

SENATE*Tuesday, April 23, 1991*

The Senate met at 1.30 p.m.

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

Mr. President: Hon. Senators, I have granted leave of absence to Sen. Mootilal Moonan for the period April 23—25, 1991.

FINANCE BILL

Bill to provide for the imposition of variation of certain taxes and duties, for the incorporation of the amendments made by the Provisional Collection of Taxes Order, 1990, and for related and other matters, brought from the House of Representatives [*The Minister of Finance*]; read the first time.

Motion made, That the next stage be taken at a later stage of the proceedings [*Sen. H. Atwell*].

Question put and agreed to.

PETITIONS**Lions Club of Valsayn**

Sen. Salisha Baksh: Mr. President, I have the honour to present the petition on behalf of the Lions Club of Valsayn, whose members are desirous of introducing a private bill for the purpose of incorporation of their organization.

I now ask that the Clerk be permitted to read the petition and that the promoters be allowed to proceed.

Petition read.

Question put and agreed to, That the promoters be allowed to proceed.

Satya Kabir Nidhi

The Minister in the Ministry of Industry, Enterprise and Tourism (Sen. Dr. the Hon. Surujrattan Rambachan): Mr. President, I have the honour to present the petition on behalf of the Satya Kabir Nidhi who are desirous of introducing a private bill for the purpose of incorporation of their organization.

I now ask that the Clerk be permitted to read the petition and that the promoters be allowed to proceed.

Petition read.

Question put and agreed to, That the promoters be allowed to proceed.

1.40 p.m.

PAPERS LAID

1. Central Bank of Trinidad and Tobago Annual Economic Survey 1990. [*Sen. Alloy Lequay*]
2. Central Bank of Trinidad and Tobago Annual Report 1990. [*Sen. A. Lequay*].
3. Report of the Auditor General on the Accounts of Trinidad and Tobago Export Credit Insurance Company Limited for the year ended December 31, 1989. [*Sen. A. Lequay*].

ORAL ANSWER TO QUESTION

**Foreclosure
(Homes)**

17. *The following question stood on the Order Paper in the name of Sen. Wade Mark:*

Could the Minister of Settlements and Public Utilities provide an up-to-date account on the number of homes that have been foreclosed by mortgage and trust companies in both the public and private sectors arising out of householders' inability to sustain their monthly mortgage instalments?

Mr. President: Does anybody have any idea when the Minister will return? Is there anybody to carry on?

Sen. Alloy Lequay: I might have misguided you. I was of the opinion that the Minister of Settlements and Public Utilities, who is indisposed, had requested Sen. Tewarie to answer the question. I might have misunderstood the position. I therefore ask that the question be deferred. The Minister is not in office, she is not well.

Mr. President: Does anybody have any idea when the Minister will return or whether anybody is carrying out the assignments of the Minister in the interim?

Sen. Lequay: I expect that she will be available for the next sitting.

Question, by leave, deferred.

**TRINIDAD AND TOBAGO SPECIAL
OLYMPICS CORPORATION (INC'N) BILL**

Question put and agreed to, That a bill to provide for the incorporation of the Trinidad and Tobago Special Olympics Corporation and matters incidental thereto, be now read the first time.

Bill accordingly read the first time.

BUSINESS OF THE SENATE

Sen. Alloy Lequay: As I had indicated at the last sitting, today is in fact Private Members' Day and I move that the Senate agree that urgent Government matters should be disposed of before Private Members' business in accordance with Standing Order No. 20.

Sen. Gerald Furness-Smith: My understanding is, according to the Leader's notice, that the Finance Act 1991 is required to be debated and passed this afternoon. The Finance Act is about 40 pages long and it was supplied to us here last Monday. Tuesday was a public holiday and today we have received amendments involving three or four pages of alterations with a heavy schedule. For a bill of this nature it is clearly quite impossible for Members to do their work properly in preparing themselves to consider this bill. What is more important is that members of the general public who may be intimately concerned by some of the detailed provisions of this bill, would have had absolutely no opportunity to consider these provisions and to pass comments thereon to any Members of this House who they may know. I have been fortunate in getting a little help but I am by no means satisfied that I can do justice to this bill this afternoon. I ask that this matter be adjourned for two weeks.

Sen. Lequay: Perhaps I should point out that at an earlier stage of the proceedings it was moved and the Senate agreed that the Finance Bill be taken at a later stage of the proceedings, so that the request from Sen. Furness-Smith seems to be asking us to nullify a decision already taken here today. In any event I would leave that request for the Minister of Finance, who is present to deal with that, if that is necessary.

FINANCE BILL

Order for second reading read.

The Minister of Finance (Hon Selby Wilson): Mr. President, I beg to move that a bill to provide for the variation of certain taxes and duties, for the

Finance Bill
[HON. S. WILSON]

Tuesday, April 23, 1991

incorporation of the amendments made by the Provisional Collection of Taxes Order, 1990, and for related and other matters be read a second time.

Mr. President, whereas I would like to empathize with the hon. Senator in respect of his complaints that the bill and the amendments appear to be substantial, I know the bill is voluminous, I would like to assure the hon. Senator the amendments are not really substantial and certainly not beyond his immediate comprehension. Further, I would like to advise the honourable House that it is imperative for us to pass the legislation before the end of April and, therefore, a request to postpone by two weeks would not be compatible with the legal requirements to have this bill passed before the end of April. What I would like to assure the Senators is that I would do my best in the future to try and get the bill to the House, in particular to the Senate, to provide a longer time for preparation.

On behalf of those who had the responsibility to prepare the bill, I know they have been working on the bill from the day the budget was presented and it is not as a result of any delinquency on their part that the bill is now only available for consideration and passage by both Houses. It entailed a fair amount of work and the time constraints of having to bring the bill four months after the resolution of the Provisional Collection of Taxes Order, is indeed a constraint in itself, given all the other things that the legal department has to do.

I crave the indulgence of the Senators and I would do whatever I can to facilitate the process this afternoon in presenting this bill.

Mr. President, the budget for 1991 was presented on December 7, 1990. Certain fiscal measures were part of the presentation and these were implemented by the Provisional Collection of Taxes Order which came into effect on January 1, 1991. The said Order was confirmed by resolution on January 18, 1991. This bill, therefore, seeks to complete the final stage of the legal process to place those measures on the statute books of Trinidad and Tobago.

1.50 p.m.

Under the provisions of section 3 (2) of the Provisional Collection of Taxes Act Chap. 74:01, a tax imposed by Order made pursuant to the Act has effect for a period expiring at the end of four months after the commencement of the Order. Section 3(3) provides that any provision in the Order imposing a tax shall cease to have effect if any Act comes into operation imposing such a tax either with or without amendments.

The main purpose of the bill now before this honourable House is to give full effect to the fiscal measures contained in the 1991 Budget Speech. Certain other

matters which were not included in the Order but which are closely associated with the fiscal matters have also been included within this bill.

The bill also includes certain refinements to the measures contained in the Order which have been found to be necessary during the period that the Order has been in operation. The bill is now divided into 17 sections.

The Airports Authority Act, Chap. 49:02: Mr. President, Part I of the bill deals with the Airports Authority Act Chap. 49:02. The Airports Authority (Amdt.) Bill 1990 amended the Airports Authority Act, Chap. 49:02, to enable the Airports Authority to retain from the moneys collected in its capacity as tax collector under the Miscellaneous Taxes Act, such sums as may be authorized by the Minister of Finance by Order, subject to affirmative resolution of the House. However, no Order under this section was made in 1990.

Clause 3 of the bill seeks to make provision for the Trinidad and Tobago Airports Authority to be authorized to retain from the sums collected by it under the Miscellaneous Taxes Act, the sum of \$8.7 million in respect of 1990, and \$7,472 million in respect of the year commencing January 1, 1991.

The Brewery Act, Chap. 87:52: Mr. President, Part II of the bill amends the Brewery Act, Chap. 87:52. This Act makes provision in section 26 for drawbacks of excise duty on beer brewed in Trinidad and Tobago and exported.

Under the existing legislation, beer that is exported is exempt from excise duty. Shandy Carib, however, which contains an element of beer, when exported does not benefit from this drawback provision. This amendment seeks to apply the drawback to Shady Carib as it now applies to beer when exported. Also, in furtherance of the process of conversion to the metric system, clause 5 of the bill repeals section 4 of the Brewery Act and substitute new section 4 in which references to weights are in metric.

I now wish to deal with the renumbered Part IV of the bill which covers amendments to the Customs Act Chap. 78:01. Hon. Members will recall that the Provisional Collection of Taxes Order 1990 introduced a common external tariff, together with a general agreement on tariffs and trade, the valuation code, rules of origin, and the International Organization of Legal Metrology System.

These provisions have already been confirmed by the resolution confirming the Provisional Collection of Taxes Order, so I will merely indicate the modifications which have been made to the provisions contained in the Order. The bill, therefore,

amends the Customs Act by including section 8A which empowers the Minister by Order to suspend the CET in respect of any items listed in the First Schedule of the Act for a specified period, in accordance with any agreement by member states of CARICOM. Provision is also now being made in a new section 8A(2) of the Customs Act for the President to impose on any suspended item, a rate of duty up to the maximum of the CET rate.

Clause 14 (1) of the bill repeals and replaces the First to the Sixth Schedules to the Customs Act which are set out in the Provisional Collection of Taxes Order 1990. The clause also makes certain modifications to the First and Third Schedules. These modifications have been agreed to by the Common Market Council of Ministers and are included in the table set out at the end of clause 13 of the bill.

The effect of these modifications is that the customs duty on certain items have been reduced as follows: Racehorses from 45 per cent to 10 per cent; mackerel and herrings, either salted, dried or embrined, from 45 per cent to zero. No duty will apply to these items; cinematographic film from an *ad valorem* rate of 10 per cent to a specified rate of \$3.00 per hundred metres; lead waste and scrap, from 30 per cent to zero. This item has also been removed from the list of commodities that are ineligible from conditional duty exemption.

In addition, a system of flat rate duty assessments has been introduced for non-commercial shipments under this system where: (a) the total value of the goods does not exceed \$425; and (b), the goods consist of items which fall under at least three different tariff headings. A flat rate of duty of 30 per cent will be charged on all the goods in lieu of their respective rates of duty. This system previously operated where the value of goods did not exceed \$200.

The renumbered Part V of the bill deals with metrication of the weights and measures contained in resolutions made pursuant to the Excise (General Provisions) Act Chap. 78:50.

The renumbered clause 17 of the bill reduces from age 65 to 60 the age at which the health surcharge will no longer be payable. This measure was contained in the budget statement of 1991.

The majority of the provisions which are included in the renumbered Part VII of the bill had already been considered when the Provisional Collection of Taxes Order 1990 was confirmed. Accordingly, I do not propose to repeat all that was said on that occasion. I will merely deal with new provisions and those clauses of

the bill which modify the provisions of the Income Tax Act introduced in the Order. One such new provision is the legal authority given to allow the IDC to raise bonds free of tax.

In my 1991 Budget Speech, I moved to exempt from tax the interest on savings of all persons 60 years of age and over. I indicated then that in the case of joint accounts, all the account holders must be 60 years of age or over to obtain the benefit. However, in the Provisional Collection of Taxes Order 1990, it was not made quite clear that all joint account holders must be 60 years of age and over. This is now being clarified in this bill.

In my 1991 Budget Speech, I also introduced a new mechanism for the encouragement of savings, "the SAF-T account". The renumbered clause 20 of the bill has modified the provisions governing such accounts as drafted in the Order to correct certain ambiguities which may have been in the interpretation of these provisions, and includes a provision requiring a person opening such an account to make a declaration that he did not hold another SAF-T account.

The renumbered clause 23 of the bill deals with the payments made to non-residents who performed services for approved enterprises operating within the free zone. It deems such payments to be made outside of Trinidad and Tobago with the result that no withholding taxes are payable by the approved enterprises making the payments.

Clauses 22 and 24 of the bill as renumbered make certain modifications to the provisions of the Order which were intended to allow tax deductions in respect of single donations made by deed of covenant to charitable institutions. The modifications basically do two things: firstly, make it clear that payments made under deeds of covenant for not less than two years, to charitable or other specified bodies, will continue to be deductible; and secondly, introduce a separate section making single contributions deductible.

2.05 p.m.

Mr. President, the Provisional Collection of Taxes Order converted the Second Schedule of the Liquor Licences Act to metric measurements. In the process of conversion, certain errors were made in the schedule. These have been corrected in Part VIII of the bill. Hon. Senators should note that the errors were recognized and fees were collected on the correct basis. For this reason, the provision has been back-dated to January 1, 1991.

The Provisional Collection of Taxes Order 1990 imposed an import surcharge under the Miscellaneous Taxes Act on items which were removed from the Negative List. This was done to maintain some measure of protection for local industries. However, in the process, because of the broad general nature of the descriptions used in imposing the surcharge, certain items which were not on the Negative List and which are not manufactured locally, became subject to the surcharge. Therefore, clause 31 of the bill amends the Miscellaneous Taxes Act to exempt from the import surcharge, items that are imported free of duty under the Second and Third Schedules to the Customs Act. In addition, the list of items subject to import surcharge, which is contained in the Seventh Schedule to the Miscellaneous Taxes Act, has been amended to provide a more detailed description of the items on which the surcharge has been imposed.

Mr. President, the present method of calculation of the import surcharge has resulted in total import charges in excess of 100 per cent of the c.i.f. value. In order to keep the total import charges within a reasonable limit, the renumbered clause 31 (b) of the bill amends the Miscellaneous Taxes Act to provide for a different method of calculation of the import surcharge from that provided in the Finance Act of 1990. Whereas the previous surcharge was calculated on the c.i.f. value of the imported item, plus customs duty, plus 20 per cent, the surcharge will now be calculated on the c.i.f. value of the item only. These provisions would come into effect on May 1, 1991.

The renumbered clause 32 of the bill amends the Sixth Schedule to the Miscellaneous Taxes Act for the purposes of metric conversion. The alcoholic and other beverages tax had been inadvertently omitted from the metric conversion implemented in the Provisional Collection of Taxes Order 1990. Part X of the bill deals with old age pension and the increase in that allowance from \$245 to \$260 per month.

The amendment to the Spirits and Spirits Compound Act contains a new Part XI of the bill, now before this honourable Senate, and is in furtherance of our obligation to fully convert our excise laws to the metric system.

Mr. President, the Provisional Collection of Taxes Order exempted from stamp duty certain items which had not previously attracted customs duty but which became subject to customs duty with the introduction of the common external

tariff. The exemption from stamp duty was intended to provide some measure of relief in respect of tax on these items. These items are covered in the renumbered clauses 47 to 50 of the bill, with certain minor modifications.

Clause 47 (d) of the bill amends the Stamp Duty Act to allow the President to grant exemptions from stamp duty on goods without the necessity for the publication of an order in the *Gazette*. At present, the necessity for the publication of orders that the President grants exemptions from stamp duty results in administrative delays in the clearance of imported goods. In addition, this provision brings this exemption in line with the practice as it relates to customs duty, which is not now published, by Order, in the *Gazette*.

Mr. President, in the Provisional Collection of Taxes Order, the Stamp Duty Act was amended to exempt from stamp duty the conveyance of transfer or sale or lease of property upon which a dwelling house has been erected and where the property is for use wholly or mainly for residential purposes and the consideration do not exceed \$300,000. Also exempted are mortgage deeds in respect of such property where the sum secured does not exceed \$270,000. The purpose of the exemption is to assist persons in the lower and middle income brackets to acquire their own homes. However, a difficulty has arisen in the operation of these amendments in that the transfer documents presented for assessment of stamp duty do not provide the Board of Inland Revenue with all the pertinent information necessary to determine whether the property qualifies for exemption. Accordingly, clause 47 (c) (ii) and (f) of the bill seek to modify the provisions contained in the Order to require the purchaser to apply for the exemption from stamp duty on a form approved by the Board.

Another amendment has been made in the Order to make it clear that the exemption from stamp duty is also applicable to condominiums and chattel houses where the value does not exceed \$300,000 and to ensure that the exemption from stamp duty in respect of mortgages only apply to mortgages used for the purchase of a dwelling house.

Mr. President, there is a further amendment to this particular measure in which we are now seeking to amend, to read as follows:

"That the first \$300,000 would be exempt from stamp duty and the incremental amount over and above \$300,000 will now be charged at five per cent."

This became necessary because on a review of this provision we found that a property valued at \$305,000 will attract stamp duty of \$6,100 under the current provisions of the law; a property valued at \$345,000 will attract stamp duty of \$6,900 under the provisions of the existing law; and a property valued at \$355,000 will attract stamp duty of \$17,750. It is as a result of these significant jumps for minor changes in the cost of the property above \$300,000 that we are now modifying this provision to read that the first \$300,000 would be exempt from stamp duty and anything over and above \$300,000 would be chargeable at five per cent.

2.15 p.m.

The effect of the provision in respect of a property costing \$305,000 will result in a stamp duty charge of \$250.00 when compared with the stamp duty charge of \$6,100. A property valued at \$345,000, the stamp duty under this amended provision, would now be \$2,250 when compared with the stamp duty charge of \$6,900 under the existing provision. A property valued at \$355,000, the stamp duty charge under the amended provisions would be \$2,750, compared to \$17,750 under the existing provisions. You could not desire a more caring Government, can you, Mr. President?

Mr. President, in order to grant some relief to the University of the West Indies, St. Augustine, the new Part XIV of the bill seeks to amend the University College Exemption Ordinance so as to grant exemptions from value added tax on goods imported for use by the university and on the commercial supplies of goods and services to the university, where the board is satisfied that they are required for the purposes of the university.

The new Part XV of the bill deals with amendments of the Value Added Tax Act. Clause 63 of the bill repeals and replaces section 12 of the Value Added Tax Act and the renumbered clause 64 repeals section 13 of the Act. These amendments are consequential upon the changes made to the provisions governing the valuation of goods in the Customs Act.

Under section 29 (3) (a) of the Value Added Tax Act, the Board of Inland Revenue may cancel the registration of any person who fails to commence making

commercial supplies, and may recover from that person, an amount equal to all input tax refunded to him during the period of his registration.

Representations have been made that this provision can cause hardship to entrepreneurs who had genuinely intended to make commercial supplies, but were prevented from doing so because of failure to achieve the results expected from the enterprise. In order to bring some relief in such a situation, the renumbered clause 65 of the bill amends section 29 of the Value Added Tax Act to provide that, before the Board of Inland Revenue can exercise its power to cancel the registration of a person under section 29 (3) (a), it must serve notice on a registered person to show cause why his registration should not be cancelled, and why he should not be required to repay all input tax refunded during the period of his registration.

If the person can satisfy the board that he continues to intend to make commercial supplies, and that he is taking the necessary steps to commence making commercial supplies at the earliest possible date, having regard to the circumstances, the registration will not be cancelled by the board. The board also has the discretion, where the registration is cancelled, not to require the person to repay the input tax refunded during the period of his registration, prior to the date of the notice in cases where it is satisfied:

- (1) that he in fact originally intended to make commercial supplies;
- (2) that he made reasonable efforts to give affect to those intentions;
- (3) that he no longer intends to make commercial supplies; and
- (4) that he has reasonable grounds for his change of intentions.

Where the person has satisfied the board of these facts, he will only be required to repay input tax refunded after the date of the notice, or such earlier date as the board considers that he ceases to intend to make commercial supplies.

Provision is also made for an appeal to be made to the Tax Appeal Board under this section. Amendments to section 44 (a) of the Value Added Tax Act in renumbered clause 66 of the bill, are consequential upon the introduction of the common external tariff.

I will now deal with the provisions governing modified penalties under the Value Added Tax Act 1989. Nearly all of the offences which are created are punishable under summary conviction. The Board of Inland Revenue has found

that with its limited manpower resources, it has difficulty in dealing with the prosecution of all offenders under the Act, mainly because of the length of the judicial process, not to be misinterpreted with the ability to perform their primary function of collecting the taxes under the Value Added Tax Act.

Provisions have therefore been introduced to enable the Board of Inland Revenue to operate a system of modified penalties for minor infringements of the Act. These provisions and certain consequential amendments are included in renumbered clauses 67 to 69 of the bill. In other words, this provision gives the Board of Inland Revenue similar powers that are given to the Comptroller of Customs in imposing penalties outside the court.

The effect of the payment of the modified penalty in accordance with the notice—

Sen. Furness-Smith: I am very grateful to the hon. Minister. Could he explain whether it is intended—excuse me if I am dealing with the clauses as I have had an opportunity of reviewing them—in clause 59A (6) where it says that the Board may, whether or not the modified penalty is being paid, withdraw an infringement notice by sending the man a notice. I read that as meaning that notwithstanding these well-meaning provisions, your board will be able to cancel that relief and, if it so wishes, charge the man the full penalties. In fact, throw the book at him, and without any limitations. I would like to hear that this was not the intention.

Mr. Wilson: Mr. President, perhaps I should deal with this part which I omitted and I would be able to make it clear. The intention is, where the modified penalty is applied, it should not be used to pursue the matter in court. I think I should read this part:

"Under the scheme of modified penalties, in the case of certain offences, persons who are designated authorized persons under the Value Added Tax Act are empowered to give infringement notices to persons believed to have committed such offences within 21 days after the commission of the alleged offence."

Mr. President, the effect of the payment of the modified penalty in accordance with the notice is that no further proceedings may be brought by the board against the alleged offender for the alleged offence. The board is empowered to withdraw an infringement notice either before or after the modified penalty has been paid. The bill also specifies that payment of the modified penalty should not be regarded

as an admission for purposes of any criminal or civil proceedings. I hope it clarifies the point raised by Sen. Furness-Smith. If it does not I would be prepared to deal with it at a later stage.

2.25 p.m.

It is intended that the offences in respect of which the scheme will apply, as well as the penalties to be imposed and the form of the infringement and withdrawal notices, will all be prescribed by regulations under the bill. The renumbered clause 68 of the bill amends the Value Added Tax Act to make the provisions relating to the collection and recovery of the tax applicable to the collection and recovery of the penalty and interest on unpaid value added tax payable under the Act.

Mr. President, in summary, the bill before the House seeks to give legal effect to measures announced in the budget and which were subsequently contained in the Provisional Collection of Taxes Order and subsequently confirmed by resolution on January 18, 1991.

The bill also contains certain minor modifications in respect of previous bills and modifications to errors contained in the Provisional Collection of Taxes Order.

Mr. President, I have the honor to move that this bill be now read a second time.

Question proposed.

Sen. Dr. Prakash Persad: Mr. President, I would like to ask a few questions which, hopefully, the Minister will answer.

In Part I of the bill, the Minister is asking that the sum of \$8.7 million for the year commenced January 1, 1990 and the sum of \$7.42 million for the year commenced January 1, 1991 be retained by the Airports Authority of Trinidad and Tobago. In so doing, maybe the Minister should indicate to this House, what is the present level of Government's subvention to the Airports Authority and why is it necessary that they keep these taxes? I think he should give some explanation and not just come to this House and willy nilly ask that these moneys be kept.

Maybe he should also give an indication as to how they will collect it.

Mr. Wilson: Just to inform the Member. At a subsequent sitting, a Trinidad and Tobago Airports (Amendment) Bill was passed, which authorized that the Airports Authority can retain sums of moneys collected when agreed with the Minister of Finance. So it is part of the existing body of laws of Trinidad and Tobago. I can excuse you because you were not in the House at the time.

Dr. Persad: You are most kind but you misunderstood my question. I am asking as to the quantum. Why not \$10 million? What fraction of the taxes collected, how much do they collect and why \$8.7 million? So whilst you are very kind in pointing out the law, I would appreciate however, your answer to that question.

Mr. President, I will deal with the payment to universities first; the exemption of the VAT to the University of the West Indies. Now, I ask the Minister, and in so doing, may I compliment him on this laudable venture after many years of reducing the university's legal subvention, that he has finally found the heart to do some very, very small measure of good. Right now the university is exempt from duty on imported goods, does the Minister have any idea as to the value of goods that the university imports normally? What fraction is bought locally, and what impact will this have? I mean, is it merely a gesture of goodwill? As far as I am concerned, right now, the majority of goods imported by the university is from abroad and, therefore, we have no import duty, and I would think that the VAT does not apply. How does the Minister view this?

Secondly, the provision allows for the university, as a body, to be exempt from VAT. But if we are serious about education in this country—especially at a tertiary level, and if we want to go forward, and have such stimulative development—which I understand is the new buzz word around—why have you not considered the students of the university?

Mr. President, this simple text book, it is very small, would you believe is \$300? While you are saying you want to reduce the university's costs—and I think maybe it is a prick of conscience, in that having reduced the subventions for the years you have been in power, you so decided to make a gesture of goodwill. Maybe it is just a gesture of goodwill but how can they be serious about education when they are providing a building only and providing exemption from VAT on supplies. How can one pursue education when the students are not considered? I think that this is a most serious area that should be considered.

In previous speeches the Government made a big hullabaloo about how many schools they are building but may I point out to the honourable gentlemen on the

other side that education means more than schools. There is no point in providing schools if people cannot afford education. I would have thought that the Minister would have taken this opportunity to maybe amend section 7 (1) of the Value Added Tax Act, in having a weighted scale of VAT, moreso in terms of books. If people are to be educated, they need school books. They also need reference books and other supplies and the present cost of books and ancillary supplies in this country is prohibitive. As a matter of fact, this even goes for all reading material. The cost of reading material be it for leisure or school is so high that maybe it is the Government's intention to reduce the nation to a bunch of illiterates or semi-illiterates. You merely house semi-illiterates in buildings and say that you are educating them. I think that we should give some serious consideration to this fact. If not, then this exercise may be reduced to one of mere propaganda.

Mr. President, in my budget presentation I had asked the Minister to consider the introduction of legislation to amend the necessary legislation to take into consideration persons' subscription fees to learning societies, for instance, professional engineers and fees for attending professional courses should be given some measure of tax exemption. Again, to my disappointment—and maybe I should add that maybe I was being optimistic in expecting the Minister to do something so substantial for education—nothing came out and I thought he would have used this opportunity to do so.

2.35 p.m.

What struck me as odd, is that maybe this Government seems to be against vegetarians because if you look at the rate of duty on red kidney beans, pigeon peas, split peas, black-eye peas, chick peas, it is 45 per cent. They have reduced the duty on mackerel and goat meat. I think the Minister should state clearly that this Government has a policy where it is discouraging those with vegetarian diets. Is this the intention? Because these items that I called out, they are the staple food of a large section of the vegetarian community. There are other conclusions that one may draw but I would not do so. I would restrict my question to this and to the area of vegetarianism and I hope that the Minister would answer.

Dr. Basdeo: I am sorry that I was not fully paying attention to my honourable friend. It is not because I do not want to, but because of certain constraints that I have which are really related to my body chemistry. Sometimes I can hear voices clearly, sometimes I cannot. If I understand the hon. Member clearly, there are three points to clarify the issue which he has raised.

First of all, there is a fundamental objective in the economic policy of the Government of Trinidad and Tobago behind the CET of which he is not fully apprised. The policy in this case is to try to increase domestic and regional production, hence the reason these particular regimes are established. That is the first point. We have the capacity in some cases even here in Trinidad and Tobago, to produce some of these things.

The second point I am making is that where, for example, in the context of regional development, these things cannot be provided, then there is a waiver which can be given so that the countries can import the goods and services, in this case, particular goods to enter Trinidad and Tobago.

In the third case, which shows that he is not *au courant* with the contemporary economic situation in the region and, therefore, I believe he should be more informed to speak in this Parliament because these things have been removed from the list for the next year. So that there is no issue at all. When people come here to use the Parliament's time in this way, I think they should utilize that time in a proper manner.

Dr. Persad: Out of courtesy I gave way to a Minister who seemed to be not *au courant* with parliamentary procedure in asking for a point of information or a point of order.

Mr. President: I know that the Minister appeared to be a little longer than is normally expected, for a person on a point of order and clarification, but I believe the clarification he was seeking to make warranted the length of time that he took. That is why I allowed him to continue. If it has not clarified your point, continue, and I will not allow any further interruptions for clarifying.

Dr. Persad: As the Minister said, he has a problem with body chemistry. I will leave it there. But nevertheless, the Minister never answered the question again. If he did so, how could he explain the case of the goat meat? Furthermore, is he saying that whilst we may have the capacity to produce something, you are going to raise the price? Is it good policy? Or are you going to encourage it and when you have started producing then you raise the price? I think maybe he is suffering from more than body chemistry problems.

My next point leads from that point, in that we have import surcharge on a variety of goods, the same point that contradicts what the Minister has said. I ask the question: What is the Government doing about quality control? It is all nice to

encourage local manufacturers and producers. We on this side are for that, but we are also saying that if you want to be competitive internationally, if you do not want to foist third rate goods on your population, then you must put effective mechanisms in place for quality control.

As far as I am concerned, and as far as I know, and, maybe the gentlemen on the other side, if they are more *au courant* on this situation than I am, can so indicate in whatever manner they choose, as to how many standards have been set for locally produced goods. There are very, very few. Are you saying that whatever goods are produced locally, as consumers we must accept them? Must consumers pay the ultimate price? Then in the very next breath you are saying that we want to be competitive internationally but you have no standards set. Now I think anyone who says both these things would be either incompetent or hopeless. I would hope that the gentlemen on the other side make a definitive statement in this regard.

Finally, under the present legislation, under the Value Added Tax Act, businesses whose services fall under the \$120,000 are exempt from being registered to pay the VAT. I am asking: Do these businesses not also pass on this cost to the consumers? Do they not buy from bigger businesses? Could the Minister indicate clearly as to whether again, in this country, consumers are to bear the price and the burden of all these inflated adjustments? The Central Bank Report, *Annual Economic Survey* states clearly on page 25:

"The food sub-index rose at an average of 17.2 per cent during the year."

People are being burdened. The acquisition of basic necessities as food, we have difficulty in acquiring. Maybe the Minister owes this country an explanation in that regard.

I would end here with the expectation that the Minister answers some of the questions that I have raised.

Sen. Michael Mansoor: Mr. President, like Sen Furness-Smith, I also suffer more than a little disadvantage in making my contribution today, because the Finance Bill did not arrive on my desk until this morning, when I had to plead with the Secretariat of Parliament for my copy. I suppose I did not get my copy because I did not attend the last sitting of the Senate when, I understand, it was distributed.

Notwithstanding that, there are a few comments which I would like to make. I would first of all like to deal with the question of the restoration of bonds which is dealt with on page 8 of the bill. As I understand it, the original section 18 makes provision for tax exemption on the interest earned on bonds known as restoration bonds issued by the IDC. The Minister did not give us too much information on these restoration bonds, but the questions that occur to someone are: What is the purpose of these restoration bonds? Does it have to do with problems in 1990? What are the likely quantum of these bonds? What is going to be the protocol or the administrative procedure under which these bonds are going to be administered?

2.45 p.m.

There is, however, another very fundamental problem with the tax exemption as it now stands. The interest that is earned on the bonds would be tax free in the hands of the owner of the bonds, but there is no provision in this legislation to allow the expenses relating to the holding of those bonds to be deductible. So that if, for example, the interest earned, the coupon rate on the restoration bond was 5 per cent but the cost of money was 8 per cent, there would be very little incentive on the part of the owner of the bonds to buy such bonds because the expenses relating to the holding of those bonds would not be deductible.

I would refer the Minister to the legislation relating to approved mortgages, which we dealt with sometime ago, where there was specific provision for the taxation deductibility of the expenses relating to that activity. To the best of my knowledge, there is no such provision here, and I venture to suggest to the Minister that without such a provision explicitly stated, the attractiveness of these bonds is going to be severely impaired. However, if there is provision for the tax deductibility of those expenses, I would stand corrected. I do not know whether the Minister would care to comment at this stage.

Mr. Wilson: There is no provision.

Sen. Mansoor: There is no provision for it. So I suggest, and I stand with my point, that these bonds are not going to be very attractive, and one wonders whether the purpose of bringing this particular piece of legislation is not being vitiated at the very onset.

I come to clause 19 (p) which has to do with the question of the exemption from tax of interest received by persons in excess of 60 years of age. This is

perhaps a laudable measure, and I suppose it is intended to protect the incomes of senior citizens, except that it does not extract the pound of flesh from wealthy citizens over 60 years of age, and I believe we have a few of them in our country.

The very fundamental point I would like to make on this particular provision is the point I made before, and it is that if the Government is serious about encouraging savings in this country—and from time to time we hear these pronouncements made by Members of the current administration—the maintenance of tax of 15 per cent will always be a source of discouragement to savings. Having regard to the fact that the Government has found it possible to exempt from tax, interest received from people 60 years old and over, I wish to reiterate my request that further consideration be given to exempting interest on a larger variety of savings accounts for all members of the community, because the encouragement of savings is very important to our ability to fund future growth in this economy.

We have had several debates and discussions in the honourable House about the cost of foreign debt and the cost of borrowing. I venture to suggest that much of the energy of the Minister of Finance has been used up in trying to reschedule debt and reducing the interest liabilities of the Government to external lenders. It seems to be very clear that we need to do all in our power to encourage savings by all sectors in the society and, I therefore, make the plea that in future, consideration be given to broadening the scope of this provision so that more interest income would be tax free and, as a consequence, savings will be encouraged.

I now come to the question of the SAF-T account. As I said during the 1991 budget debate, it is my opinion that the introduction of the SAF-T account is really a humbug and a nonsense. It will do very little, if anything, to promote savings. The provisions regarding the use of the account are very complicated. The administration is also complicated. I really cannot conceive of a situation where a person would be encouraged to tie up his/her money in a SAF-T account when the tax savings is so negligible.

Now, this Government earned a lot of kudos in the past by simplifying the legislation regarding corporation tax and personal income tax. It appears to me that the introduction of the SAF-T account merely clutters up the existing legislation, complicates it and, in many ways, destroys the benefits which we would have received from the work that was done in simplifying the legislation and making the taxation regime easier to administer and more easily understood.

I will remind the Minister of the comments he made on earlier occasions about flattening the field and making sure that individuals would pay a fair share of the tax burden. It seems to me that the introduction of this very complicated piece of legislation, for a mere matter of saving \$12,000, is really a nonsense. I do not know whether it has political appeal, but I doubt it. All I see it would do is destroy the good work that has been done in the past. So I ask again: Is it really necessary to proceed with this matter? I urge the Minister not to destroy the good work that he has done in simplifying the tax code.

I now come to the question of the free zones. Members will remember the hurry with which this legislation was passed sometime ago, and the protestations that the haste was necessary because there were many projects in the pipeline and that we needed to pass that legislation very quickly so that these jobs would materialize and the economic activity that would spring up in the free zones—very quickly we were told at the time—would bring to the economy. I ask the Minister, has this happened? How many new jobs have we had because of the presence of this legislation and the presence of free zones? If nothing has happened beyond perhaps the hiring of a few secretarial and administrative personnel of the Free Zones Company, why has this not happened? Why have these jobs not been created? What is blocking the implementation of the legislation and the welcoming into Trinidad and Tobago of these foreign entrepreneurs who are going to provide all of these jobs? What has really happened?

I make these comments in light of the fact that more provisions are being made to make the free zones more attractive. In particular, it is now very clearly stated that companies in the free zones will not be liable for land and building taxes. That may be a very good provision and, maybe, we need to encourage companies to go into the free zones. But you may remember that at the time I asked: Why not make the whole of Trinidad and Tobago a free zone? Why are we making such efforts to make the free zones so attractive, and if by making them so attractive, whether or not we would not be encouraging companies of Trinidad and Tobago to go into the free zones and leave our industrial centres on the highway and reduce the number of jobs which, perhaps, one would consider to be normal jobs, as opposed to jobs in the free zones where the conditions of employment may not be very advantageous to employees?

So I ask the question: What has happened? Are we certain that by making all of these concessions to free zone companies that this country will, in fact, benefit in the way that it was once represented to us? There is provision in the Free Zones

Act for free zone companies to export into Trinidad and Tobago and, indeed, clause 56 of this particular bill makes provisions for the taxation of profits earned by free zone companies on exports made into Trinidad and Tobago. I ask the Minister: Is he certain that similar provisions have been made in the value added tax legislation to ensure that companies which are able to export into Trinidad and Tobago from the free zones are not in a superbly more advantageous position than companies that operate in Trinidad and Tobago?

This may appear to be a complicated point, but it is really quite simple. Have we harmonized the tax regime that would apply to free zone companies and the tax concessions that we are making here with the legislation that applies to local companies, particularly in light of the fact that those companies will be able to compete in what appears to me to be rather advantageous conditions with our manufacturing enterprises that operate within Trinidad and Tobago? Let me make it clear that I am not arguing against free zone companies. I am merely asking for information, because it seems to me that the complete harmonization of the rules has not taken place, and I really wonder whether or not the Minister has looked into all the possibilities and all the possible conditions that would perhaps encourage our companies in Trinidad and Tobago to go into the free zones to export back into Trinidad and Tobago.

I would also like to make the point that it appears to me that in clause 70 of the bill, "Services supplied by a person not resident in Trinidad and Tobago" have in fact been treated as exempt services, and in clause 71: "...goods which are supplied by Trinidad and Tobago residents to a free zone company" are zero rated. I want to know whether services provided by Trinidad and Tobago companies to free zone companies would be either exempt or zero rated, as it does not appear to be very clear from this legislation. For example, what would happen if an architect provides services to a free zone company? Would he have to charge VAT or would he not have to charge VAT on his services?

I now come to the question of the university and the provisions that have been made with respect to allowing the university freedom from VAT. It is very unclear whether or not the administrative procedures have been worked out with respect to the administration of VAT as it relates to the university. Is it that all registered companies will not have to charge VAT on their invoices sent to the university? Or is it that the university will have to pay the VAT and then seek a refund from the Government?

If the intention is that registered suppliers of commercial services are not going to be entitled to charge VAT on invoices levied or raised on the University of the West Indies, it seems to me that this would present an administrative nightmare.

3.00 p.m.

Mr. Wilson: Mr. President, the university will have to apply for a refund on domestic purchases. On imports made directly by the university, they would not be required to pay the VAT, but on local purchases they would apply for a refund.

Sen. Mansoor: I thank the Minister for his clarification, and I think that is the better administrative procedure.

The question which really arises here is, whether or not similar type exemptions would be given to other institutions, for example, WASA, Mt. Hope Medical Sciences Complex or any other of these institutions which provide services that are deemed to be very important to the well being of Trinidad and Tobago. Once we make it possible for this type of arrangement to take place, it seems to me that we are opening the door, and I see no reason why the university should be free from tax when the Mt. Hope Medical Sciences Complex is not similarly free of the strictures of the value added tax regime. I do not understand the equity.

Sen. Spence: I thought perhaps the hon. Minister would have answered. The University of the West Indies is a regional institution. The hon. Senator is referring to national institutions. That is the fundamental difference.

Sen. Mansoor: Mr. President, I thank my friend. I had also worked that one out, but Trinidad and Tobago makes a more than even contribution to the coffers of the university. *[Interruption]* I am advised that I should say, "Trinidad and Tobago Government periodically makes a more than even contribution to the university." I still maintain my point that on a relative basis there seems to be a bit of inequity to single out the university, which, as we know—and we have had in earlier debates—those who benefit from the services of the university do so at very preferential rates. You will remember, Mr. President, on a previous occasion when a certain Senator referred to the students of that institution as "free-loading Einsteins" because of the fact that they really do not pay anything that even compares to the economic cost of the provision of that service. While I am in favour of the promotion of tertiary education, it seems to me that on this particular matter, we need to get our priorities right and ensure that the cost for services be

put on a more equitable basis. I make my very simple point—why, the university? Why not medical institutions? Why not statutory bodies, which effectively have to collect their cost from the tax-paying public of Trinidad and Tobago?

Mr. President, I come to the question of the curtailment of registration as a supplier of commercial services. I commend the Minister for bringing clarity to this aspect of the law. Senators will know that this legislation really applies to situations where persons become registered for value added tax as suppliers of commercial services, but because of a variety of reasons they are unable to supply such commercial services immediately. So that such an entity effectively would be in a position to claim refunds for VAT incurred in anticipation that at some future date that entity would be able to charge VAT and collect taxes for the Government. This clause and clause 62 of the original bill seeks to make provision for instances where the Board of Inland Revenue wishes to cancel that registration and effectively start collecting VAT on the services provided to such institutions.

The legislation says that if the Board of Inland Revenue is satisfied that the entity intends to make commercial services, it would continue to honour the refund requests that are being made. So far, so good. I, however, have a problem with what would happen in instances where the board is not so satisfied, because the board has the discretion to determine at which point that enterprise could not intend to make commercial supplies. To be very specific, it says that:

“...if it appears to the Board that he ceased to intend to make commercial supplies on a date earlier than the date of the notice...”

a refund from the person would be asked from that earlier date.

I ask the Minister: Is he not giving the Board of Inland Revenue too much discretion? Let us suppose that you have a situation where an exploration company in the petroleum sector was registered for VAT prior to making any commercial supplies, and this comes to the notice of the Board of Inland Revenue, at what stage would the Board of Inland Revenue decide that the exploration company could not be intending to make commercial supplies? This legislation gives the Board of Inland Revenue the power to claim back from the enterprise, VAT refunds to the date when the board considers that the company could not be in a position of intending to make commercial supplies.

It seems to me that is a lot of discretion because one could be talking millions and millions of dollars. Would it not be possible to put the criteria on which this

determination would be made? I can envisage situations where companies would end up having to go to the Tax Appeal Board for a determination of this matter, and I really do think that the legislation can be improved, if the criteria on which such a determination was going to be made were set out in this legislation. I think that asking the board to exercise discretion in this matter is perhaps a very onerous undertaking to put on the backs of the employees of the Board of Inland Revenue.

Mr. President, I have made enquiries of some institutions and persons who are very familiar with the provisions of the Customs Act and the workings of the common external tariff, and I have been advised by such persons and institutions that the legislation which deals with that is in order. Like Sen. Furness-Smith, I suffer from the disadvantage of not having had the time to go through the provisions relating to that, so at this stage I would have to rely on the representations of those persons and institutions.

I wish therefore, Mr. President, at this stage, to conclude my contribution on this matter, by asking the Minister to consider the matters which I have raised, in particular, the question of the protection of the work which was done in the simplification of the tax code. I think that is a most important matter and I really wish to reiterate the concerns which I expressed on earlier occasions with respect to cluttering up the legislation with many provisions that are of really no account in the real world.

I should also like to reiterate my request for information on the state of play with respect to the operations of the Trinidad and Tobago Free Zones Company.

I thank you, Sir.

3.10 p.m.

Sen. Wade Mark: Mr. President, we have before us today, another of those documents which the hon. Minister of Finance and the Government would like us to believe is merely a matter of formality. Moreover, it is now obvious that the usually unflappable hon. Minister is given to lose his cool and become somewhat hysterical whenever I seek to put the interest of working people of the country squarely on the table for his consideration. However, since it is not within my professional competence to deal with emotional outbursts, whatever the cause or source, I have no choice but to continue to represent the interests of those who never seem to find priority rating with this Government. In this connection, I must say once more, that the bill before this Senate demonstrates a remarkable

consistency and a single-mindedness on the part of the Government. Once more, we find in this bill, what we always find whenever this Government brings bills before us. I refer to the Government's lack of care or concern for ordinary people in this country, and the attempt by this Government to mislead the people of this country about what is really happening.

To begin with, we are told in the explanatory note to the bill, that the aim is to enact fiscal measures announced in the 1991 Budget Speech, and to introduce certain other amendments of a fiscal nature. On the face of it, this is all very harmless. Yet, what we find is that, true to the form of this Government, some of the fiscal amendments referred to in the bill have a major sting in the tail. It is almost as if this regime cannot ever come straight with the people of this country.

Mr. President, permit me to focus on some aspects of the proposed Finance Bill. I want to look at old age pension. We all know that the Minister of Finance had suggested an increase of \$15.00 per month on the pension of \$245.00. In fact, labour in Trinidad and Tobago joins with others in finding this increase to be very stingy, just about six per cent when prices have risen by more than 10 per cent in the year 1990 alone, and when the Government itself has enjoyed a boost in oil revenues in excess of 30 per cent. All our pleas to provide a more meaningful pension for old people have fallen on deaf ears. Yet, when I made my contribution and when I said that this Government does not care about poor people, the Minister of Finance got very hot under the collar.

Mr. President, the labour movement believes that the time has come when the Government should make a more serious effort to ensure that the purchasing power of small pensions should be protected from erosion. After all, for some families in Trinidad and Tobago today, that is all the cash that comes in at the end of the month. Moreover, older people tend to have relatively higher medical expenses than the rest of us. I am therefore suggesting that the Government should decide on, what we may call, "a pensioners basket of goods" and take the necessary steps to ensure that adjustments are made so that this basket remains within the reach of our senior citizens. What this also means is that the senior citizens of this country will not be made into a political football, getting increases when some Santa Claus Minister only wants to win some votes for his Government. Mr. President, I cannot believe the gall and boldness of this Government.

Let us look at the free trade zone. Mr. President, the Government has informed us, in very glowing but very general terms, about the many benefits of the export processing zones that they wish to bring into this country. Now, in this Finance Bill we are told of a number of measures that will substantially ease up the free zones businesses. This country is still waiting to know, as our good friend, Sen. Mansoor asked: How many jobs will be created by these zones? What kind of wages will be paid by these zones, and will these zones bring new forms of pollution into Trinidad and Tobago? My information is that the foreign response to the Government's EPZ policy has been very poor and disappointing. Yet it continues to fool the country into believing that this will be such a great thing for the economy and that this is justification for making this scandalous amendment in lifting all tax burdens from the zones. The only certain thing about these zones is that they facilitate the leakage of capital from our country and they employ people in substandard and exploitative conditions.

While the labour movement is willing to make and to take a rather pragmatic position on these zones, we certainly do not believe that we have to give these zones tax conditions that we do not even give to our businessmen in Trinidad and Tobago.

Sen. Hosein: Mr. President, could I just enquire on a point of information? I observed, on two occasions this afternoon, my good friend, Sen. Mark, made reference to "we in labour", and I am wondering whether he is speaking now on behalf of the labour movement in preference to the party which he represents in this Parliament.

3.20 p.m.

Sen. Mark: In fact, the Minister must bring the Parliament up to date on that issue. How much money did the taxpayers spend on this fly-by-night bandit that came in here?

Mr. President: Is the hon. Senator referring to a prospective investor as a bandit? The person is not here to defend himself, I think you could use better language to describe people who come here to invest and who cannot be here to defend themselves.

Sen. Mark: Thank you, Mr. President.

Mr. President, what I am saying is that Donning and Associates virtually ripped off this country and the Minister of Finance must tell us precisely how much

it cost taxpayers. How much did we pay Donning and Associates to promote Trinidad and Tobago in Hong Kong, Singapore, Taiwan and the Far East?

Mr. Wilson: Mr. President, could I ask the hon. Sen. Mark to indicate what criteria he is using when he says that Donning and Associates ripped off the country? Can he tell us why he is saying that they ripped off the country?

Sen. Mark: This is precisely what I am trying to get from him. Mr. President, you see, in the *TNT Mirror* of Sunday, April 21, 1991, there is this headline "The Great EPZ Hoax" and it outlines—I do not want to quote these figures—but I would like you to indicate to what extent and how much money we expended in hiring Donning and Associates, and precisely how we benefited in Trinidad and Tobago. Let us know.

Mr. President, I want to touch briefly on the value added tax. The area of taxation is one which this Government simply refuses to deal fairly with the people of this country. The only VAT amendment that should have been brought before this House is an amendment in the rate of that tax. When the tax was introduced in 1990 and the labour movement complained that the rate was too high, we were told that due to reductions in income tax schedule, the 15 per cent rate was necessary to give the Government the \$863 million it required from tax.

You may also recall that when the 1991 budget was presented, we were told by the Minister that the VAT had collected \$890 million. I see *the Central Bank Report* says \$898.6 million, a little difference. Moreover, according to the *1990 Review of the Economy*, personal income tax yielded something like \$545 million. Total collections from the VAT and personal income taxes could therefore be computed at around TT \$1.4 billion. Based on those figures the Government's total revenue for the year 1990 was given as \$5,776 million.

Mr. President, I am finding some difficulty in dealing with the components of Government's revenue. The *Central Bank Report* says one thing—and I am referring specifically here to oil revenue, and the hon. Minister could probably guide us on this question—but you see in the Government's budget statement for 1991, on page 80, under revenues, and I am referring specifically to oil, the figure is given as \$2,521.5 million; that is in the budget estimates for 1990 and presented in 1991.

However, when we look at the *Review of Fiscal Measures*, in the 1990 budget, we see another figure. First the original estimates was \$2.2 billion; the revised

estimate was \$2.8 billion and the difference, \$672.4 million in terms of what was earned in excess. When I look at the *Central Bank Report*, dealing with the economic survey for 1990, I see TT \$2.3 billion in oil revenue for 1990. There appears to be some gap because on the one hand, it is being claimed that the Government made some \$230 million in excess as a result of the crisis in the Gulf, but the Government's own estimates show that it realized \$674 million. The hon. Minister needs to clarify my argument on the VAT issue.

A few days ago, we were told by the Minister of Finance that the first quarter performance for 1991 has caused an upward revision of \$164 million in non-oil taxes. Since the Minister was deliberately vague about where this revenue came from, it is reasonable to suppose that this sum reflects more revenues from the VAT of 1990. He would need to clarify that. Based on these assumptions, we can conclude that the Government has enjoyed almost \$200 million more from VAT. In light of this extra \$200 million in tax collection, the citizens of this country are morally entitled to a reduction in the VAT rate. But the Government will not do this.

Mr. Wilson: Mr. President, on a point of order. The Member is deliberately misleading the House. On one hand he is asking the Minister of Finance to clarify certain things and on the other hand, he is coming to a conclusion, almost to the infinitive conclusion, that we have earned over \$200 million additional from the value added tax. I must say Mr. President, the Member is deliberately misleading the House. He is either asking for clarification or he knows for a fact, but he cannot do both.

3.30 p.m.

Sen. Mark: My argument was based on some assumptions and I was leading to the conclusion based on my assumptions. I think that I have all rights to do so and I am not misleading the House in anyway. If the Minister wants to volunteer to provide us with some clarification on the matter, then I would desist because my conclusions would again erupt his emotions and I would not want that to take place at this time. I am going to desist going in that area.

There are two other areas to which I would like to make reference before I conclude my contribution. I do not know if I heard the Minister correctly, and again, the Minister of Finance could correct me. In his opening remarks, the Minister indicated that duty on race horses was being reduced from 45 per cent to

10 per cent. Now the Minister must indicate to this House the rationale for that and what this new provision would cost the taxpayers. He must rationalize that. [Interruption] We are not unionized.

I would like to pursue and ask the question: Precisely what impact is this going to have on the nation's foreign exchange? The Minister knows that we are experiencing a balance of payments crisis. We have a crisis because the *Central Bank Report* shows that we still have a deficit in our external payments and the facts are there. Do you want me to quote it for you? The point I am making is that it is precisely because of the balance of payments crisis in Trinidad and Tobago that the Government had to enter into some marriage arrangement with the IMF.

Mr. Wilson: Since the Member recognizes the reason we had to go to the IMF, I would like to enquire from him whether he supports the move made by the Government.

Sen. Mark: Labour never supported that move and we still do not support that move.

Mr. Wilson: Therefore, are you advocating we should have continued in the crisis?

Sen. Mark: Allow me to pursue my discourse. The fact is, I am not going on to the IMF road at this time. We will have a separate occasion for that, what I am dealing with is the perception of the population as to the justification for this reduction.

Recently, in the newspapers, I saw where some doctors from South were indicating to the entire nation that the San Fernando General Hospital could be decertified. The Minister is quite aware that there are people who are unable to obtain basic drugs at our hospitals. We have so many people who are poor and unemployed and who have become vagrants and what I am using here is not emotive language, I am dealing with a perception. How are the people going to interpret such a move at a time like this? You reduced duty on horses from 45 per cent to 10 per cent. You will have to explain because you are going to face the people.

Mr. Wilson: What about mackerel?

Sen. Mark: That was very positive. We really have a problem with the issue of race horses. You will raise it at the appropriate time. I think that it is necessary for the Minister to pay some attention to some of my observations.

I want to deal briefly with the stamp duty. It is commendable that you have provided some concessions. It is good but the question of housing affordability has to be addressed. I recall in 1989 when we were holding discussions with a government-appointed team to deal with ways and means of alleviating the plight of the poor and unemployed in Trinidad and Tobago, it was drawn to our attention that the total stock of outstanding mortgage debt amounted to about \$6 billion, in Trinidad and Tobago. What worried us at that time and what is still worrying us now, is the impact of that on the financial integrity of the financial institutions and agencies in Trinidad and Tobago. If we have to deal with housing, we have to look at it in a more comprehensive way and whilst these limited concessions could be looked at, it is just a palliative, because the crisis is deeper.

Thousands of workers have been retrenched. In a particular report I have seen between 1985—1988: 20,850 persons were retrenched and they report their cases to the Ministry of Labour. When we are dealing with issues we have to deal with them fully. My information at present is that at Santa Rosa Heights there are 241 houses vacant. People cannot pay their mortgages. You cannot talk about rescheduling but restructuring, and particularly, the element of interest rate. At La Florissante, 167 houses are vacant. Some are living at their mothers or fathers while others have left the country because they cannot make it. This is the first Government that has almost created a nation of refugees. Let me give you a list of vacant houses: Victoria Heights—27 houses; Trincity—294 houses; Lange Park—183 houses; Diamond Vale, Diego Martin—327 houses.

Hon. Senator: What is the source of your information?

Sen. Mark: The source of my information, you go to those places my dear brother and you are going to see. They exist. Do you want to query my information? You go to these places. The point I am making is a simple one. If we have to deal with the issue of housing we have to address this question in a very comprehensive way.

Over the last four years, in particular over the last eight years, workers in the public sector have had their salaries and wages frozen. During that period workers have witnessed a reduction both in nominal and real wages and incomes. This Government was very famous for its wicked ways; insensitive to the needs of the

people; it froze people's cost of living; suspended an Industrial Court judgement; froze merit increases and recently had to give back the people their 10 per cent because it would have had to come to this House and it could not have justified that in an election year. So the Government had no choice.

3.40 p.m.

I want to make the particular point, Mr. President, that is, that unless we address the issue of interest rates, that crisis that exists in the housing sector will persist. I urge my honourable colleague—who I hope I have not destabilized again—to take into account some of my observations as they relate to housing.

Let me conclude by saying that Sen. Mark is not using emotive language, or Sen. Mark is not riding on anybody's back when he insists that this is a Government that does not care about people; that this is a Government that does not come clean with the population. What we have seen in this Finance Bill is what we have also seen in the recent fiscal review statement. What we have seen in the bill before us is what we have also seen in the Government's statement on the rebuilding of Port of Spain, for in this bill none of the amendments demonstrate a concern for ordinary people. Is this not similar to the statement that a tax-free \$50 million bond issue will be floated to set up the Restoration Facility fund? I have no problem with that, and I want to make it abundantly clear here this afternoon that we understand the role of investment and, and we understand why it is necessary to create employment and to multiply our incomes so that the economy of the country can begin to get on some growth path.

Labour is the source of existence. We cannot be asking workers to work harder, to produce more, to increase real output and to increase productivity and you do a thing like this. You must send a signal and you must send the right signal to the workers of the country. Workers are owed over \$45 million by companies and employers who have been sent into receivership.

I am saying to the Minister of Finance that he needs to pay attention to the kind of signals that he is sending to the population. I would like the Minister of Finance to look at the possibility of floating a bond issue for the workers as well; those workers who have given their life-blood to companies in this country, 30 years of existence, 35 years, and they are owed severance benefits since 1979. Companies have not paid and some workers have died and their houses have been sold or foreclosed by companies. The Minister of Finance must pay some attention to that particular factor as well.

I am not against the Government of Trinidad and Tobago floating a bond issue for DOMA, (Downtown Businessmen's Association); I am not against that. What I am saying is that you must send the right signal to the country. I am very disturbed about that—leaving out workers; that is why I say your rating is poor. It seems to me that the pattern is very, very clear: working people do not matter to this government, it is clear. Moreover, when the VAT amendments of this bill seek to hide from the population—anyway, I would not go into that because my colleague would say that I am seeking clarification, so I will leave that.

The Government continues to increase our foreign debt at a time when our export earnings are less than expected, but according to them we have nothing to worry about. That is what the population cannot take from this regime. The Government persists in treating the people of this country as if they were senseless and less than intelligent. For this and for all else it has done, there will be need to pay when the bell rings and people are placed in the docks and it has to defend its record, its stewardship.

Mr. President, when very powerful and substantial contributions are made in a loud voice—I cannot help this; I am a trade unionist, I am trained, but I need to temper it, I agree with you. When one speaks here in the manner that I have spoken, sometimes the wrong conclusions are drawn. *[Interruption]* This is precisely the point I am making. You cannot deal with truth. Once you deal with truth, you are a communist. You might be a fascist, I do not know. You might be a right-wing element, the whole regime with the exception of one or two. I am not going to get into that.

The point I am making is simple. We have in this region and in this part of the world the first Nobel Peace Prize winner, a great son of the Caribbean, a great son of the soil. He is still alive today. His name is Sir Arthur Lewis, a Nobel Peace Prize Laureate. In a book entitled *Development Planning*, hear what Sir Arthur Lewis had to say, and I really want my colleagues on the other side to listen to what Sir Arthur Lewis had to say—A Nobel Peace Prize. *[Interruption]* I beg your pardon. A Nobel Prize. Thank you very much, my dear colleague.

You see, I have no problem with the truth. If I am wrong, I am wrong. I always say so. Hear what Sir Arthur Lewis said in a pamphlet entitled *Development Planning*. Listen carefully. It is not a communist talking here. It is Sir Arthur Lewis. The year escapes me at this time, but I have the name of the text:

“The chief condition for confidence between the Government and the workers is that the Plan should clearly be in the interest of the workers. The temptation to favour savings and growth excessively at the expense of consumption should be resisted; the Plan should provide for substantial increases in consumption. The Government should spend liberally on social services, especially education, health and welfare services, and take aggressive steps to improve working class housing.

The employment aspects of the Plan should also receive special consideration; prestige expenditures should be cut, and the money used instead to create resources which will provide employment; and useful relief projects should be started for all who are genuinely seeking work. This is hard medicine for some planners. Their test of success tends to be the growth of the aggregate called gross domestic product; the people’s test is what is happening to food, clothes, education, health services, housing and employment.”

Dr. Basdeo: I wonder whether he would tell us whether that is Arthur Lewis’s latest position, because that sounds like a Fabian tract written in 1938 when Sir Arthur Lewis was in fact a member of the British Labour Party. So I just wonder whether or not this is not the 1930s reflection of the man’s thinking rather than 1991.

Sen. Mark: I take your point. But the point I would like to make, Mr. President—and I would like to take this opportunity here to invite all honourable Members, including my good friend, Sen. Sahadeo Basdeo to—*[Interruption]*.

There is a very important tribute that is being paid to Sir Aruthur Lewis and it is being organized by the Department of Economics and the UWI Economic society. It is being held on Thursday, April 25, 1991 at the UWI Engineering Faculty, St. Augustine. I think your question could then be placed to the experts who are going to deal with that. I myself will be attending.

In closing, I just want to refer—because the question about development and the type of strategy that has to be pursued if we are to satisfy the aspirations and needs of our people, I see that it has even begun to be queried by Hon. Sen. Rambachan. I read in the newspapers and I re-read to see if I could have understood what he was saying, and I have brought the clipping. You see, things are happening. He has begun to query. I am not in any way attempting to attack Sen. Rambachan, but what I am saying, Mr. President, is that it is good to see and know that honourable Members are beginning to think, because at one time I

thought we had the IMF sickness competely, but it is good to see that. I quote from page 3 of the *Trinidad Guardian* of Saturday, April 20, 1991. Hear what our good colleague has said:

“Dr. Rambachan also touched on the plight of farmers who were deprived of security of tenure and questioned the role of ‘people at the top’ involved in planning and policy formulation, but not versed in the realities facing farmers.”

He went on further, Mr. President, to say:

“Sometimes I believe our whole approach to development is wrong. We have failed to really identify people’s true needs.”

I say no more. I just simply close by saying that we are beginning to think. It is good to see that, for instance, on the other side, my good friend, Sen. Dr. Rambachan, has begun to give it some thought, and I hope my good colleague, the honourable Minister of Finance, would also begin to give thought to this particular development and to reorient, refashion and remould the whole thinking pattern that has developed within this regime over the last four years as it rages forward and is very close to its death bed. Thank you very much.

3.55 p.m

Sen. Dr. Krishna Bahadoorsingh: Mr. President, today I think I am learning a little about, at least, one of our colleagues, Sen. Wade Mark. In the course of his contribution, he did make a mistake, which could have been a slip of the tongue—and I think he made several mistakes—when he alluded to Sir Arthur Lewis as having won a Nobel Peace Prize. I prompted him, as you all know, and I said, "It was not a Peace Prize, it was a Nobel Prize for Economics," and he immediately corrected it.

As he went on, he quoted Sir Arthur Lewis quite profusely, in which case Sen. Basdeo interrupted him and asked him, "Could that have been a quotation that he may have made around 1938 when he was a member of the Savings Society in Britain, in his more radical days?" Sen. Mark gave Sen. Basdeo the benefit of the doubt.

If he is consistent, I am wondering whether he would take it upon himself to withdraw a comment which he made about the present Government, when he referred to it as not caring about people.

Hon. Senator: True.

Dr. Bahadoorsingh: Mr. President, I am happy I can stand here as an Independent Senator, whereby I do not have to impress any section of the population for political or other reasons—it could be trade unions, people in regional areas and so forth. I think it is a little harsh for anyone to get up in this Senate and refer to the Government as not caring about people. We on this side, at least at this level, have mentioned on so many occasions the difficulties which the present Government faced when it came into power in 1986, with a depleted Treasury and all the difficulties which it had to go through financially and otherwise.

One of the most important decisions this Government had to make was whether to send 10,000 or 15,000 persons home or keep them at a lower salary level. From an institutional point of view, from a company point of view, if one were to look at an efficiency point of view, in terms of the needs of the country, theoretically I think the better decision for Trinidad and Tobago may have been to let 10,000 or 15,000 people go and have a very efficient public service and revamp the whole thing. The social consequences would have been hard to fathom, and I think it is because—

Sen. Spence: Mr. President, I wonder if the hon. Senator has read recent articles by the retired head of the civil service who question the number of persons employed and suggests that indeed there was a myth in the figure that it was 15,000 in excess.

Dr. Bahadoorsingh: Mr. President, indeed I have, and all I have been told in those articles is that the particular person had not seen any definite study to prove the numbers which have been bandied around. That is all that I have seen. I share the view that this country could run with 15,000 people less. If you take the types of activities which we are involved in; if we compare ourselves with other slightly smaller or larger countries; if we compare ourselves with either Singapore or Barbados and we pro-rate the number of persons we have in the public service here, the figure might be 25,000 or 30,000. So I would think that 10,000 or 15,000 people may be conservative—yet I stand to be corrected.

The point I am driving at is since this Government took the decision to maintain whatever number of thousands of people, I think this is a paradigm example of the fact that it is a caring Government as far as people are concerned. If Sen. Mark wishes, I can sit for two minutes for him to retract that statement, if he is consistent.

Sen. Mark: Mr. President, I do not want to engage my colleague on the question about caring. If he believes that the word "caring" is insensitive, then maybe I can use another word that would mean the same thing. The point that I made—and it was very mild because I can become very harsh—

Mr. President: The hon. Senator has given you a chance to retract, not to make a speech.

Dr. Bahadoorsingh: Mr. President, what we are doing here today really, is an annual ritual, whereby a few months after the budget we have to enter into another debate with many budget-like features with a few modifications, a few adjustments, here and there.

I was very interested in hearing my good friend, Sen. Mansoor, because for the first 15 minutes of his contribution, speaking of course about a few points which I would have liked to have mentioned, also which I am going to perhaps follow up—I know that Sen. Mansoor is an outstanding chartered accountant; I know he is in a private enterprise at the moment—but the way he spoke, with the vim, vigour, enthusiasm and new ideas, I know he has been away—only today I was told that he just came back. He did not tell me where he went, but I am wondering if he went to Singapore and his batteries were charged there with these new ideas. I can totally identify with the ideas which he was speaking about.

Nonetheless, Mr. President, we are in late April at this time. In a couple of months we will be in the middle of the year. Soon thereafter we will have our summer break and so forth. Time flies very quickly. Not long after that, we may be speaking about the 1992 budget. Here we are, in April, speaking about refinements and so forth, with respect to the last budget that was presented. At this stage, I still have a problem, and the problem is that Trinidad and Tobago is still not that attractive a place for investments. Over four years now we have been trying to make Trinidad and Tobago an attractive place for people to invest.

I cannot help but refer to what Sen. Mansoor mentioned about the question of savings. The problem, to me, is a relatively simple one. It may not be simple for the Government. The Minister of Finance may have certain responsibilities. I have neither heard nor read any satisfactory reasoning as to why Government, through the Minister of Finance, is so tight-fisted when it comes to the question of savings, especially when this whole question of savings is so important to the economic regeneration of our entire country.

4.05 p.m.

Let me quote a brief statement from page 3 of the *Express* of April 23, 1991, made by one of our former Senators, Mr. Tommy Gatcliffe who is the Chairman of Angostura Holdings Company Limited, and several other companies; a respected business executive in our country. He said:

"Generation of increased employment was largely a matter of increased investment. People must not spend all they earn today, but save and invest in the production of marketable goods and services with the hope of a better return tomorrow."

Mr. President, a straightforward statement that would not befuddle the minds of anybody here, which simply means that you have to save and invest in productive things to generate jobs and assist our economy in reviving. I am firmly of the opinion that in our country, Trinidad and Tobago, there are inherent, perhaps inadvertently, in our Government's policy and systems, disincentives to savings, by and large. What we have, a person over 60 years of age could save tax free, and there is, what the Minister of Finance calls the "SAF-T Accounts." I share Sen. Mansoor's view when he refers to this as a "humbug and a complicated set of rules." I went through the thing myself and the people in that income bracket reading this may think otherwise. Certain people may go after it. It will generate some measure of savings in the country, but my major problem is—and I address this to the hon. Minister of Finance—what is there in our system which will encourage the people who would not qualify for the SAF-T Account or the people who are not over 60; that big huge gap you have there? Why would they want to save money? More especially, why would they want to save money in Trinidad and Tobago?

Mr. President, I do wish that the Minister could give me an answer to this because I may be very simple in these matters, but I am at a loss to figure out why anyone would want to save in Trinidad and Tobago. Let me put it very crudely. What incentive is there to dissuade a citizen of Trinidad and Tobago from breaking our foreign exchange laws and getting his money to London, where I understand the interest rates have gone down from 15 per cent to around 12 per cent now tax free? I understand it was 15 per cent a few months ago and you can now get around 12 per cent tax free. If the Minister is arguing—okay, it may be 10 or 11 per cent, it is tax free to non-nationals who have snuffed money out of various parts of the world, as it is tax free in Canada, where I understand you can

get about nine per cent tax free. Or you can put your money in the United States if you are a non-national, people who have syphoned money illegally.

In the United States the interest rates are lower. My good friend is saying, Grand Cayman; you could go to the Bahamas or a plethora of tax havens to get eight, nine maybe ten per cent and no questions are asked. And you could put your money in any currency you want, in a currency which may be appreciating in value, as the US dollar has been recently, and you get your returns tax free in a save haven. Mr. President, this is the competition in Trinidad and Tobago for much of our Trinidad and Tobago dollars. I wish the Minister, when he is replying, could enlighten us as to what would dissuade someone from breaking our foreign exchange laws.

In Part VII, clause 19 (iii) (p) of the document we are debating today states:

"(p) interest payable to resident individuals..."

Could the Minister tell me if there is a non-resident individual who may wish, because the person may have confidence in our country, to take some funds from Toronto or Grand Cayman or some place and bring it to Republic Bank or the Workers' Bank in Trinidad and Tobago, what procedure does that person have to go through? If a Trinidad citizen wishes to take some money and send it to London, all he has to do is send it. That is all. He puts it in an envelope, opens an account with a bank, signs some forms and he sends it, and they say, "Thank you". But if a person from London, it could be a person who used to be a Trinidad citizen who may be now a UK citizen, a person works hard, retires, gets a gratuity and pension, gets a golden handshake and the person says: "Look, I love Trinidad and Tobago, I would like to send some of my money to the place where I used to pelt mangoes and guavas," what does the person have to do? I wish if the Minister would answer. Does that person have to go through the Central Bank? Does that person have to sign a million forms and declarations? Does that person have to pay taxes on the interest he makes if he is under 60? By the way, the interest he will make on that fixed deposit will be less in Trinidad than he can make abroad anyway. But nevertheless this hypothetical person is highly nationalistic, loves Trinidad and Tobago, supports our cricket team, and wants to assist in the economic development of Trinidad and Tobago and decides that the £20,000 that he obtained as a result of working in a factory for 35 years, he wants to send this back to Trinidad and Tobago. Could the Minister tell me what procedure that person has to go through? Is that person welcome? Mr. President, I have asked this question on innumerable occasions.

Just before Sen. Gordon left this Chamber for the last time, he made a statement on it and he said that the Central Bank is just about—this is two and a half years ago—to finalize the remaining arrangements whereby a simple transaction like this could be done. Is this the case? Have these arrangements been finalized, or have they merely been forgotten? I am telling you that there are thousands and thousands of Trinidad and Tobago nationals who have migrated, as we say in this country, whose navel-strings are buried in this country, who do have certain feelings of nationalism still, and even though they may not want to take all their funds and bring them back here, they may still wish to put some of these funds back here. Are we welcoming those people?

4.15 p.m.

I could speak this way because certain members of my own family have migrated and are faced with this problem. I declare my interest here. As my friend, Sen. Furness-Smith just mentioned to me, their accounts are frozen; they are pariah, they are no longer wanted. They still operate under the nomenclature that, “who do not like it can get the hell out of here”. That seems to be the expression which categorizes these people. I must say that all the good that this Government has done in the last four years—because I share the views and I identify with the policies that this Government has made over the years, by and large, I cannot recall differing with any or many, and they may be minor if I do differ—this is one of the glaring gaps which still exists, and I would wish the Minister, who is present with us today, could address this problem and see if once and for all we can come to a sensible solution in relation to foreign firms and people who may wish to enter our doors.

Quite apart from the non-resident Trinidadians, what about the resident Trinidadians who may wish to invest their funds here, instead of illegally taking their funds abroad? I consider it a tremendous disincentive for large sections of the population to have to pay taxes on their savings, such as they are, especially in the context that there is a seeming lack of confidence or “wait and see” attitude which pervades our society. There is an absence of enthusiasm in our society at the moment.

Only this week I spoke with a senior banker from one of our major banking institutions, a very brilliant fellow, and I asked him: “How are things going, are people borrowing money?” Do you know what he told me? I would not identify him nor the bank, to protect the individual. He indicated to me that he was a little

distressed that they do have a fair amount of money to lend, but they were short of proper clients to lend this money to. I asked him the reason for this. He said that people are uncertain about the political situation; they are uncertain about the economic situation; the sort of things you are seeing in the opposition politics at the moment with two leaders vying with the executive to do certain things, which we read about in our headlines today. These things do not help.

They are really reminiscent of the old DLP politics of which I was speaking to my good friend, Sen. Alloy Lequay, about. As the French say “*plus ca change, plus c'est la meme chose*”, things are very much the same. I was involved in that era with my good friend Alloy Lequay, for whom I have the highest admiration, and I am glad he is sitting here today, but it seems after about 20-odd years, that the politics of a certain sector of this population has refused to evolve. This is a real pity. Even though it is opposition politics, it does not redound well to the image of Trinidad and Tobago. I would like to say, after the passage of so much time, with highly qualified people entering politics—people who are engineers, people who are lawyers, who have Phds. and so forth—I would like to have thought that after so much time we would certainly do better.

So, we have a situation here in the country, where you may say in our parlance, it is a bit “iffy”; people are not happy. In order for people to make a financial commitment, they must have the confidence that over a period of time they can see things going in a particular positive direction. At this particular stage in our society, I am not seeing that and I believe the evidence is there.

Mr. President, I congratulate the Minister on the simplifying of the stamp duty situation. Unless I am wrong, because there is always some controversy of interpretation of these things—even though I think the Minister was very straightforward—I would like to think that what he said was that there is no stamp duty applicable up to \$300,000. Stamp duty at the rate of 5 per cent is applicable for above \$300,000, regardless of the value of the property. If that is what the Minister has said, that is easy to understand. If that is not what the Minister has said, well then I would appreciate a further clarification because in the sector of the society that deals with properties and so forth, anytime there is a change—and there have been changes in stamp duty about 10 or 12 times in the last X number of years—there is a tremendous amount of confusion and it takes two or three months sometimes, for lawyers and people in this part of our business community to come up with the correct interpretation of what is meant. So if what I have said

is correct, I wish the Minister would confirm that regardless of the value of the property, the property could be \$1.3 million or whatever, you pay only on the part above \$300,000.

So far as Sen. Mark's comments on housing are concerned, I would like to differ with him on one point when he referred to the question of interest rates. We in Trinidad and Tobago are very, very fortunate in that compared with, I think, most countries of the world, we enjoy very, very favourable interest rates as they relate to new houses. This is mainly because it has been the stated policy of this Government and the previous Government to ensure that interest rates are low enough so as not to be a disincentive to the housing industry. I would like Sen. Mark to rethink those statements; look at the interest rates. So far as I am aware from memory, I think you could get mortgage finance from around 6 1/2 or 7 per cent up to about 9 to 9 1/2 per cent tax free. Then when you get into another bracket, you go to the more commercial rates available, which may be 12, 13 or 14 per cent for other types of properties. But so far as interest rates are concerned, I think that we ought not to complain about that since that is not the problem in the housing industry.

The problem with the housing industry now reflects the state of the general economy. If per chance within one, two or six months, there were to be a fillip in the economy, I guarantee Sen. Mark, that overnight there will be a demand for housing that you would not have seen for a long time. So the problem here is not the interest rate.

4.25 p.m.

Two minor points, the first one is, I noticed that the Minister mentioned that beer is now exempt from excise duty if you were to export that product. I want to ask the question, which again would be rather simplistic: Why is there any tax, even income tax, on anything you export from Trinidad and Tobago? Could we not have a system whereby, if you were to produce products in Trinidad and Tobago specifically for export, or if now you are a producer and you are exporting 10 or 20 per cent of your products, the portion of the products which you export should be tax free to you? So if you export 10 per cent of your products you will have perhaps 10 per cent of your inflow which would be tax free to you. What does the Government have to lose? You may have less tax on certain items initially, but would this not be a tremendous incentive to encourage existing firms to export more? I am not too enamoured with the idea. It will take a long time for

these things to happen. I am not holding my breath for new firms to come into Trinidad to set up here in order to export. It will happen, but it will take time. What about the existing firms? There might be good reasons why the Minister may indicate that this is not possible but I wish he would take a note and tell me why I am wrong in this idea.

Another very minor point before I close. If you travel and you return to Trinidad and Tobago, you see a sign at the port of entry that you are allowed TT \$50 duty free: today, TT \$50 is about US \$10 or about £ 6 or £ 7. Does that make sense? Is the Government saying that you are allowed to bring two chocolate bars in the country free of duty? Would it not be more reasonable to allow our returning residents at least TT \$200 that you are allowed to take out, or even US \$100 which is TT \$425, of purchases back into the country, free of duty? I would like the Minister to give this some consideration, so at least if you take your child shopping—perhaps when the \$50 was mooted and made law; that may have been equivalent to maybe US \$25, I do not know; that was several years ago. It appears a little mean and anachronistic and I am wondering whether the Minister of Finance will address his mind to this and see whether it would not be more appropriate and consistent with the dignity of our people to increase that amount to a more reasonable figure.

In closing, I reiterate that I feel a stillness in the society; a lack of activity in the society. You get no sense of urgency, for whatever reason. Last year around this time one felt some stimulation. By mid-July I think the atmosphere was different and then the events of late July took place and this has placed a damper on the society. For the rest of last year we went through a little euphoria when oil crossed \$40 at one stage. It is not too low now and I am surprised I did not hear the Minister of Finance refer to the price of oil. I do not know how much we are getting for our oil but looking at the news on television, oil is close to \$22 a barrel. This is the US grade oil, West Texas Intermediate or whatever it is called. I do not know how that will relate to our prices. The price of oil is not too low.

What we are lacking in our country is some form of stimulation; some form of encouragement. What is going to happen with respect to—and where is it going to come from—this event to give us a dynamic impact in our economy? I look forward to that.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

Sen. Ralph Khan: Mr. President, I had absolutely no intentions of speaking on this bill really, but having listened to the previous contributors, I realized that, in addition to having studied the bill to some extent and what was presented previous to this occasion, the bill, indeed, is one of tremendous significance and importance. Due to certain areas of public concern which I feel ought to be addressed by the Minister as well as the administration, I regard it as incumbent upon me to bring to the attention of the power that be, the relevant factors involved.

I am certain that, like most of our colleagues here, we all acknowledge that our Minister of Finance is one of the very hard-working Ministers in this Government out of a small core of very hard-working Ministers. There are no two ways about that. My objective here is not to chastise or to attack the Minister or the Government, as a matter of fact, but when these matters that I am about to bring forward relate to the public's interest, then I think that they must be gone into and given the due regard that is necessary.

In the Minister's contribution, he was honest enough and very straightforward in acknowledging the lack of manpower resources at the Board of Inland Revenue and, by extension, the Tax Appeal Board, *etc.*, to deal with matters relative to matters of income tax in general, and the value added tax, and so forth. In dealing with some of the matters relative to the tax regime or the tax policies that are operative in the country, I think we need to address some of these which affect the public in a negative way, or impact upon the public negatively, and deal with them as expeditiously as possible.

Now, insofar as the tax policy or the tax situation exists in the country in the overall performance of that department, the Board of Inland Revenue, I believe—and it is my serious conviction—seriously lacks the quality of service generally that the public requires or that is needed of the people and the personnel attached to that department in several areas. There is a lot that is left to be desired. In addition, I would go further to state that the people who have had regular communication and contact with the personnel of most of these departments have been complaining about very shoddy treatment and hostile reactions of most of the people of this department, which is very unfortunate. These are matters which I think should be addressed, among others.

Recently the public has been advised that due to the new system of filing returns, which has been a simplified method, with which I do agree, there has been an increase 200,000 extra returns to be completed which has added tremendously

to the normal workload. This poses the question whether, when the system was devised and designed it was taken into consideration that this situation would develop and if the mechanisms were put in place to deal with the problem effectively.

What we have found is that with the 1988 returns, many of these are still outstanding up to the present time, What I am stating here is a general consensus and a feedback that I have had from a survey which I personally, have been conducting through tax consultants and accounting firms. This is an area that needs to be addressed, and it is also a matter of grave concern.

Another very serious problem is the question of tax returns which have been filed, both personal and business, since 1981, 1982, 1983, and so on, many of which are still pending. If the Minister needs assistance in getting that information at anytime, I can assist in that direction. So I am not merely speculating, Mr. President.

As a matter of fact, some of us would recognize that the Income Tax Ordinance was amended sometime ago to extend the period of time that the Board of Inland Revenue would have had to deal with these pending matters before the close-off period. Prior to the amendment of the Ordinance, generally speaking, there was a six-year period. Once there has been any sort of communication today, whether it is right or wrong, which has been circulated by the Board to the taxpayer, it leaves the matter pending. This is a matter that we must look into, because there are multifarious examples of this sort of situation. When we have matters dragging on like these for so long, something definitely is radically wrong.

I again would like to urge the Minister and the administration, as well, to use their powers as best as they possibly can to try to alleviate the situation, bearing in mind some of the constraints that they are faced with, which I shall not delve into and with which I believe they are more familiar. There are others which I shall not, under any circumstances, go into at this forum. When we are dealing with matters relative to 1983, and things like these, and people are replying directly to the Commissioner of Inland Revenue when there can be no recourse and no redress from the officers who are subordinate to the Commissioner, then where do we go from here? From here, Mr. President, where do we go? This poses a very serious problem because I can tell you what happens is when the taxpayer finds that he reaches a dead-end and he communicates with the Commissioner of Inland

Revenue, the Commissioner then passes on that bit of correspondence to another department which would, on certain occasions, send out a notice of acknowledgment.

Subsequent to that, and more often than not, nothing further is heard of for years. Once the matter is in favour of the Board, they allow the matter to be pending there, and what they do—I do not know the motive behind it—but if the matter is due to expire within a few days and the final year comes up, they make it possible now to find the physical manpower to make delivery of the relevant notice just two, three days prior to the end of the year so that they keep the matter pending again.

The taxpayer might not be conversant with the aspect of the Ordinance and the law. He does not know. But as we know, they say that ignorance is no excuse of the law. However, again you see, Mr. President, I think that we must enquire whether, when this sort of action is done repeatedly by the Board of Inland Revenue, it is pre-calculatedly done, or is deliberate, or whether it is an oversight, or what is the cause or what are the reasons this sort of thing happens.

5.15 p.m.

Mr. President, these are some of the things that we definitely must look into. I am imploring, urging and exhorting the Minister to use his influence—I am using these words deliberately, I am not attacking anybody—to get the administration to harness its resources properly so that at least, in certain areas, we can try to assist the taxpayer, without whom the country cannot run and services cannot be provided. Without the taxation revenue of whatever category, it means that the Government will be bereft of funds and cannot undertake any programme of activities and, thereby, our system will just fall down.

I return to the question of the value added tax system. I should like to enquire of the Minister whether the system has been working adequately for us—I do not want to say properly—and if the taxes that are due to the Government are being collected as they ought to be, or are there people who, because they know how the country operates, know what to do to circumvent the law and avoid paying tax? If this is happening, obviously it will happen where large sums of money are involved. It is more likely to happen, for example, in the hardware business.

I know of many examples where, in these stringent economic times, people who would like to build their own homes and want to get started—particularly, there may be young couples who just became espoused and they want to own a home, and get going, to make a life and a future of their own, they will much prefer if they can explore this possibility and go this route to avoid paying the value added tax by paying less for the material. In instances like these, it means that not only is the taxpayer benefiting but it is also likely that the hardware owner also benefits. He also is going to profit because of the fact that he is going to trade more abundantly because he can sell his goods at a lower price and be more competitive than the man who wants to abide by the law.

What is happening in many instances is that the law-breaker is the guy who is progressing in the society; the one who is wrong is getting through, and he boasts about it. He is proud about it, and he talks all over the place. This is nothing strange. What I am telling you is not phenomenal. When these people get through with these kinds of acts they are so proud that they shout all over the country, that they have been doing this and they got away with it scot-free. They could defeat the Government; they know what to do; they are wise people.

Once more I am asking the Minister of Finance to try to use his powers to harness the resources that he has as best as possible, to try to seal these loopholes that do exist. I am saying this because I am not speculating. I am certain that we have lost, in this way, millions of dollars since the introduction of the value added tax.

Mr. President, you, like myself, were born in this country, and there is a common term that people use which says, "laws are made to be broken". They do not only say it, they practise it. They are breaking the law with impunity here and the reason they do it, more often than not, generally speaking, is—I have said this before and I repeat it, it is unfortunate that, time after time, we are introducing very good laws—our enforcement agencies, for multifarious reasons, are not geared to cope with the enforcement of the laws that are introduced and passed in Parliament.

These are some of the points on which I said I should like to make a few comments, and be as concise as possible. So I hope and trust that our Minister of Finance would look into these areas that I have pointed out and try to get something positive done.

To close off, I would just give one or two small, but rampant, examples where up to this moment taxpayers are still experiencing difficulties in obtaining their Form I which is known as the "tax return". We are lacking in that area, and this should be addressed forthwith. As a result of this, I feel the time has come when we should also take into cognizance, extending the time for filing these returns if it is the fault of the Government. Because of some mechanism that has failed, let us address the matter and give redress to the people to whom it is due.

There is another example that I can quote. Since about midway in 1990, the Board of Inland Revenue does not, and cannot, furnish a supply of TDI forms. Whenever you ask, you are told that there is a shortage. That one I can tell you is not only from people telling me this, it is also from my personal experience. I have employees in my business and I enquire about these situations from the people who are in charge of the department in South. When I fail to get through there, I relay to those in Port-of-Spain, the higher ups whom I know, and the answer invariably is the same.

To conclude, Mr. President, I repeat that I urge, exhort and implore the hon. Minister of Finance, and by extension the administration, to look into these matters and have something done to alleviate the problems of taxpayers which I have enumerated here, so that we will satisfy them to an extent because no matter what is done we cannot satisfy everybody at the same time. This, in my opinion, will at least try to build or rekindle the image of one department, if not more, of the administration.

We have got to start somewhere, and there is where I am asking our hard-working Minister to try to institute the necessary mechanisms to get some action taken forthwith, so that people would not just be complaining all the time. Sometimes they complain because they have developed the habit, but sometimes there might be genuine causes for that alarm. That is why we have to look into these matters very seriously and address them as they arise.

Thank you very much, Mr. President.

5.25 p.m.

Sen. Gerald Furness-Smith: Mr. President, we have fortunately, not come here this afternoon to re-debate the budget. We have had our chance on that occasion and on subsequent occasions to have a full debate on the economic affairs of the country. If we were debating it, I think everybody knows that I am entirely

in favour of the broad strategies which the hon. Minister has successfully been using to rehabilitate the economy of the country. I share the admiration, which I think every person in the country who has a scintilla of understanding of these matters shares, for the way he particularly has been doing his job in that respect.

What we are here today to do is to pass a bill of some 50 pages long, implementing the budget proposals. I have to repeat my criticism that we have not been given enough time to do that job. I know everybody in his department has been working like mad to get this thing through, and I congratulate him and them on completing the work with a week to spare. It clearly was quite a mammoth task, because what the hon. Minister has been doing is to shift our tax-raising mechanisms to consumer-related taxes and, at the same time, he has been trying to implement this common external tariff, all of which must have required an immense amount of work. I congratulate them all on doing their best at producing this document. I just hope that it is not full of mistakes. That is what worries me. I do not have the vaguest idea how many mistakes are in this document, but I am asked to vote in favour of it.

Now, the Minister, as I knew he would, pointed out that this bill has to be passed by the end of April because that is in the law. I would not have minded it if it was just a matter of implementing the provisions of the Provisional Collection of Taxes Order which we all had a chance to look at in January, I think it was. But it is not that. There are pages and pages here, of new ideas which his people collect for the annual Finance Bill, and then they are put into shape and put into the Finance Bill. Those provisions have nothing to do with the budget; nothing to do with the Provisional Collection of Taxes Order. They are tax amendment provisions and we are not being given a chance to examine them. I am quite aware that the Senate has a marginal input in these things. This is a Finance Bill; we cannot stop it. But I beg to submit that in matters other than the budgetary provisions, we are supposed to have an input. That is what we are here for. In my experience, our examination of these bills in this place, has in the past proved valuable and could, I believe, prove valuable this afternoon, as I will hope to demonstrate in one or two small points. The bill arrived on my desk a few minutes before I came into Parliament, and I have been trying to sort it out all afternoon while listening to other people speak. I have nothing to say on all these pages and pages of schedules. I just hope they are right.

The people who are affected by them have not even had the chance to read them, and we are going to pass them into law this week. That is quite wrong. I am more concerned about all these extra provisions which change the law and which we are not having the opportunity to examine properly, to put up amendments as I usually do, and if I find points, I write to the hon. Minister. I am not going to get into all these details of the changes in percentages. I listened with interest to the points being raised by Sen. Persad about some inference he was able to draw to vegetarian tendencies. Or was it carnivorous tendencies of the hon. Minister and his party? All I will say on that is, if the hon. Minister is carnivorous, I do hope that he will not, again, eat Sen. Mark for his dinner tonight. As I say, I have a few points to make which are mostly matters of detail, and I will give them for what they are worth; some of them may be mistaken, but I will make no apology for that.

On the first page, question has been raised in clause 3 about section 15 (f). I think it is because I probably do not have my copy of the Airports Authority Act of Trinidad and Tobago brought up-to-date, and I am not sure whether that is the right reference.

In clause 5 there is language used introducing the expression "unit of material", and it states:

"'unit of material' includes its equivalents or any such quantities of malt, corn...as by relation to such equivalents shall be equal to such unit of material."

The expression "unit of material" replaces the previous expression "gushel of malt" wherever it occurs throughout the Act. It appears in fact, that only in clause 5 does that expression appear, but clearly if you are substituting a new expression, you must be consistent throughout the Act.

In clause 6, I am indebted to a colleague for pointing out a worry about that. That is a simple amendment designed to make clear what the customs people have refused to recognize, that when you export shandy, which is a mixture of beer and other beverages, you should get your excise duty back on the amount of beer it contains. No, no, that would not do; that was not in accordance with the Act. So the Minister is kindly amending the Act. Maybe I could just quote the note which was made for me because the point is a little complicated:

"Over the past year, the company in question has been trying to draw-back under section 26 in respect of the shandy which has been exported. The

company's position being that since shandy is simply a mixture of beer and other liquids, then it should be allowed to have a draw-down on that portion of the shandy which is beer. The customs refused on the basis that beer is 'beer' as defined, while shandy is 'shandy' as defined. It appears that this amendment to section 26, is intended to allow a draw-back in respect of an export of shandy. The difficulty is that the customs might now take the position that beer is beer, a beverage is a beverage, and a shandy is a shandy, as defined and there is no over-lap between the three. It is therefore suggested that section 26 be amplified to include a reference to shandy as well as beer, and at the end of 26, the sentence, 'A draw-back calculated to the original gravity thereof, equal to the amount of duty charged or paid on such beer have the following phrase tagged on, 'or the proportion of such beverage or shandy which comprises beer.'

5.35 p.m.

Well, I can just see what he is saying. The Customs will be making difficulty because when you export shandy even though you demonstrate to them that it is 20 per cent beer, they are not going to give you a rebate on that. They are looking at the letter of the law when it comes to rebates, always. When they look at the letter of this law again, they will find some reason to maintain their previous position, if they can.

I next turn to page 8. These are the restoration bonds and I endorse the remarks of Sen. Mansoor about them. I also want to point out that there is already a paragraph (1A), but by Act No. 20 of 1989 there was an additional subparagraph (1A) added. It is suggested that to avoid confusion, this additional paragraph should be 8(r).

Now, I am well aware that there is no question of any amendment this afternoon, so it may be suggested that I am totally wasting my time. But I am going to put these points and I hope that there may be another opportunity to correct them sometime. But I am making them to demonstrate that this procedure is just not correct. It is not the way the laws should be passed.

On page 9, in the same provision relating to these restoration bonds, in paragraph (b), a definition of Industrial Development Corporation is given. But not a definition of either a restoration bond or of a business restoration facility. Now, apparently it is intended that we are going to have an issue of bonds to replace the business sector of Port-of-Spain, but a certain precision would certainly be useful.

Otherwise our friends in the tax office will question whether any particular bond is in fact a restoration bond. What is a restoration bond? It does not mean anything, I would say.

As for a business restoration facility, I know of many businesses which were not included in the July 27 fiasco—who would nevertheless be very glad for a little restoration. My friend on my right chuckles, "hopefully". So, on page 9 in clause 19, again, I agree with Sen. Mansoor, and other speakers, about SAF-T Account. As a matter of arithmetic, the total of these accounts cannot exceed \$12,000 at a rate of interest of 10 per cent. And at a marginal rate of tax, 35 per cent, the total possible amount of tax saved would be \$420 per annum. Of course, in practice the rate on deposits is only 15 per cent. So, the maximum savings would probably be only \$180. It is very complicated, I find, but maybe there are people in the lower income bracket who would be glad, it will make a difference to them; I do not know, but I somehow doubt it.

I do endorse Sen. Bahadoorsingh's points about savings. It really is extremely important that everybody be encouraged to save. Of course, if the people save their money, it would not be spent so it would not be enlarging the economy perhaps. But that money will go into capital formation, hopefully. Even if it is borrowed by the Government, hopefully it will go into something useful somewhere in their development programme or what is left of it.

Now, on page 12—I would have liked to look at this a little further but, section 34A of the Act which deals with interest on savings surely, when we are adding a new subsection (a), we should also refer to subsection (b).

In section 50, there is to be a new subsection—

"(2A) For the purpose of subsection (1) payment made to a person not resident in Trinidad and Tobago for services rendered to an approved enterprise under the Trinidad and Tobago Free Zones Act is a payment outside Trinidad and Tobago."

Now, Mr. President, the language in subsection (1) is "a payment arising outside of Trinidad and Tobago." The Inland Revenue gives an immense amount of trouble about that. With due respect to them, they have been raising points and questioning those things in circumstances where they are quite wrong. Of course, people do not always appeal and in any case it takes years to get an appeal heard. So, they are having a real campaign on this expression "arising outside".

One finds lawyers' fees charged by persons abroad for giving advice in Trinidad, they want to get withholding tax on that; they want to get withholding tax for services done by an agent at Maiquetia Airport to process goods coming through there so they do not get stolen; they want to charge withholding tax on that. So, this language will create more confusion.

Now, we come to the Trinidad and Tobago Free Zones Act. They have put in another section of the Act dealing with tax relief and so forth. In clause 49, I have to object to the grammar of the hon. Minister's proposal. I am sorry, it just does not make sense. Let me just explain the point. At the moment, paragraph (b) of section 18(1) of the Free Zones Act reads—

"Any of the articles specified in the Third Schedule, whether the company or the approved enterprise, as the case may be, satisfies the comptroller that such articles are imported for the construction, alteration, reconstruction, extension or repair..."

and the Minister would have us add—

"to the infrastructure or any premises situated within a free zone and including the equipping of such premises."

You can say, "imported for the alteration to the infrastructure," but you cannot say, "construction to the infrastructure, or the reconstruction to the infrastructure." You could say, "repair to the infrastructure." Again, "or any premises." Construction, alteration, reconstruction, extension or repair, or any premises. Is "to any premises" intended? I do not know.

5.45 p.m.

Now, Sen. Mansoor referred briefly to clause 50 dealing with tax relief which says:

"An approved enterprise shall be exempt from land and building taxes in respect of an interest held by it in land or buildings in a free zone."

I agree with what he said. Why should the operators in the free zone get the services which the rates and taxes are meant to provide free? I am all in favour of the free zones but why should they get those services free and who is going to pay for those services? The answer is that it is either the other rate-payers in the vicinity, which mean little people who cannot afford it are going to have to pay more to subsidize these foreign businessmen in the free zones; or, as I do not think

it was contemplated when we passed the Free Zones Bill, the operator of the free zones which is not the Free Zones Company. I believe they were intended to be operated by the Free Zones Company but in fact what is developing now, I understand, is a different concept where the Free Zones Company will license an operator and that operator is not free of tax. So being the owner of the premises if the approved enterprise does not pay the rates and taxes, then the operator will. That may have all sorts of consequences on the financial viability and the development which may further delay the implementation of the free zones.

The free zones got off to a bad start because Government did not have \$3 million or \$4 million at the time to let the Free Zones Company run their own zone. I believe they have been "catching hell" since then to try to get them off the ground. This could easily put another torpedo in the whole works.

Mr. Wilson: Can I enquire, what services are the companies in the free zones getting free?

Sen. Furness-Smith: My understanding is that rates and taxes are payable for the local government services. I know it has all been muddled up now, so that nobody knows what they are paying for and, in fact, it is just as well, because they do not get too much anyway. The business of maintaining the local roads and security, police, everything, that is all part of what you are paying your land and building taxes for. But regardless of that, the land and building taxes would have to be paid by somebody.

On the next page, the "University College Exemption", I agree with the remarks that have been made. I think I heard the honourable Minister suggest that it would be administered by means of a refund to the university itself, but that is not what the law says. The law is making it clear that a registered trader selling in this case is not to charge VAT. A registered trader to any purchaser is under a statutory obligation to charge VAT. This section says that if it is for purposes of the university, and he can show that to the satisfaction of the Board of Inland Revenue, he cannot charge.

So what is to happen? Maybe it could be dealt with by regulations under the VAT Act, I do not know. But quite frankly, I have a grave disquiet in common with Sen. Mansoor, about this sort of watering down of the comprehensiveness of the VAT. One of the basic principles of the VAT is that it is universal. I understand that the university is a Caribbean body and maybe we are contractually obliged to relieve it of VAT. It is unfortunate and, I think, extremely important that

if we have to do it, we should do it in a simple way. I do not think it should be in the University Act. It should be in the VAT Act.

Page 36 deals with VAT. First of all, I will deal with clause 62. Sen. Mansoor raised the very cogent point about the cancellation of registration in connection with capital expenses of investors. When the VAT came into effect we had a great problem with investors. There were a number of them investing in Trinidad and Tobago in, not millions, but hundreds of millions of US dollars. They were faced with the possibility of having a capital value added tax charged on those millions and millions of dollars, notwithstanding that at the same time the Government was giving them tax concessions. That meant an extra 15 per cent not on their working capital, but on their total capital invested in Trinidad.

5.55 p.m.

Now, the answer that we worked out quite quickly—quick enough anyway, thank goodness; we did not actually chase them away—was that they would have to pay it,; but because they were going to be registered traders selling chargeable goods, they are entitled to be registered from the beginning because they are intending to be trading in chargeable goods in due course, maybe in three or four years' time. Nevertheless, the law allows them to be registered and, therefore, to get a refund of VAT. So that all we are talking about is temporary extra capital they have got to put into Trinidad and Tobago to meet this 15 per cent and then get it paid back in—well, the Act says 6 months, but they are trying to do it more quickly, not always successfully. So all-together it is bad news.

We have passed the Foreign Investment Bill. We have made all the right notices. We want people to come in, but this sort of thing is bad news. However, a solution has been worked out and the people concerned have accepted it. They did not have any choice. They were already committed. I do not know that they told their parent boards abroad, but it was bad news. Why did we not do the sensible thing and excuse that kind of investment from VAT to avoid that kind of embarrassment to our drive for investment which we desperately need?

Now we are passing this provision and, as it appears to me, those people may then come back to us and say, "Just a minute, I see you passed a law here under which our registration could be cancelled so we will not get these millions of dollars refunded." And supposing investors for the next project who come wanting to invest, say, "Well now, just a moment. This scheme is very nice. We will get back our 15 per cent of our hundred-million dollar investment. But supposing the investment is a disaster, it never gets off the ground, something happens?"

People in politics may not realize, but in the business world, investments can be a disaster for all kinds of reasons. You may be promised help from somebody, you may be promised concessions from the Government which either you do not get or you get too late and you go through. This amendment enables them then to call back the VAT. And supposing it was an investment of \$100 million and after a year or two maybe the prices, or whatever it was, world-wide fell and they decide they cannot go through with this, it is not viable anymore and, therefore, they cease to intend to be a VAT trader? Therefore, right away, "Your registration is cancelled. We want back our \$15 million." So the next investor who comes into my office and I have to try to explain to him the arrangements we make here about this little problem, he will say, "But just a minute. Supposing we do not make out? Do you mean we have to pay back the \$15 million again?" And the Government is serious about wanting investment?

This sort of thing makes my heart bleed. Here we are waiting and waiting for years to get people investing in Trinidad, and now they are beginning again and we are doing this sort of thing. What is wrong with us?

Now, this is clause 69; this is the one I drew to the hon. Minister's attention in his presentation. I was happy to note that the intention is that once you have paid the penalty, you will not be prosecuted. But, you know, notwithstanding what the Minister says is the intention, we would have to interpret the law. Subclause (6) says:

"The Board may, whether or not the modified penalty has been paid, withdraw an infringement notice by sending to the alleged offender a notice in the prescribed form..."

and then repay the modified penalty. It might be argued that everybody is back to where they started, in which case somebody might then feel able to prosecute for the full penalty.

If the intention of this here is that the board, having given an infringement notice, may subsequently realize that it was mistaken in its grounds for thinking an infringement had taken place and, therefore, wished to be able to withdraw it and doing justice and repaying, that would be very sensible. But if that is the intention, I strongly recommend that it be put into subclause (6) so that everybody can see what the intention is.

All these metric changes, it is too late to go back to a sensible system. But really, when one looks at these pages and pages of conversions, are the new figures any clearer or simpler than the old, quite apart from the fact that

nobody of any reasonable age and experience understands what they mean? Litres, gallons, 125 centimetres—

We are taking the opportunity here to amend the VAT laws. It is really most unfortunate that advantage is not being taken on this occasion to amend the section about insurance, section 14(6), Mr. President. In that section there is the most appalling provision relating to what happens when you suffer an insurance claim. You have insured an expensive piece of equipment for \$1 million and it explodes or burns up. You are paid the sum of \$1 million but you are deemed to have made a VAT supply, so you get your \$1 million less 15 per cent. Then you have to import a new generator, or whatever it is, and you will have to pay VAT again on that importation. So you have paid 30 per cent so far.

Section 14 (6) cannot make sense. If it is suggested that you must up the value of all your equipment, I ask, what insurable interest do you have in the VAT? What insurable interest do you have in the VAT imposed by section 14 (6)?

Finally, I am sure the hon. Minister is not at fault, but in his Provisional Collection of Taxes Order in early 1990, in the Third Schedule he made an amendment by including the lease or rental of an interest in land or building or other structure attached to land, and only excluding the sale of an interest in land. He is taxing all sorts of capital transactions. So that if I take a long lease for 99 years at a premium of \$100,000, VAT is payable. That is the way I read it.

Now, hon. Members may remember that when the hon. Minister proposed his Order, I was disposed to challenge it through the Standing Orders, but he gave me an assurance that he would look into the matter. But unfortunately, I never heard from him. I sent him a letter of reminder on December 28, referring to my letter of May 10, 1990 but I have not heard from him. That is disappointing. I am sure the hon. Minister has just overlooked it, and he has been very busy on important matters. But the point I am making is that whether he is advised that legally on the matter of interpretation I am wrong or not, there is clearly a matter of doubt. The hon. Minister cannot intend to charge VAT on premiums on leases. It would be quite outrageous. But why have the Schedule reading like that? It ought to be put right. I regret that this opportunity has not been taken to put it right. Thank you.

Sen. Lousie Horne: Mr. President, I have a few points, some of them quite different to what we have been hearing. For example, we have just been hearing about VAT. I am suggesting that since the law is now being amended, I think it is a good time to remove VAT—and I am asking for this again—from disposable diapers with special reference to those used by adults. A disposable diaper for an

adult who is ill is about TT \$4.50 or thereabouts, and he or she uses 3 or 4 a day. Disposable diapers, sanitary napkins and funeral expense of \$3,000 and less, ought to be VAT free.

6.10 p.m.

Mr. President, tax-free bonds have been discontinued. The Government paid six per cent on tax-free bonds. Now that the bonds are no longer tax free, nobody is leaving their money at six per cent. As the maturity date arrives, the sum is removed to a more profitable institution. Many people invested in the tax-free bonds the maximum of \$12,000.00, providing \$12,000 every year for five years. Thereafter as a bond matured, the \$12,000 was re-invested. But now every year as a bond matures, it is withdrawn. Government talks about borrowing on the domestic market. Could the Government not have increased the six per cent interest to eight per cent and, as a consequence, have the use of those dollars?

All the problems experienced by persons employed in EPZs in other countries were explained to this Government. When the bill came to this Senate, I voted with the Government, on the understanding that it would know how to deal with those entrepreneurs. I said that I preferred my sisters to work in the EPZs, rather than solicit money from their men-folk because they would eventually have, more mouths to feed. Now, what has become of those entrepreneurs whom we were told were just waiting and ready to set up EPZs in this country? What has become of them? I am asking the Government to do something about the EPZs—at least just a temporary thing—so that many of our women will again have some measure of employment, and stress and strain which often engender domestic violence can be minimized.

Mr. President, removing the 15 per cent tax from interest on savings from people 60 years and over is appreciated. But disallowing the removal of the 15 per cent tax on savings when it is a joint savings account and the joint partner is not over 60 years, is unrealistic. As I said, in my 1991 budget contribution, people over 60 years of age, for health and other reasons, need the services of those who are not yet in the evening of life, usually those who can see them to the grave. Savings are usually from what is left over after taxation, therefore, to tax interest on savings is a definite disincentive. Public comment on this part of the provision has engendered unfavourable criticisms. I suggest to the Minister that he should look at that again.

In my contribution to the 1991 budget, I explained that initiating the Betting Levy Board was useful but it was not the most important decision to make if horse-racing is to continue to provide Government with lucrative revenue. I pointed out that it was important to be in a position to introduce new blood stock and that race-horse owners were supposed to pay \$48,000 to land a race-horse. Moreover, that sum had nothing to do with the price of the horse. As a consequence, at the present time revenue from racing has decreased appreciably because, imagine D, E, F and G class horses racing in the big yard. People go to races, not only to win stakes, but also to see good blood stock; to see A class horses in action.

Now that the 45 per cent tax on race-horses will be removed, it will be a fillip to encourage punters. I am delighted that the Government has seen the light.

Dr. Persad: Horses before people.

Sen. Horne: Mr. President, notwithstanding that the purpose of this bill is to effect certain substantial economies with respect to the 1991 budget, I wish to remind the Minister of Finance of the plight of Registrars of Births and Deaths. In my contribution to the budget, I drew attention to the fact that there are about 110 Registrars of Births and Deaths who receive \$150 per month as salary; a stipend, as rental for the use of their premises; and a token sum for supplying documents to the public. The people work every day, at all hours, on Sundays and public holidays, as well, and they are unable to feed themselves adequately, let alone make provision for retirement. They get neither pension nor gratuity.

Moreover, old age pensioners are better off financially than these people who provide vital statistics for national, regional and international requirements. I am again making a plea for Registrars of Births and Deaths.

Mr. President, thank you.

SITTING OF THE SENATE

Sen. Alloy Lequay: Mr. President, before the Minister replies, may I take a procedural motion and move that the Senate continue sitting until the completion of all the stages of the bill which is before us.

Question put and agreed to.

6.20 p.m.

The Minister of Finance (Hon. Selby Wilson): Mr. President, I would just like to make one observation before I start, and that is, despite the relatively short space of time that the hon. Senators had to consider this rather voluminous bill, they have shown an incisiveness of mind that is beyond question. I would also like to assure Sen. Furness-Smith that I do not propose to have Sen. Mark for dinner tonight since I have become very choosy about the quality of my beef.

I had grave difficulty in following Sen. Dr. Persad, and it is not because of any physical disability on my part. I did catch one enquiry he made and I will deal with that enquiry. Apart from the enquiry he made, I do not think he said anything to provoke a response from me. He enquired what was the level of airport taxes collected in 1990. The information I would like to share with him is, it was \$21.1 million. He further enquired why we allowed the Airports Authority to retain \$8.5 million. The answer is simple. That is the amount of money they required to make up their budgetary allocation and, therefore, we allowed them to retain over \$8.5 million in accordance with the Airports Authorities Act.

As usual, Mr. President, before I forget, I would like to acknowledge, in all humility, the compliments paid to me by both Senators Khan and Furness-Smith. I might add that when one gets compliments like that, it places a heavier responsibility on one's shoulders to continue measuring up to what appears to be good performance.

Sen. Mansoor, as is his custom, has indeed raised some very valid concerns, which I would like to acknowledge, in respect of the tax regimes applying to the companies operating in the free zone area, and the rest of Trinidad and Tobago. All I can say at this time is that the intention has always been that goods from the free zone area which flow into the domestic market, if I may say that, should indeed be subject to all the taxes of all other goods, imported from outside of Trinidad and Tobago into the domestic market. Indeed, the Free Zones Act made provisions for those goods flowing from the free zone area into the domestic market to be subject to customs duty. I can only submit at this time that there must have been a sequencing difficulty in that at the time the Free Zones Act was passed I do not believe we had the Value Added Tax Act in place and, therefore, that provision was not included. But I take the point that we need to now re-look the harmonization of these two Acts to ensure that they reflect our intention correctly. As it stands right now, there does appear to be a loophole, in

that goods can flow into the domestic market from the free zone area and not be subject to the value added tax, as it is currently worded. That is the matter we would have to address. The same thing will apply with services. Services by a non-resident are zero-rated, but there is no provision in the Act, right now, to zero rate services performed by a resident, or those operators within the free zone area, and these are areas we have to address. I do not think I would like to move the *ad hoc* amendments at this stage, but I would certainly ask my staff to address these issues and come up with the appropriate solutions.

I did not particularly agree with Sen. Mansoor that the Board's discretion was too wide. I do not see it posing the difficulties he has identified. Indeed, I think the provision is very heavily weighted in favour of the taxpayer, in that the taxpayer has to present his case. I might add that whereas the concern seems to be expressed in respect of the oil exploration or petrochemical companies, which in the main benefit from this provision, I believe it is fair to say that there have also been some others who have benefited from this provision—maybe not to the same order of magnitude. I do not think it is our intention that if an oil exploration company, for some reason, does not bring in producing wells, that we would then claw back all the input taxes which were refunded. I think it is purely a general provision and general discretion given by the board so as to minimize the avenues for exploiting, which is indeed, a good intention.

On the restoration bonds, Mr. President, Sen. Mansoor compared these with the approved mortgage company provisions. I am sure you will recall that in respect of the approved mortgage company provisions, we restricted the rate of interest that those companies can charge in respect of their lendings. It is for that reason we had to enhance the incentives to encourage them to maintain their interest rates at a particular level. In the case of these instruments which we call “restoration bonds”—and I take the point made by Sen. Furness-Smith in respect of the restoration bonds and restoration facilities. It is probably a little unfortunate that we chose to use that language in the bill, but the intention of the provision is to allow the Government to allow the IDC to raise bonds, the interest of which would be tax free—that is the interest in the hands of the recipient. I do not see the parallel between what we are doing with the IDC and what we have done with the approved mortgage companies. We have indeed, restricted the mortgage companies to lending at a particular rate of interest. I do not see the parallel between the two facilities.

Our information on this facility is that it has not been a disincentive. It was, in fact, a position put forward to us by the institutions which have expressed an interest in putting up the capital to support this particular issue of bonds.

Sen. Mansoor: I would like the hon. Minister to answer the question as to what would happen if the rate of interest on the restoration bond is, let us say, five per cent, a very soft rate, and the cost of money in the market place was, say 12 3/4 per cent. I think under those circumstances it would not be a very attractive investment. That was the point I was trying to make.

6.30 p.m.

Mr. Wilson: I think you are labouring under a misunderstanding. We expect that the institutions that would put up the money would charge a rate of interest on the bonds taking into consideration, the fact that they are tax free and, therefore, would be able to attract the investors to put up the money. If there is any subsidization to the beneficiaries under the bond then that subsidization is not being required to be done by the lenders of the money. So I do not think that problem would arise.

I now turn to the interest income. I must remind this House that interest income has always been taxable in Trinidad and Tobago. Interest income has always been taxable at the marginal rates of each individual. Therefore, if an individual's marginal rate of tax under the system of taxation prior to the reforms, was 70 cents on a dollar and he had interest income, that interest income would have been chargeable at 70 cents on a dollar.

I say that, Mr. President, mainly because there appears to be a distinct impression that for the first time in Trinidad and Tobago, the NAR Government has proceeded to tax interest income, when in fact, what we have done is to substantially reduce the tax on interest income to 15 per cent for all persons, except those excluded by the provisions of this bill. We have gone further and said anybody who suffers a deduction of tax at source on his interest income can file a return and have a refund of that tax if that person's marginal rate is below 15 cents on the dollar, or if his tax circumstances would so allow him to claim a refund of the taxes deducted at source on interest income.

I have a little difficulty in accepting the view that in respect of taxation of interest income, this is the predominant disincentive to savings. I do not think it is.

On the matter of savings, we must also recognize that traditionally, a larger percentage of the country's savings had been done by the Central Government, not by individuals; followed to a lesser extent by the private sector and lastly by individuals. So, in my view, the impetus for savings rests very squarely on how the Government proceeds to manage its fiscal operations so as to ensure that it contributes a larger slice of the cake to the national savings.

While I am on that point, I would also like to take issue with Sen. Bahadoorsingh, who put forward a proposition as to why people would not save in Trinidad and Tobago and why it is a disincentive. There are a number of variables which would influence the savings habits of people, not only in Trinidad and Tobago, but worldwide. I submit that regardless of the tax regime in Trinidad and Tobago, if anyone thinks he/she is going to attract substantial deposits from non-nationals or even nationals living abroad, into the system in Trinidad and Tobago, that person is living under a grave misapprehension, because, Mr. President, Trinidad and Tobago is not a hard currency area and does not offer much attraction for people to convert hard currency into TT dollars to save in a TT bank account in Trinidad and Tobago on the basis that the rate of interest is either high or that there is no tax on interest in the country.

I also want to erase the impression that interest income in the United Kingdom is free of tax. That is not my information. Interest income in the United Kingdom is taxable. Interest income in the Isle of Man might not be taxable because the Isle of Man is a tax haven, but to give the impression that interest income in the United Kingdom is not taxable is indeed erroneous.

There were some questions about the procedures for a non-resident establishing an account here. The procedures are, as circumscribed by administrative controls, to my understanding, that the non-resident who wishes to open an account or to even operate a current account in Trinidad must obtain the permission of the Central Bank. One of the reasons for that is that the Central Bank will know up front that it is possible for this non-resident to make an application to withdraw his money from Trinidad and Tobago and, therefore, would require to have it withdrawn in hard currency. That is, I understand, one of the requirements. So it is indeed to facilitate the conversion of the money back into hard currency when that non-resident wishes to withdraw the money from the system.

With respect to the complications of the SAF-T Account, whereas I agree Mr. President, that there are rules associated with the operation of this account, it is not by accident that a provision was made in the bill requiring that periodic reports be made to the Central Bank. The primary purpose is to determine the effectiveness of the measure and whether it was accomplishing the objective which was intended. The objective being, to cater for the savings of people with very small incomes who wish to put in small sums of money into the system. It was not intended to replace, for example, the \$12,000 deduction of the tax free bonds which was in place before and which was utilized by approximately 6,250 taxpayers of which 75 per cent of them were earning well over \$75,000 per annum. Therefore, that tax benefit favoured high income earning people and a relatively small proportion of the taxpaying population. It was a preference which brought a certain amount of distortion to the system which we had to eliminate. This SAF-T Account was not intended to substitute for the \$12,000 tax-free bonds which were allowed as a capital deduction from one's income.

6.40 p.m.

I also disagree with Sen. Mansoor that this account complicates the tax reform system. It is not a requirement to be put on your income tax form. It does not complicate the filing of an income tax return in any way. There are certain procedures to be observed by the bank and by those who wish to operate the account. If those procedures are not followed then it falls back into the simple category of deducting 15 per cent at source and the person may or may not file a return, depending on his own tax position. Fundamentally, it does not complicate the tax reform exercise. It does not add another line to the income tax return that has to be entered by the individuals who would benefit from this facility.

There were some concerns expressed about the University of the West Indies and the value added tax exemption. The current Act which governs the University of the West Indies provides that the University of the West Indies should be exempt from taxes and, I believe, customs duties which did not cover the value added tax, because that was not the tax in force at the time that Act came into being. Therefore, after the passage of the Value Added Tax Act of 1990, the university was confronted with having to pay these taxes when, previously, it paid no taxes at all. Representations were made to us which we thought were

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reasonable and that is why we are amending the University Act and not the Value Added Tax Act. We are incorporating this amendment in the Act which governs the university to allow it to continue benefiting from the non-payment of these taxes.

I understand, and I am subject to correction, that this is part of the regional arrangements for the university campuses throughout the West Indies. I again would have to agree with Sen. Furness-Smith, that perhaps the legislation does not make it quite clear how these exemptions would take place but I can only express the intention. The intention was, where the university imports goods directly, then at the port of entry it will not be required to pay the value added tax. Where however, the goods are bought locally from the various business houses, then the university will pay the tax as any other purchaser and will subsequently file a return which would be agreed with the Board of Inland Revenue, to reclaim the VAT paid in respect of local purchases. I must agree that from the analysis of the law as written, this does not appear to be the mechanism spelt out in the Act.

I can only acknowledge that there are administrative deficiencies in the operations of the Board of Inland Revenue, but I assure Sen. Khan and this honourable Senate, that these inefficiencies are being addressed. We are trying to improve as we go along. For example, I know that the Board of Inland Revenue is now currently looking at proposals to increase its computer capacity to allow it to do certain other things and to speed up the processes about which you complained.

I know it has been given certain other assignments, all with a view of trying to improve its efficiency. Of course, I must also admit that it has complained of a shortage of staff, like some other areas, and that continues to be a problem in that department, although we may have different views as to whether additional staff by itself will improve the efficiency. Between the staff, the quality and the use of technology, I think we would eventually come to grips with the difficulties now faced by the department. Given the circumstances, the department has shown some improvement, and where we have set new offices, then we have done it differently, like the Value Added Tax Office which is functioning quite satisfactorily. We have some concerns there too, but it is not one of inefficiency; it is one of perceptions and we are trying to deal with that by our intensified field audits to make sure that the system works as it should.

Duty free allowances, I think I would like to clarify this. The allowance was changed in the Provisional Collection of Taxes Order in accordance with the

agreements reached with our Caricom colleagues. The allowance is now TT \$100. It is still a small sum but this allowance relates to gifts being brought in for others. For example, all personal effects of a passenger are allowed free of taxes—wearing apparel, toilet requisites, are all free of duty. A passenger coming through the airport with an additional suit, or a pair of shoes, or toiletries for his personal use is not required to pay any additional taxes. So one must appreciate the difference between the allowance of \$100 which is the ability of a passenger to buy a gift to bring in to give to someone else. That is taxed but his personal effects are generally allowed in free of duties, unless of course, they are so numerous that the customs officers are put on suspicion that they are really for resale and not for personal use. Then there is a toss-up with the customs officers who are normally very adept at determining what is for personal use and what is for resale.

Dr. Persad: Mr. President, on a point of order. I have gone through the customs many times, I have never resold anything I bought, nevertheless, I am charged some sort of duties. Maybe the Minister should enlighten this Senate and the country as to what criteria the customs officers use and what value—

Mr. Wilson: If the Senator would tell me on what he paid duties, I might be able to enlighten him.

Dr. Persad: Mr. President, if I may, I remember the last time I came in the customs officer told me: "Chief, I have to charge you something." I told him that these were my personal effects, my wife's, and my child's.

Nevertheless he told me: "Chief, I must charge you something." Maybe the Minister can enlighten me.

Mr. Wilson: The Senator still did not tell me on what he was charged duties.

Dr. Persad: The customs officer did not tell me either.

Mr. Wilson: If you bring in a radio, you pay duties. If you bring in a pair of shoes then you should not pay anything. My understanding is that you should not pay duty on that. If you brought in a whole new wardrobe then you might have difficulty in convincing the customs officer that it is really your personal effects and not for resale. I think there is a certain amount of judgment the customs officer has to exercise. I am not saying that you might not have paid taxes on some garments because the customs officer has to exercise his judgment as to whether the quantity of garments brought in is entirely for your personal use, or whether he suspects they are for resale or they are gifts. The general principle is that if he is satisfied that these things are for your personal use, then you do not pay any tax on them.

I assure Sen. Mark that I did not intend for him to take so personally the little lesson I taught him the last time I was here. He must not misunderstand my approach for saying it and he must not misunderstand my normally calm manner. We learn by experiences and, therefore, on the last occasion, he said certain things which recall to mind certain experiences and, therefore, I decided to deal with him as I saw fit. Today he demonstrated in no uncertain manner that he had learnt the lesson. He was very apologetic in ensuring and informing the Senate that he was not using emotive language. But generally, a man who is accustomed to using emotive language has difficulties in recognizing when he is using it. He used it again today, but I will not deal with him in the same manner.

I know he asked, why horses? He did not seem to think that the horse-racing industry in Trinidad and Tobago generates a considerable number of temporary and permanent jobs. Indeed, there are many good spin-off benefits as a result of the activity in Trinidad. His response was that they are not unionized. In my books, labour is labour, whether they are unionized or not. My concern is that people must have work whether they are unionized or not. If Sen. Mark believes that only unionized people should have work and rights, then he obviously does not have the interest of the working class at heart. One must ask whether it is the union dues he has at heart and not the workers. Maybe he is the financial manager of his own union, or he has an unsatisfied demand for funds.

I tell him that the CET rate on horses, as agreed with our Caricom colleagues, was set at 45 per cent. I am sorry that the Minister of External Affairs is not here to state what was the rationale. I do not know the rationale. There was some objection and he made enquiries and it is one of the items agreed by the Caricom Council of Ministers to suspend from the CET for the time being, and in doing so, the respective territories were authorized to set their own rate of duty. Up to 1990, those horses were free; they paid no duty. They now pay 10 per cent.

Sen. Horne: When the Minister says up to 1990 horses were free, what does he mean? No tax on them?

Mr. Wilson: No duty on importation.

Sen. Horne: When we had the bill to be debated, a prominent race-horse owner told me he was no longer bringing in horses because he had to pay some \$45,000—\$48,000 tax and that had nothing to do with the price of the horse. He is a person who brings in horses and he stopped bringing them in. Did the Minister hear the references I made about the kind of horses there are in the big yard?

Mr. Wilson: I did not intend to spoil the Senator's fun in the big yard. But I can only state what I have been advised by the Customs authority, that up to 1990, customs duty was not chargeable on the importation of horses. Maybe there were other taxes, but customs duty was not chargeable on the importation of horses. The 45 per cent was incorporated in the Collection of Taxes Order and that is now being reduced to 10 per cent. I think it is founded on the argument that owners in Trinidad require the foreign horses to improve the breeding of the local stock.

6.50 p.m.

Mr. President, I do not wish to deal at length with some of the budgetary excursions Sen. Mark subjected us to and some of the references to hospitals and schools, and things like that, but suffice it to say that this Government has been labelled with inflicting all kinds of ills on the population. I can only thank Sen. Bhadoorsingh for coming to the defence of this Government in a very objective manner.

For those who think we should not look back to the past in order to determine what we have accomplished and what we had to deal with, I would simply like to say that is a favourite cry of most opponents to progress and to those who do not wish to recognize that progress is being made. In that regard, I will simply quote from a book, *Meaning of My Life* by Mikhail Gorbachev who had to deal with similar accusations not by external forces or an external party, but from elements within his own party when he got involved in his reforms. Gorbachev said: *[Interruption]* He would not survive that. That is a progressive country now. He is a relic of the past. Gorbachev said:

“Let us be objective and stick to principle. In matters of high politics, we cannot succumb to petty passions. That is why it is impossible to agree with those who say that the past has been blamed enough and attribute all problems to perestroika. Yes, it is our job to set things right, but it is wrong to assert that all these are consequences of perestroika. By blundering in our assessments, we might also blunder in our actions and in our work.”

I think if we substitute certain words in this passage, you will find a very relevant parallel to the situation in Trinidad and Tobago. But it is in the interest of those who made a mess of our future, made a mess of the past, to say that we should not go back and remind the people of the past.

With respect to the schools and hospitals, these were in a total state of disrepair for many years, and it is now our duty to put them right and we acknowledge that. But we simply could not put all these dilapidated schools, hospitals and health centres right in four years. Therefore, I will only take the time of the Senate to remind them of what I said in the budget under one of these headings, "Education". We said at page 26 of the budget speech:

"We have inherited a situation however, in which many of our schools are dilapidated, the facilities for both teachers and students are run-down and inadequate, some of our students do not have the wherewithal in terms of clothes, books, transportation and most distressing of all, adequate parental support. It is small wonder that in some of our schools we have been faced with problems of indiscipline and even violence.

In the context of our available resources we are not able to rectify these long outstanding problems immediately. Many of our teachers we know feel that they and their institutions are the victims of indifference and neglect. They feel underpaid and their contributions are inadequately recognized by the society at large.

It is in recognition of this situation that we accorded early priority to a resuscitation of the School Feeding Programme that was terminated by the last administration in June, 1986. It was also in recognition of this that we were prompted to begin the rehabilitation of the physical plant."

We have already constructed 22 primary schools providing accommodation for 16,000 students, Sen. Mark. We have replaced or refurbished 35 primary schools, thereby providing upgraded accommodation for existing students. At the secondary level, 13 schools have been refurbished and/or extended and two new schools were built at Mayaro and Cedros, providing accommodation for 2,000 students. In 1991, the Government will seek to organize—in partnership with co-operatives, both state and private—a programme of sponsorship and support of schools in particular areas.

This programme will be aimed at two main objectives: first of all, providing assistance to rehabilitate and repair school facilities and to improve the conditions under which our students and teachers work. Secondly, to provide assistance with a range of educational services that are necessary to modernize and improve the quality of education in schools at all levels in our country. Our school building programme will continue in 1991: 18 primary school buildings are to be

constructed, 13 to replace existing structures, and 5 in new communities; 3 additional secondary schools will be built. Of course, we also have the Learning Resource Centre coming on stream in 1991.

Sen. Mark: Before the Minister comes to the end of his presentation, could he make some reference to the pensioners' basket of goods that I mentioned, as well as the \$164 million that he said he had to revise the reports of the fiscal policy of this quarter; as well as the oil revenue situation. What is the actual oil revenue that the country realized for 1990? We have different figures coming from different places.

7.05 p.m.

Mr. Wilson: Mr. President, I will respond to him before I close.

I was about to indicate that I recognize the concerns of Sen. Horne. I know that she has been trying to persuade me, for some time, to address the particular issues which she has raised. All I can say is that I understand her concerns but I do not have an answer for her today. It is not an easy proposition that she is putting to me. If I were to do the things that she is requesting me to do, I would be opening the gates for many other similar demands which will ring the same sympathies that she is trying to persuade me to accept. That is one of the difficult assignments of any Minister of Finance. All the demands sound very reasonable, all of them have some validity, but we cannot accommodate all the views.

I wish simply to remind him that he was one of those who tried to persuade me to use \$25 per barrel for oil when it suited his purpose. *[Interruption]* It just established that my guess was better than Sheikh Yamani's guess. So I am very glad that you are a little concerned about the price of oil.

Mr. President, the statement I read in the other place a few Fridays ago and the indications made in that statement in terms of the revenue and expenditure, what I was saying is that we have to engage in managing this budget closely, in view of the fact that there is now a different outlook on the price of oil. Therefore, we have got to proceed, identify and determine how to manage the budget properly. All I was saying in the statement was that if a certain event materializes, then we would have to cut expenditure by \$229 million.

He obviously did not see my television programme. I did say on that occasion that one of the areas in which savings can be effected, if necessary, is in the filling of vacant posts in the public service. There is a provision there of some \$100 million which, if need be, we will then have to fill those posts less rapidly than originally proposed.

I also said that the international outlook on interest rates seems to be softening. If that materializes, then we would realize a savings of some \$58 million in interest costs. Capital expenditure, if we need to, would be reduced by about \$20 million. Indeed, it might turn out to be just a natural shortfall in our capital expenditure because last year when we did not deny releases for capital expenditure, we were not able to accomplish the whole capital programme. So it does not necessarily mean cutting out something, it might very well be due to the natural slippage. Then there are some other miscellaneous areas which will account for the difference. But at this stage, it is the management of the budget, an awareness of the possibilities, and a targeting of what we would need to do if those events occur.

On the revenue side, we identified and agreed that Trintoc will now pay off part of its arrears of corporation tax in respect of previous years. That amounts to about \$30 million, and that is part of the \$164 million.

The return of emoluments to the public servants: We made no provision in the 1991 budget for the tax element in respect of the 10 per cent restoration, and that is estimated to contribute approximately \$60 million in additional taxes.

From the state enterprises, we expect to get an additional \$31 million by way of dividends which was not originally included in the 1991 budget. The value added tax might produce another \$32 million, and not the \$200 million speculated on by Sen. Mark. I hope he has his answer. He might find a difference of about \$10 million and that is from miscellaneous sources—that is if he adds correctly.

The price of oil continues to be anybody's guess. I can only share with the Senate my most recent information obtained from my own computer, from my own office, through my own data bank. The crudes we use are Brent crude and Nigerian Bonny Light. On April 18, the price of Brent crude was US \$19.90 per barrel and the Nigerian Bonny was US \$17.90. We heard from Sen. Bahadoorsingh today that he saw either on CNN or the newspaper that crude was trading at \$22 per barrel. So the price of crude oil still remains very much an uncertain factor, and that is what I mean by, we have to be aware and be prepared to manage the budget.

For those of you who do not recall what I have said in my budget statement, I did signal that we would adopt certain measures if the price of oil did not hold. Indeed, in my winding up, I identified three risk factors in the budget. One of them was the price of oil. The other was the decision we took to increase the payments to the public servants and Caroni workers, partly at the insistence of Sen. Mark, by

\$90 million. That became a risk because if the price of oil fell, we would be locked into a level of additional expenditure of \$90 million.

7.15 p.m.

Indeed, it is instructive to note that if we had to achieve these changes in the revenue and the changes on the expenditure side, we will now have to increase our financing by \$87 million which is almost equivalent to the additional \$90 million we paid to the public servants. That was another element of risk in the budget. The third element I identified was our ability to raise the funding on the domestic market to finance the budget.

Mr. President, I do not wish to be much longer, but I would like to think that I have covered—

Sen. Dr. Bahadoorsingh: Mr. President, on a point of information. Since the hon. Minister made reference to the price of oil, when we receive information on the foreign news media in Trinidad with respect to the price of oil flashing on the screen, they usually refer to West Texas Intermediate or Light Sweet Crude and North Sea Brent, which is a lower price. When we see those prices flashed, how could we extrapolate from that, with respect to the oils we have in Trinidad and Tobago? I understand that they may be higher.

Mr. Wilson: It is very difficult for a person looking at television or reading the newspaper to determine what the price of Trinidad crude would be. For example, in the case of Amoco crude, the basket which is used as the bench mark price is the UK Brent and the Nigerian Bonny, as I indicated. Then there are certain adjustments for transportation costs and quality. But our oil is of a better quality than these oils and that is the formula which makes the adjustment. Generally, our performance would be, roughly, about 10 per cent better than what is the price of these crudes. So you cannot judge solely from West Texas Crude or some of the other crudes that you might see on CNN.

Mr. President, I hope I have covered most of the territory and satisfied most of the views. I end with a quotation from Benjamin Disraeli which says: "It is much easier to be critical than to be correct." I thank you.

Question put and agreed to.

Bill accordingly read a second time.

Sen. Alloy Lequay: Mr. President, this being a money bill, in accordance with Standing Order 63, I beg to move that the bill not be referred to a committee of the whole Senate.

Question put and agreed to.

Question put and agreed, That the bill be now read the third time.

Bill accordingly read the third time and passed.

ADJOURNMENT

Sen. Alloy Lequay: Mr. President, I had indicated to hon. Members some two or three sittings ago, that it might be necessary for us to have two consecutive days sittings in order to make up for the three Private Members' Days that have been lost during February, March and April. I put Members on notice that we might be sitting on May 6 and 7, one of the days being allocated to Private Members' business.

Motion made and question proposed, That the Senate do now adjourn to Tuesday, April 30, 1991 at 1.30 p.m. [Sen. A. Lequay]

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 7.21 p.m.