill: I beg to move that clause 6 be amended as follows:

6(c) in relation to the new section 15(1C) of the Petroleum Taxes Act	Delete the word "2005" occurring after the words "January 1 st " and substitute the word "2006".
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Question put and agreed to.

Clause 6, as amended, ordered to stand part of the Bill.

Clause 7.

Question proposed, That clause 7 stand part of the Bill.

Mr. Enill: I beg to move that clause 7 be amended as follows:

7(c) in relation to the new section 34 of the Fiscal Incentives Act	Delete the word "2006" occurring after the words "January 1 st " and substitute the word "2007".
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Question put and agreed to.

Clause 7, as amended, ordered to stand part of the Bill.

Clause 8 ordered to stand part of the Bill.

Clause 9.

Question proposed, That clause 9 stand part of the Bill.

Dr. Nanan: In clause 9(c) the drafting is wrong. The retaining of section 38 is already retained in the Tourism Development Act. You are retaining section 38 of the Tourism Development Act, 2000, and there is an amendment to that Act.

Mr. Valley: My understanding is that it was repealed and replaced. There is still section 38 in the Tourism Development Act.

Dr. Nanan: That cannot be right. You are repealing section 38 of the Tourism Development Act that is already amended.

Mr. Valley: It was amended but there is still section 38. There is Act 2000

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and there was an amendment last year. The Act is as amended. There is a new section 38 in the Act at present.

Question put and agreed to.

Clause 9 ordered to stand part of the Bill.

Clauses 10 and 11 ordered to stand part of the Bill.

Clause 12.

Question proposed, That clause 12 stand part of the Bill.

Mr. Enill: I beg to move that clause 12 be amended as follows:

12(2) Delete clause 12(2) and substitute the following:

First Column	Second Column
2	1 st January, 2006
3	1 st January, 2006
4	1 st January, 2005
5	1 st October, 2005
6(b), (c) in relation to section 15(1B) of the Petroleum Taxes Act, (d), (e), (f),(g) and (h)	1 st January, 2005
6(a), (c) in relation to section 15(1C)and (1D) of the Petroleum Taxes Act, (i),(j), (k) and (l)	1 st January, 2006
7(a) and (b)	1 st January, 2005
7(c)	1 st January, 2007
8	1 st January, 2005
9	1 st January, 2006
10	1 st January, 2005

Question put and agreed to.

Clause 12, as amended, ordered to stand part of the Bill.

Question put and agreed to, That the Bill, as amended, be reported to the House.

House resumed.

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Bill reported, with amendment, read the third time and passed.

**FINANCE COMMITTEE REPORT
(Presentation)**

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Speaker, I wish to present the Second Report of the 2005/2006 Session of the Finance Committee of the House of Representatives of the Republic of Trinidad and Tobago, on proposals for the variation of the 2005 appropriation as listed on the Supplemental Order Paper.

To be printed as a House Paper.

FINANCE (VARIATION OF APPROPRIATION) (2005) BILL

Bill to vary the appropriation of the sum of the issue of which was authorized by the Appropriation Act, 2005 [*The Minister of Finance*]; read the first time.

**FINANCE COMMITTEE REPORT
(Adoption)**

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Speaker, I beg to move the following Motion standing in my name:

Be It Resolved that this House adopt the Second Report (2005/2006) Session of the Finance Committee of the House of Representatives of the Republic of Trinidad and Tobago on proposals for the variation of the 2005 appropriation.

The Finance Committee of the House of Representatives met on Friday, January 20, 2006, and agreed to a number of proposals with respect to the accounts for fiscal year 2005. The proposals broadly encompassed the following:

Variation of the 2005 appropriation;

Write-off of losses approved by Cabinet in fiscal year 2005; and

Transfer of funds between subheads of the same heads of expenditure.

The variation of the 2005 appropriation in the sum of \$79,600,000 relates to four Heads of Expenditure with increases in the following:

Head 26	Ministry of Education	\$21,600,000
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Head 36	Ministry of Housing	\$58 million
Decreases:		
Head 39	Ministry of Public Utilities and the Environment	\$52 million
Head 40	Ministry of Energy and Energy Industries	\$27 million

The purpose of this variation of the 2005 appropriation is to bring to account by way of retiring warrants issued for advances from Treasury deposits to meet expenditure for which funds were not allocated in the 2005 budget.

These advances were made to the Ministry of Public Utilities and the Environment and to the Ministry of Energy and Energy Industries. The increase of \$52 million to the Ministry of Public Utilities and the Environment was to provide funding for the Government street lighting programme. The Government agreed to implement a national street lighting programme over the period 2005—2007 at an estimated cost of \$626,927,400.

The programme includes the installation of approximately 82,000 new street lights; the upgrade of approximately 36,000 lamps from 70 watts to 150 watts luminaries; illumination of 80 kilometres of highway and addressing the street lighting need of new housing developments.

In fiscal 2005, the Trinidad and Tobago Electricity Commission committed \$72 million for the supply of labour and material for this programme. Of this amount the sum of \$20 million was provided in the first supplementary general warrant of June 23, 2005, leaving an unfunded balance of \$52 million.

In order to bridge the financing gap between commitments and fund appropriated, a warrant for an advance of \$52 million from the treasury deposit account was authorized by the Minister of Finance.

6.15 p.m.

In the case of the Ministry of Energy and Energy Industries, in March 2005, the Government agreed to provide the sum of \$15 million to the National Energy Corporation of Trinidad and Tobago for the development of new industrial sites at the following locations:

Cap-de-Ville Extension	530 hectares
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Oropouche Bank	1,400 hectares
Point Lisas South and East	1,400 hectares

In the following month Government also agreed, among other things, to approve a proposal by Sural for the development of an aluminium smelter and downstream manufacturing facilities estimated at US \$590 million, and that the Ministry of Energy and Energy Industries identify and make available to the NEC funds in the sum of US \$2 million or TT \$12.6 million which represented the NEC's portion of both direct and shared expenditure required to move the project forward.

The Ministry of Energy and Energy Industries was unable to identify funds in its 2005 budget allocation for these initiatives and proposed that it be drawn from Treasury deposits. In the context of Government's policy decision to participate in both investments, the Minister of Finance authorized the Ministry of Energy and Energy Industries to access resources totalling \$27.600 million from Treasury deposits.

The Finance Committee agreed to fund the retirement of both warrants by transferring the amount of \$79,600,000 from the Ministry of Education and the Ministry of Housing where funds are available for the following reasons. In the case of the Ministry of Education, an amount of \$12 million was available from the provision for book grants to secondary schools, since the processing of 1,000 book grants to the lower 6 form students for the academic year 2005/2006 was not completed by the end of September 2005. This situation eliminated the possibility of meeting those commitments from the 2005 budgetary provision.

Further, a sum of \$9.6 million was sourced from the Students' Support Services Programme. Funds allocated for procurement of furniture and equipment for seven district offices were not fully utilized because the ministry was able to establish only three of the district offices during the 2005 fiscal year.

With respect to the Ministry of Housing, although works were completed for certain projects under the ministry's 2005 accelerated housing programme, the bills were not tendered within the timeframe to allow for settlement. As a result, \$58 million remained unspent. Funds were released in fiscal 2006 to settle these outstanding bills.

The Finance Committee also agreed to write-off the sum of \$131,348,178.32. This sum is in respect of outstanding loans to state enterprises, statutory bodies and other agencies which have been assessed to be uncollectible. Loans deemed

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uncollectible by the Agricultural Development Bank and overpayment of salary to an electrical foreman 1—

Mr. Speaker: Hon. Minister, you have made a little procedural error. I think what you need to do is to—before you continue with your contribution—move that the next stage of Finance (Variation of Appropriation) (2005) Bill be taken later in the proceedings and then we will put the Motion and you will continue.

**FINANCE (SUPPLEMENTATION AND VARIATION OF APPROPRIATION)
(2005) BILL**

Bill to supplement and vary the appropriation of the sum the issue of which was authorized by the Appropriation Act, 2005. [*The Minister of Finance*] read the first time.

Motion made, that the next stage of this Bill be taken at a later stage in the proceedings.

Question put and agreed to.

**FINANCE COMMITTEE REPORT
(Adoption)**

Sen. The Hon. C. Enill: Mr. Speaker, I now refer to transfer of funds between subheads of the same head of expenditure. With effect from August 01, 1988, Cabinet delegated its authority to approve transfers between subheads to the Minister of Finance when it agreed as follows:

Request for transfer of funds between separate subheads under the same head of expenditure should no longer be submitted to Cabinet but can be decided by the Minister of Finance on the advice of the Budget Division. Consequently, in fiscal 2005 the hon. Minister of Finance approved the transfer of funds in the sum of \$681,039,712 between subheads under the same head of expenditure.

It should be noted that the transfers were approved by the Minister of Finance based on notes from the respective Ministries requesting the transfer. It should also be noted that these transfers are requested to reflect changed circumstances in ministries and departments and a consequential reordering of priorities. They do not increase the total appropriation in any way. A statement showing the transfers approved by the Minister of Finance and explanations for some of the more significant transfers were attached as appendices of the agenda which was provided to the hon. Members of the House.

Mr. Speaker, hon. Members are also asked to note that at the time of the presentation of the 2006 budget in September 2005, revised revenue projections of \$28,200 million was presented. Correspondently, expenditure forecasted at \$27,901.2

million resulted in an anticipated surplus of \$299.7 million. This position was communicated to the Parliament. Based on the Ministry of Finance's data on the actual fiscal outturn for 2005, overall spending was \$27,274.7 million and total revenue was \$29,286.2 million, yielding an overall fiscal surplus of \$2,011.5 million. This surplus is \$1,711.8 million greater than that projected at the time of the presentation of the 2006 budget. Revenue exceeded the revised provision by \$1,085.3 million, while actual expenditure was \$733.4 million lower than the revised allocation. Mr. Speaker, this surplus is after an allocation of \$3.1 billion for savings and for infrastructure development.

This clearly demonstrates that during fiscal 2005 the Government prudently managed the nation's resources. We deposited \$500 million into the Infrastructure Development Fund; we deposited approximately \$2.6 billion into the Revenue Stabilization Fund and we registered an overall surplus on the fiscal account of \$2 billion.

With this good news, Mr. Speaker, I beg to move.

Question proposed.

Question put and agreed to.

Resolved:

That the House adopt the Second Report (2005/2006) Session of the Finance Committee of the House of Representatives of the Republic of Trinidad and Tobago on Proposals for the Variation of Appropriation of the 2005 Appropriation.

FINANCE (VARIATION OF APPROPRIATION) (2005) BILL

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Speaker, I beg to move,

That a Bill entitled an Act to vary the appropriation of the sum of the issue of which was authorized by the Appropriation Act, 2005, be now read a second time.

Question proposed.

Question put and agreed to.

Bill accordingly read a second time.

Sen. The Hon. C. Enill: Mr. Speaker, in accordance with Standing Order 70(1), I beg to move that the Bill be now read a third time and passed.

Question put and agreed to, That the Bill be read a third time.

Bill accordingly read the third time and passed.

Adjournment

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ADJOURNMENT

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Mr. Speaker, I beg to move that the House do now adjourn to Monday, January 23 at 1. 30 p.m. and, as stated earlier, I wish to inform Members that the Government plans to take the Occupational Safety and Health (Amdt.) Bill through all its stages on that day.

Mr. Speaker: Before I put the question, there is a Motion on the adjournment.

Mr. Singh: Mr. Speaker, by agreement, having regard to the fact that the Minister of Agriculture, Land and Marine Resources is not here today and would be here on Monday, we have agreed to defer the matter on the adjournment to Monday.

Question put and agreed to.

House adjourned accordingly.

Adjourned at 6.30 p.m.