

*Condolences*

*Tuesday, March 22, 1994*

**SENATE**

*Tuesday, March 22, 1994*

The Senate met at 1.30 p.m.

**PRAYERS**

[Mr. President in the Chair]

**CONDOLENCES**

**Mr. President:** I am sure that all Senators would join with me in extending our deepest sympathy to Sen. John Rooks whose mother was buried yesterday morning. I know that some Senators attended the funeral. The Clerk of the Senate will send an appropriate letter of condolence.

**FINANCE BILL**

Bill to provide for the imposition or variation of certain taxes and duties, for the incorporation of the amendments made by the Provisional Collection of Taxes Order, 1993 as amended, to introduce other provisions of a fiscal nature and for related matters [*The Minister of Finance*]; read the first time.

*Motion made*, That the next stage be taken at a later stage of the proceedings [*Hon. G. Draper*]

*Question put and agreed to.*

**MAXI-TAXI (AMDT.) BILL**

Bill to amend the Maxi-Taxi Act [*The Minister of Works and Transport and Minister of Local Government*]; read the first time.

*Motion made*, That the next stage be taken at a later stage of the proceedings [*Hon. G. Draper*].

*Question put and agreed to.*

**ORAL ANSWERS TO QUESTIONS**

**LNG Projects**

**29. Sen. Wade Mark** asked the Minister of Energy Industries:

Could the hon. Minister provide the Senate with the following information in respect of the proposed Liquefied Natural Gas (LNG) Projects;

- (a) The estimated lifespan of the project;
- (b) The estimated annual output and the potential markets;
- (c) The total number of permanent jobs anticipated;
- (d) The estimated total taxes, royalties, profits and other revenue expected to be generated for the Republic of Trinidad and Tobago?

**The Minister of Energy and Energy Industries (Hon. Barry Barnes):** Mr. President, the four companies, Amoco, British Gas, Cabot (LNG) and NGC which are sponsoring the Trinidad LNG project, have specified the following broad parameters to define the scope of the project:

- (a) The lifespan of the project is 20 years.
- (b) Natural gas input will be 360 million cubic feet per day, with an LNG output of 300 million cubic feet per day. LNG output is equivalent to 110 bcf per annum. Target markets are the USA and Western Europe in the first instance, with a potential market in the Caribbean.
- (c) The anticipated number of direct jobs is 300. Indirect services will require an additional 750 jobs. The total number of permanent jobs, as a consequence of the project, is therefore expected to be in the order of 1,000. During construction, anticipated employment is expected to peak at 3,000 on site. Additionally, as a direct consequence of this project, there will be spin-off employment in the service industries which service the construction sector.
- (d) On the basis of today's values, direct gross project revenues from LNG sales could be of the order of US \$300 million per annum. However, it is not possible at this time to give a realistic breakdown of taxes, royalties, profits, etc., until the project has advanced to the stage where commercial arrangements for the supply of natural gas and disposal of LNG have been put in place.

**Sen. W. Mark:** Mr. President, could the hon. Minister indicate whether the Government of Trinidad and Tobago has any role in this project? Or is the Government just facilitating this project, having regard to its enormity and its importance to the future of Trinidad and Tobago?

**Hon. B. Barnes:** Mr. President, I think the answer is that the Government of Trinidad and Tobago has been active in encouraging the development and pursuit of this project. Indeed, as well, as part of its expanded role to interest people in

natural gas projects, the National Gas Company of Trinidad and Tobago is part of the consortium that is developing this project. There is, of course, a further role which I mentioned on the last occasion, that a project of this kind—and certainly all projects within the energy sector is required under the terms of the Petroleum Act, to have the former prior approval and licence of the Government through the Ministry of Energy. That is done upon application, the point at which the proposals are examined, reviewed and approved. That, I think, covers the role of the Government.

**Sen. W. Mark:** Mr. President, could the hon. Minister indicate whether he is aware of a similar project being undertaken in Venezuela and that matters like taxes, royalties, profits and other revenues have already been calculated over the next 20 years? Why is the Government of Trinidad and Tobago unable to provide this country with that package, from a strategic perspective?

**Hon. B. Barnes:** Mr. President, yes, indeed, we are following the Venezuelan project, San Cristobal. The last public word we saw on it was that although a memorandum of understanding has been signed and they have got formal government approval, there is still some considerable doubt as to whether the project will ever materialize. The fundamental difference is that Lagoven of Venezuela is still to embark on the necessary gas drilling, appraisal drilling, to even prove up the necessary gas reserves to justify the project.

**Sen. Wade Mark** may have the advantage over me because, apart from a very broad indication that the project will cost some US \$6 billion, and the volume of gas going through, and on an indication of gross revenues per annum based today's values, just as I have done here, there is no breakdown in terms of net revenues, profits and taxes, etc. That project has also not advanced to that stage. Indeed, I will say one further thing: Our project will be in production by 1998. I think the best I am hearing on the Venezuelan project is somewhere between 2003 and 2005.

**1.40 p.m.**

**Mora Field  
(Disposal of)**

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

**30.** (a) Is the hon. Minister of Energy and Energy Industries aware that Amoco Trinidad Limited has disposed of its Mora Field with its one million

barrels of proven oil reserves and 34 million probable oil reserves to a small select group of nationals?

- (b) If the Minister is so aware, could he state:-
- (i) On what basis has this group been selected?
  - (ii) Under what authority or legal basis has this disposal taken place?

**The Minister of Energy and Energy Industries (Sen. The Hon. Barry Barnes):** Mr. President, on the basis of discussions with Sen. Wade Mark, I think he would not object to you permitting me one week's deferral for the answer to question No. 30.

*Question, by leave, deferred.*

**Petrotrin**  
**(Tax payment)**

**31. Sen. Wade Mark** asked the Minister of Energy and Energy Industries:

Could the hon. Minister inform the Senate of the amount of royalties, profits and corporation taxes paid by Petrotrin to the Government for the period 1989, 1990, 1991, 1992 and the Revised Estimate for 1993.

**The Minister of Energy and Energy Industries (Sen. The Hon. Barry Barnes):** Mr. President, as this Senate will recall, Petrotrin assumed ownership of, and responsibility for, the core petroleum assets and operations of Trintoc and Trintopec with effect from October 1, 1993, with the assent of this Parliament. As such, Petrotrin has made no payments of royalties, taxes and so forth, to Government for the period 1989 to 1993.

The required data in respect of Petrotrin's predecessor companies, Trintoc and Trintopec, has already been given in response to question No. 14 from Sen. Wade Mark on January 26, 1994. However, for the ready information of Senators, copies of that response and a tabulated breakdown of payments made by Trintoc and Trintopec in respect of Government taxes and impositions, has been lodged with the Clerk of the Senate for distribution to Senators.

Thank you.

**ORDER OF BUSINESS**

**The Minister of Public Administration in the Office of the Prime Minister (Sen. The Hon. Gordon Draper):** Mr. President, in accordance with amended Senate Standing Order 20, I beg to move that this Senate proceed with "Government Business", the second reading of the Finance Bill (1994), instead of "Private Business" at this stage.

*Question put and agreed to.*

**FINANCE BILL**

**The Minister of Finance (Hon. Wendell Mottley):** Mr. President, the purpose of the Bill before is honourable Senate is to give final effect to the measures I outlined in the course of presenting the 1994 Budget.

The Provisional Collection of Taxes Order empowers the President, by order, to provide for the imposition or variation of taxes for a limited period only. In case of variation of existing taxes, the Order remains in effect for only 21 days, unless confirmed by resolution. Where a new tax is imposed, the Order remains in effect for four months, by the end of which the Act imposing the tax must come into operation.

Over the years, the practice has developed to include in the annual Finance Bill all the measures outlined in the budget presenting one sweeping presentation of all the fiscal measures, and we are continuing that this year. But, in fact, several aspects that are in the Bill are already law and are only included for the convenience of the public. I do not propose to dwell on these matters at any length, as they have already been exhaustively debated in the course of presenting the budget. Instead, I will deal with the new taxes, as well as measures for enforcement and collection which form part of the budget presentation.

Before doing so, I wish to place on record some of the changes in the macro-economic environment that have occurred since the presentation of the budget which, Senators will remember, was in November, 1993.

I used the opportunity of an investment colloquium to bring to the attention of the public at large, some of the major factors that have happened since the presentation of the budget. Summarized in that statement that I made was that as a result of the decline in oil prices since the budget presentation in November last year, we were looking at a shortfall in revenue—those were the actual words I used—purely as a result of the movement in oil prices to some approximate TT \$400 million. In fact, the exact amount calculated by the Ministry of Finance is

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\$396.5 million, an average price of \$14 for Amoco's crude which is just about where it is right now, will show the shortfall in revenue of exactly \$396.5 million attributed only to that factor.

I appeal to members of the press, to try to understand some of the—I would not say difficult-financial jargon that we use when we describe some of these factors. I heard, for instance, some discussion on some of these matters this morning on the airwaves, and there was much confusion because of what I had said at that investment colloquium and what Minister Valley said in the other House last night.

What Minister Valley said squares with what I said, but the interpretations, because of a lack of detailed knowledge of the differences between what a "budget deficit" is and what a "revenue shortfall" is as occasioned purely by a movement in the price of oil. Some of the finesse was not appreciated and, as a result, people were wondering whether the Ministry of Finance was making several different calculations and whether one calculation was available to one Minister and another calculation available to the other Minister.

So, I appeal to the press on matters like this, before they rush out to print or onto the airwaves, if they cannot get in touch with an economist in the Ministry of Finance, to probably call somebody at UWI to try to come to some understanding of these matters, because, they are not inconsistent.

**Sen. Daly:** Mr. President, would the Minister extend a similar appeal to the junior Minister of Finance.

**Hon. W. Mottley:** Mr. President, yes, we have now seen, as a pure result of the oil price fall, a \$396.5 million shortfall in oil revenues the combination of direct oil taxes, royalty receipts and the unemployment levy. But, that does not mean that the Government of Trinidad and Tobago sits back, folds its arms does nothing, and says it cannot adjust to this fall. In the course of the last few months, in the Ministry of Finance, we have been attempting to adjust our budget to take cognizance of that real fall in the oil price, with its consequences; and attempting to minimize the impact on the rest of society.

I wish to take this opportunity, briefly, to give some indication as to where we are headed; not that our work is complete, because there are some aspects that still have to be tied down, and that is why I have not attempted, until now, to exactly quantify all the directions we would be moving in. But, the picture is clear enough now so that I can give this Senate, and by extension, the national community, some clearer indication.

I have already given the indication that we are not doing it by running the printing presses at the Central Bank full speed steam ahead. I have already given the indication that we are not proposing to cut public servants' salaries and things of that nature. That is not on.

**1.50 p.m.**

It is known for instance—I shall not go into all the details: I would just tease you a little by telling you that oil prices have fallen but you have not felt it at the gas pumps and, therefore, somebody is getting a little something and we in the Ministry of Finance are getting a little something to add to the oil revenues that we had not calculated on when oil prices were quite high. There are several other adjustment areas like that. Another area we are looking at is an oil swap, all of which we feel will pull back a little over \$100 million of that \$400 million state loss.

On top of that, in the non-oil revenues we are seeing, after detailed discussions with the public servants involved and with international agencies, where we can pull back another \$123 million in additional collection without raising the level of taxation by doing certain things to tighten the revenue collections. With those measures alone, we will see where we could pull back over \$200 million in revenues.

We are also seeing that our production of oil in 1994 is scheduled to increase beyond the 1993 figure and certainly above what levels of production we had calculated when we originally prepared the 1994 Budget. As a result, that \$400 million is therefore significantly reduced. I should also, however, bring to the attention of the Senate that we have had to do some recalibration on some of our expenditure numbers. Unfortunately, not all going in the right direction. We had seen a significant increase in transfers, mainly, to UWI, because we have a significant amount of arrears to them. We had calculated we would deal with it over a certain period. We had hoped to decrease those arrears to UWI. After discussions and conversations, we have felt the necessity to accelerate some transfers to UWI because of a quite desperate situation looming there. That has represented quite a significant increase over what we had allocated in the budget. We have pulled back however, on other areas of expenditure, notably goods and services.

We have also suffered in other areas like foreign interest payments. Senators will know that since the budget was read US interest rates have started to increase and much of our external debt is in US dollars; therefore, what we had provisioned

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in terms of interest payments to meet the US dollar debt, has to be increased somewhat. As the pluses and minuses on those items add up, it means that total expenditures are actually projected to increase by about \$66 million, even though we did pull down significant areas of goods and services by about \$60 million.

When you add that to where we have pulled back on the oil, the bottom line is that whereas we had forecast the Government going into surplus in 1994, as we did in 1993—1993 turned out with a small surplus which is required in our financial and macro-economic projections for the purpose of assisting us with repayments and assisting us in holding the exchange rate where we want it—whereas we had hoped to keep that course in 1994, it is just not possible.

We see, therefore, a deficit of approximately \$160 million instead of the approximate \$50 million surplus that I had originally forecast when I read the budget. You will see all around the kind of adjustments that we have been making at the Ministry of Finance trying generally to keep the economic ship of state steered in the same direction though buffeted by some of these circumstances, doing the necessary sail trim but keeping on the same course without too adversely affecting the lives of the population.

We need to understand and put all of this into perspective. The fact of the matter is that a \$400 million oil revenue shortfall is only 5.1 per cent of our revenues. We in Trinidad and Tobago should understand how far we have come in terms of our capacity to insulate our economy from the vagaries of the international oil market.

Back in 1982, total oil revenues amounted to 46.9 per cent of total Government revenues. Today, oil revenues are only 15.3 per cent of the Government's revenues. In fact, we are considerably better able to withstand a hostile external oil environment in 1994 than in 1982. Had this happened in 1982, a \$4.00 or \$5.00 drop in the oil price would have had a much greater impact on our revenues and the necessary adjustments that we would have had to make.

I put that in perspective so that the national community understands that, yes, we do have to make some adjustments, but that we are not as vulnerable as we were before. I confidently tell the national community that these adjustments we are taking will not throw us off our course. I expect to maintain the same macro-economic stance as when I read the budget, and give the general assurance to those who were perhaps, unduly concerned, that there are no massive layoffs or anything of that nature in sight. We have been able to trim the sails and keep on course without any one sector of the community taking too hard a beating.



This deficit that is thrown out, therefore, which in fact is just about half of 1 per cent of GDP, when you compare that deficit with that of the United States, it is really a minuscule deficit, a momentary coming off course which I hope next year we would be able to get back on, especially since we will not have nearly so much debt service in 1995 as we have had over the last two years. As a result of that steady plugging away and the sacrifice the population has made, this is the last year of very heavy external debt service.

That fiscal deficit would be financed principally by increased borrowings in the form of floating rate notes on the domestic market. That is enough of the macro – economic picture.

**2.00 p.m.**

We in the Ministry of Finance have a deliberate policy of sharing information with the population. It has not been the tradition in previous budgets to tell the population on what basis the budget was calculated vis a vis oil price or oil production. That has been our tradition. We believe in getting this information out to the population. We only ask that those who digest this information and put it out for public consumption spare the time and effort for some consultation with people who are versed in financial and public sector finance in particular, so that they understand some of the words and jargon used and put it in some perspective, especially international perspective, so that we would come to a better understanding of our economic situation.

If I can turn to some of the details of the Bill. It money bill. Parts I to VI deal with increases in fees under the Real Property Ordinance, the Bailiff Rules, the Companies Ordinance, the Summary Courts Ordinance and the Petty Civil Courts Ordinance.

Part VII seeks to amend the Tax Appeal Board Act in respect of persons who wish to appeal against a decision of the Board. When we originally presented this in the budget, and as we originally drafted the Bill before you, we were seeking to prevent an abuse whereby people with impunity carried the taxman for five, six or seven years, and appealed with no penalty and just tied up much money deliberately and frustrated the tax collection effort.

At the same time it was drawn to our attention that in seeking to correct that abuse by the regimes outlined in this Bill, we could probably catch in that network innocent persons who had good grounds for appeal; who are perhaps not very versed in accounting matters and presentation, and it could work against

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them. After much discussion, we have plumped for the Jamaican model, which has been in operation very successfully, I believe, since 1983. Tabled amendments which I hope hon. Members have received, change the stance somewhat.

Basically, we are seeking to organize and channel the way in which people can object and bring evidence within a certain period, in a required form, to the appeal process, and discipline that process, so that if a person of his own lack of due care and diligence does not perform, then the penalty would be paid, but every opportunity would be given to amass the evidence and bring it to the Tax Appeal Board without the kind of more draconian penalties that have been outlined in the original Bill.

Parts VII and XXI deal with increases in various fees which have already been confirmed by resolution. They cover certificates issued under the Evidence Act; fees for services provided for private clients by the staff of the Forensic Sciences Centre; fees for tourist guide licences; fees for analysis of finger prints, and others.

Part XXII of the Bill seeks to amend the Motor Vehicles and Road Traffic Act. Clause 22 makes provision for both the registered owner and the person seeking to be registered as the new owner to be present before the Licensing Authority, together with the vehicle, at the time of the transfer of registration. Special provisions are made when it is a company that is the owner. Then there are fines and penalties for failure to register a transfer.

Clause 22 (b) deals with the imposition of the transfer tax and no person may be registered as the new owner of a used motor vehicle unless the transfer tax is paid. Provision is made for used – car dealers who are registered under the VAT Act to register with the Licensing Authority as exempt persons. Similarly, under clause 19 (b) (6) of the Motor Vehicles and Road Traffic Act, persons who have paid valued tax on the purchase of a used vehicle from a VAT registered person will not be liable to pay the transfer tax where a tax invoice is produced to the Licensing Authority. Clearly, the intention is not to have double taxation on the same item.

Clause 19 (c) requires the purchaser to produce to the Licensing Authority either a receipt or other evidence of the date of transfer of ownership. The age of the vehicle will, for purposes of calculation of the transfer tax, be counted from the date of first registration under the Act.

Clause 22 (c) of the Bill increases the penalty for keeping a vehicle for use without payment of the prescribed licence fee from \$400 to three times the licence fee payable at the date of the commission of the offence. This increase is intended to correct the anomalous situation that has arisen where the licence fee for certain vehicles was greater than the penalty for failing to licence the vehicle.

Clause 22 (d) increases the fees for the renewal of a motor vehicle licence for those classes of persons who were liable to pay licence fees in previous years, but have used their vehicles on the road without paying the relevant fees. These persons would now be required to pay an amount equivalent to the unpaid fees. I should point out that this does not include people who have taken their vehicles off the road in the prescribed manner and notified the authorities.

Clause 22 (e) increases various fees payable under the Motor Vehicles and Road Traffic Act. Clause 22 (f) restructures the Motor Vehicles Tax regime.

A matter that caused considerable and unusual debate yesterday in the other place was the increase of fees under the Pounds Act and the elimination of dog licences. I do not know why that caused such extended debate.

Part XXV of the Bill seeks to amend the Income Tax Act. Clause 25 (a) imposes a business levy at the rate of 0.25 per cent of the gross sales or receipts other than emolument income on self-employed persons and sole traders. However, clause 5 (a) (2) (c) of the Income Tax Act exempts from the levy the gross sales or receipts of a person whose gross take in the previous year did not exceed \$120,000, unless there is a reasonable ground for believing otherwise.

The business levy is payable on a quarterly basis and any amount paid would be credited against income tax liability. Similarly, if an individual's liability business levy exceeds his liability in respect of income tax, any payment made towards his income tax liability would be credited towards his business levy liability. There is a certain degree of consistency.

We have a number of complaints about people wanting to pay business levy, but the way it is expected is that the business levy runs until the last day of a particular quarter and the levy is expected to be paid immediately after, leaving no time for calculation. In order to remedy that, we are allowing for calculation based on an estimate and then the correction would be brought to the next quarter.

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Clause 25 (b) limits the availability of the tax benefit in respect of meal vouchers to employees earning \$36,000 per annum or less. Clause 25 (b) (ii) exempts from tax the interest earned on foreign currency accounts held with banks or other financial institutions in Trinidad and Tobago.

It also exempts immediate annuities purchased by residents over 60 years of age.

**2.10 p.m.**

**Sen. Mahadeo:** Mr. President, before the hon. Minister proceeds further, I was very pleased when I read something about the interest accruing to foreign currency being brought back by nationals to the local market. I remember early in January I did ask a question of the hon. Minister as to deposit insurance coverage on the foreign currency being brought back into the country. At that time I was told that there was no such provision. I was hoping that now that this Bill is being debated, there would be some clause or amendments put to say what type of coverage is proposed for foreign currency being brought into the country. I have seen no such information.

**Hon. W. Mottley:** I will answer Sen. Mahadeo immediately. We have this matter constantly under review. The problem is that the deposits in foreign currency have not yet reached the size of pool where we feel we want to have the degree of regulation that she is contemplating. From what I remember of the last discussion—I stand to be corrected—with the Central Bank, they had reached a pool somewhere in excess of US \$175 million. The problem is that the interest rates that the banks pay on these deposits are at this time quite small.

Part of the problem is that until the pool reaches a certain size, the banks themselves are rather wary about how much they can lend out because these are short-term call deposits. Therefore, much of that money is sterilized in the banking system because the banks have to exercise much prudence and caution. In fact, the Central Bank requires them to do so. There are not that many businesses in Trinidad that will borrow in US dollars and accept the exchange risks: it has to be an export business that has its income in US dollars that can borrow readily in US dollars and not have an exchange risk. So that, with that limited pool that the banks can lend on, the banks are not yet in a strong position to offer fairly high interest rates to the US dollar depositors.

If on top of that, we require deposit insurance and withdraw from the rate of return that the banks may offer, we are beginning to make it quite unattractive

and, indeed, this is why the Government have done what we are doing here right now in not requiring the same tax on interest that we require on Trinidad and Tobago dollar deposits. I wonder if I am making myself quite clear.

**Sen. Mahadeo:** Thank you, but what I am bothered about is the sterilization process. How long then would the sterilization process continue, and how often will it be looked into to see when it should be over and deposit insurance can be introduced to give coverage to depositors who are already there.

**Hon. W. Mottley:** Mr. President, I would say that this is a matter for the Central Bank and, therefore, I am trespassing. If I had to hazard a guess, I would say that the Central Bank would not be inclined to start to do these things until the deposit pool was in excess of US \$300 million, and the banks then could more readily start to lend and offer higher interest rates on US dollar deposits. That is an educated guess, but it is not a pronouncement from the Central Bank. The Senator would have to get that information from the Central Bank.

Clause 25(d) seeks, by proposed 10A of the Income Tax Act, to extend to sole traders the allowance equivalent to 150 per cent of promotional expenses which was previously available only to companies for expansion of non-Caricom foreign markets. The allowance has also been extended to cover expenses incurred in the creation of foreign markets. A further modification has been introduced to extend the allowance to expenses incurred in creating expanding markets with export of architectural, engineering, design, quantity surveying or contracting services in connection with the building industry performed by residents of Trinidad and Tobago.

Proposed 25(f) makes provision for persons investing in the equity capital of a hotel or tourism development project, approved by the Minister with responsibility for tourism, to claim a deduction of 25 per cent of the total investment over a three-year period. This particular benefit is devised to encourage especially business and rich high network individuals to invest in the tourism plans of the country.

Proposed 25(g) extends to December 31, 1995, the measure which was introduced last year to grant exemptions from tax on rental income and profits from the initial sale of residential, industrial and commercial properties, the construction of which commenced after January 1, 1993. We envisage this is possibly the last extension in that we are trying to accelerate construction in this country at this time. We have seen the construction industry responding nicely

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and we anticipate that the construction industry in 1995 will be going at a very good clip and not needing this stimulus that was particularly extended during a period of slack in that industry.

Clause 25(h) discontinues the tax credit given to purchasers of units in the second scheme of the Unit Trust with effect from January 1, 1994. It is clearly the intention of Government to have a level playing field with the whole business of mutual funds. We will be moving expeditiously to introduce legislation on the Securities Act and generally to regulate mutual funds at which time we hope to pass on the benefits to those regulated mutual funds.

A tax credit equal to 50 per cent of interest payable on bonds issued by Trinidad and Tobago Mortgage Finance Company Limited has also been given to persons purchasing bonds issued by that company to raise funds for lending as an approved mortgage company.

Clause 25(j) and (k) deal with the requirements for persons seeking to appeal the tax, and in that section 25 we have done much repealing and reconsideration and the new amendments are before you.

Clause 26 of the Bill seeks to make certain amendments to the Corporation Tax Act.

Clause 25(a) deals with the incremental profits tax. Under this regime, companies will be subject to tax at the rate of 30 per cent on profits in excess of the base year chargeable profits. The base year of a company is the 12-month accounting period ending in the period November 1, 1992 to October 31, 1993. For a new company, the 12-month accounting period following registration will be the base year.

Proposed Section 10D. (2)(a) of the Corporation Tax Act, introduced by clause 26(e) of the Bill deals with contributions to the Catastrophe Reserve Funds. These provisions should be read together with Part XXXIII of the Bill, which proposes amendments to the Insurance Act to deal with the establishment of Catastrophe Reserve Funds.

Under the proposed amendment to the Insurance Act in clause 35 of the Bill, the assets of the Funds are required to be invested in trust in the same manner of the statutory funds of insurance companies. A catastrophe loss is defined as a loss arising from earthquake, shock, fire, following an earthquake or flood, caused by an earthquake or a hurricane, cyclone, tornado or windstorm. The company may not withdraw the funds unless either a catastrophe loss has occurred and the

liability of the company, after deducting salvages and recoveries, is expected to exceed 10 per cent of the capital and free reserves of the company, subject to a minimum of \$500,000, or the company ceases to write that particular line of business.

These provisions are the result of requests made to the Ministry of Finance by the Association of Trinidad and Tobago Insurance Companies.

**2.20 p.m.**

Clause 28(b) imposes interest at the rate of 15 per cent where lands and buildings taxes are not paid by June 30 in any year. Clause 28(c) seeks to require the payment of taxes assessed to security and account of the assessed tax prior to any appeal being made to the district revenue office. Clause 29 of the Bill reduces the rate of import surcharge on certain goods as from January 1, 1994.

Part VII in clause 29 amends the Miscellaneous Taxes Act and introduces an in-bond sales tax but only on alcohol and tobacco, not as originally read, across the board. Part IX imposes a financial services tax at the rate of 15 per cent. Part X here relates to the road improvement tax. This is imposed on auto diesel, premium and regular gasolene at the pump at the rate of five, ten and nine cents per litre respectively. The tax is collected by National Petroleum and provision has been made for a 50 per cent increase in tax and interest at the rate of 15 per cent to be paid to the Board of Inland Revenue where the tax is not paid to the Comptroller of Accounts.

Proposed under Section 44 introduced by clause 29 establishes the fund and the management regime surrounding the fund, and Clause 49 the Minister responsible for highways is obliged to report to Parliament every six months on the operation of the fund.

Part XXX of the Bill amends the Customs Act by making certain changes to the system of rebates of customs duty for exporters which was introduced last year. The amendments change the method of computation of rebate to 11/2 per cent on the free on board (fob) value of export sales. Provision is especially made that by order of the President, that 11/2 per cent rate can be varied. That system, to the best of my knowledge, is now operational.

Part XXXIX of the Bill amends the Maxi-Taxi Regulations by imposing a fee of \$100 for making an application for a permit to own and operate a maxi-taxi and for approval of changing the route area specified in the work permit.

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Mr. President, this gives you a quick synopsis of the major items in the Bill before us. I will only add that there has already been much debate on a number of these items. The vast majority of these items deal with increases in fees and these are the result of a committee that we have appointed in the Ministry of Finance that systematically reviewed fees. For too long, fees for Government services have remained unchanged, going back 30, 40 sometimes 50 years, and we have attempted to prevent that from happening, by regularly reviewing these fees and coming, in the course of the budget presentation, for a review of these rates. Sometimes, therefore, where you calculate 100 per cent increase, very often, it is merely an increase in a fee from 50 cents to \$1.00 or so and, therefore, the percentage sounds much worse than the reality.

With these few words, Mr. President, I beg to move.

*Question proposed.*

**Sen Wade Mark:** Mr. President, before I get into the response to the hon. Minister's presentation, we on this side would like to join you in extending condolences to Sen. Rooks and his family on the passing of his mother.

We would also like to put on record the reason we have agreed to this debate today. We need to briefly put that in some perspective. We have decided to give way to the Government in this matter even though today is Private Member's day. We have also indicated to the Government that we would resume our Private Member's business on Tuesday, April 5, 1994, and allow the Government to come next week Tuesday with another Bill. I think it is important to record that Private Member's day which we have given up today will be returned to us on Tuesday, April 5, 1994.

Mr. President, we have a Bill here which could be described as another bible of taxes presented by the Minister of Finance. This Bill before us, as the Minister rightly pointed out, contains large chunks of what were already contained in the Provisional Collection of Taxes Order of 1993. But as he also indicated, there are a number of additional provisions of a fiscal nature.

The Finance Bill is another manifestation of the sharpness and biasness of the budget-maker's pen, particularly as it relates to working people, who, as you know, are under tremendous pressure as a result of the misguided policies being pursued by this regime. As an example, in 1994 individual contributions to income tax and value added tax combined would fetch this Government close to



TT \$4 billion whilst the corporate sector, the so-called engine of growth in this economy would be contributing a measly \$670 million.

**2.30 p.m.**

It tells you the pressures that are placed on poor people by this so-called "caring Government". The philosophy of the regime seems to be, one to tax the poor to death; and, two, to provide some sort of assuage for the rich by providing them with hefty concessions the class bias against poor people is manifested once more, not only in the original budget but also in the Finance Bill before us. Sometimes one wonders, what really informs this Government's thinking. If we look at this package, this bible of tax measures that we have here, we would see that the bulk, if not the majority, are going to be met by the ordinary citizens of Trinidad and Tobago. The Government has not even spared the entertainment industry in this particular package: to register a club you would not believe, it has also taxed people merely to engage in recreation. This is the kind of regime we have, a very tired regime, clearly.

We feel that the Government of this country ought to have come to this Parliament—because this Minister in particular is guilty of contempt for this Parliament. Once, they say is an accident; twice is a coincidence; and the third time they say is a habit and a practice—it has now become a practice on the part of this Minister, whenever critical statements are being made on the economy of this country, to find himself centre stage at some business conference announcing these critical matters that ought to be properly ventilated in the Parliament. He did it last year when the institute of bankers had a seminar, when he gave a whole review of his Government's performance for the last year. Again, he is guilty of similar practice, when he went to this Development Finance Limited Investment conference and leashed, what they have now accepted as some misleading figures on the population.

When we examine this Government's record carefully, on this issue of finance and the various taxes it is imposing on the population, we have to advise them clearly that there is, in fact, another way; they could approach development from a different perspective. But the Government worship the market, they are the worshipers of the new philosophy of economic liberalization, privatization and deregulation. They have been converted with zeal and evangelical, maybe vision, to impose this new philosophy on the population of this country.

So this Finance Bill before us imposes greater taxes on the backs of an already battle-fatigued people; more taxes are demanded from this pickpocket

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Government, but at the same time the people are not being provided with the necessary services. We pay more taxes, more demands are made on the population to dig deeper into their pockets, and yet the social services are in a state of total collapse. Why are we paying taxes? For the Government to buy vehicles for \$.5 million? Is that the reason.

The Government has been unable to provide the population with adequate housing; the Government has failed miserably to provide the population with adequate public transportation. In today's Guardian there is the frightening story that the Government intends to instruct the PTSC to impose higher fares for travelling throughout the land.

The Government has already reduced allocation to the Public Transport Service Corporation by a large chunk; it is actually running the PTSC into the ground. This Government has refused to provide the kind of subsidies so that school children in the rural areas can get to school; it has now withdrawn that commitment, so there are many school children who are unable to attend schools and, therefore, the drop-out rate is rising in the rural communities today. But we are asked to pay more taxes; we are asked to approve more taxes.

Garbage collection—Mr. President, Port of Spain is now a dump, it has now become a dump. If you pass any part of Port of Spain, you will see, for instance, large mounds of garbage that the City Corporation has refused to collect. Its new way of conserving funds is to collect garbage twice a week, but we are paying taxes, they are calling on us to pay more.

The Government is sabotaging the Water and Sewerage Authority—water shortage throughout the country; no water in many communities in this country.

**Mr. President:** Sen. Mark, could you tell me to what part of the Bill your contribution is linked?

**Sen. W. Mark:** We are talking about taxes, Mr. President. This Bill is a Finance bill, and we are talking about the Government's imposing taxes on this population, and whilst it is doing this, it is unable to provide services. This is a finance bill, and as you know, Sir, a finance bill incorporates wide sections of our economy, and I am trying to link these impositions in the context of the absence of services. We are being called upon to pay taxes; the population is being called upon to make greater contributions, but we are not getting the kind of service for the taxes we are paying. That is the link between this Bill and my contribution.

I have much more to say on the meat of this matter; these are just my introductory remarks, Mr. President, so if you would anticipate me a little more, I coming.

Because we cannot escape the reality that the Government's economic philosophy is determining its financial outlook and its financial package and, therefore, its economic philosophy cannot be separated from its financial policy so, we are saying to this Government that it has to pay more attention to the needs of the poor in our country. It needs to allocate much more funds to the various social sectors of our economy, I mention housing as an example.

**Mr. President:** Hon. Senator, we are not dealing with an Appropriation Bill, we are dealing with a Finance (Amdt) Bill.

**Sen. W. Mark:** Yes Sir. There was a headline in one newspaper indicating—because this Government is notorious for illusions—one newspaper indicated that the Minister of Finance told a meeting that there is a \$400 million shortfall; then the Minister says something else to us today. We read in the newspapers that the other Minister said something else downstairs. So the Government seems to be messing with the head of the population—as Abby Blackman sang: "Don't mess with my head," Motley; "don't mess with the population's head."

And that is what the Government is doing: it is messing with our heads by not levelling with us and the country. I am saying that there are many areas in this Bill before us that we need to address properly. The Minister says, for instance, that the country is moving away from oil dependence, what is the relevance of this bill here today? If you predicated your budget on a far-fetched figure of US \$19 a barrel of oil—and in spite of my warning to the Minister, he listened to the local gurus involved in oil, the experts—we wonder what is going to be the impact of this collapse and this Bill before us.

#### **2.40 p.m.**

The Minister ought to have come here with a revised budget. He ought to have told us in this Parliament today what has been the performance of the economy for the first quarter of 1994—what has happened. We are not getting this! Therefore, we continue to be misled by this regime. We know for a fact that at one stage the Government projected an economic growth rate of two per cent at the end of 1994. We learnt in some newspaper some time ago that the hon. Prime Minister spoke about a boom and the end of structural adjustment, and that the policy of his Government was working. We are not seeing evidence of this policy

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working. We are seeing more poverty, more homelessness and more income inequalities in Trinidad and Tobago. Also, we are seeing greater levels of unemployment and threatened retrenchment.

Where is the turnaround that the Prime Minister speaks about? The Deputy Governor of the Central Bank says that we are going to experience negative economic growth at the end of 1994; the Prime Minister says we are going to have positive growth. Whom to believe? We feel that this Minister of Finance and his Government are threatening the very existence of the population by their economic philosophy that has failed miserably not only in Trinidad and Tobago but also in many developed countries today. Therefore, we indicate that the economic policy of this Government has to be addressed carefully. We have to look at it, re-examine it, and look at the issue of seeking to have a consensus on this matter.

But the Government comes to this Parliament and presents the Finance Bill to impose greater taxes on the poor, it is the poor who will be paying, as I said, the bulk of these taxes one reads in the *Sunday Express* of February 6: "Methanol firm gets free tax ride". You are giving concession to the rich but punishing the poor! This article said that the German firm, Ferrostaal, would be getting, in terms of tax concessions, close to \$25 million over a five-year period. Also it would have the authority to import duty-free equipment and other materials. How is it that the Government is not providing the poor people of this country with concessions? Why is it not providing the local businessmen with concessions? It is providing the foreigners with concessions.

As Mr. Frank Rampersad said in a statement recently, over the last 25 years the foreign sector had contributed only nine per cent of the capital stock or investment of this country, but has exacted a return of more than 36 times what they put in while keeping their capital intact. Why is the Government fooling this country about the foreign investment they are going to bring? Let us generate our internal capacity to bring about the kind of changes that are needed here.

When one looks at this Bill, one sees that this Government is so desperate for money that it increases the fees for fingerprint impressions to \$50.00. This is part of the Government's proposal in terms of the Finance Bill here. It was in the *Provisional Collection of Taxes* Order but, as you know, Mr. President, we do not debate that document at all; it remains downstairs, it never comes upstairs. On page 9 there is the question of the Government imposing a fee of \$50.00 in order to get a fingerprint impression affixed to a deed or will.

This Bill talks about firearms.

"(6) A private security firm or company may, upon payment of a fee of twenty dollars per firearm per month or such other fee as the President may, by Order, prescribe, store firearms or ammunition at a police station..."

The Government imposes a fee on the private security firms to store arms but, after almost two-and-one-half years in office, it has been unable to address the plight of 20,000 private security guards in this country. I am not surprised that the Government is not interested in promoting the welfare and happiness of these security guards. The Minister of Finance went to Guyana and he is on record as saying that his commitment is to get rid of the trade union movement. Therefore, I am not surprised at the Government's hostility towards working people. When they asked him, what he meant by that, like Richardson, he said that it was a joke. That is what the Minister of Finance told a meeting in Guyana. *[Interruption]*.

I am dealing with the issue of private security guards and I am making the link that whilst the Government is interested in extracting a fee for storage of ammunition, it is not willing to pass a Minimum Wages Order to protect the rights and interests of 20,000 private security guards in this country. Mr. President, they come to protect you and me, Sir. How can they protect me when they are working for \$1 per hour? The Minister knows this!

The Government seems to have its priorities all confused. If the Government really cares about people, it should give priority to the poor. That is what it has to do. But it is not interested in that.

**2.50 p.m.**

Explosives, Mr. President. This Government is able to impose, quickly, fees on the population when it suits it. As I said earlier, the Government has not allowed even the entertainment industry to escape.

People who want to have some entertainment—I do not know when last you went to the cinema, Sir, but cinema fees have gone up again because of this imposition. So the Government is taxing people to death in this country and when people want to take a little relaxation, they cannot even go to the dance hall, or a cinema show because the Government has increased the fees.

Poor people who have to travel on the blue band buses—since 1984 the Government of this country has not purchased a new bus in the blue band section.

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Those buses, I understand, have a life of 10 years but they are on the road for 19 years; and this Government is seeking to impose a new fare structure on the population. So entertainment has not been spared the sharp pen of the budget maker—he wants to chop up people’s entertainment.

Registration of clubs: Mr. President, I do not know how much revenue the Government intends to gain from this. One has to pay a fee now to register a club in this country. Dance halls and theatres—one has to pay a fee. And on page 16, clause 19 of the Bill, the Government is amending the Fire Service Act in order to impose fees on the population of this country. So, I want to know if one is living in a community where there is a shortfall in the water supply and the fire people are to deliver water, what is going to happen. Are you telling me that that is an exception?

**Sen. Huggins:** We can handle that problem.

**Sen. W. Mark:** Do not disturb me, man, do not disturb me! I am seeking the President’s protection. Do not disturb me!

**Mr. President:** You are not referring to the hon. Minister as “man”?

**Sen. W. Mark:** No, well, the hon. Minister, Sir.

**Mr. President:** If you would leave the asides and address the Chair, you would save yourself from a lot of problems.

Mr President, I am dealing with the Fire Service Act. I am saying that, according to this Bill before us, the Government has stated that fire prevention lectures for the supervision of evacuation exercises are now going to be chargeable. They are going to charge people a fee for this service. I am just trying to show the desperation of the regime in seeking every area that they can from which to extract blood. This is supposed to be a very important responsibility of the Fire Service Department. They should be giving that free in an effort to avoid—because we know we have so many delinquents in the area of understanding fire fighting and fire prevention—the Government should be seeking to promote this matter in a more serious way. But what do we have here? Training in First Aid—there is a fee now—\$150 per person—for a private company. Training in basic fire prevention and fire fighting—\$550 per person for tuition and training materials and award of a certificate.

**Sen. Huggins:** Private companies.

**Sen. W. Mark:** What I am saying, Sir, is that the cost of this activity is going to be passed on to the consumers. That is how this economy operates. In 1993, the Prime Minister boasted that come 1994, prices are going to fall flat. The only thing that has fallen flat in this country is people's stomachs, because there are no price controls out there; and when we talk about the Ministry of Consumer Affairs, they are watching prices increase. That is their responsibility—to watch prices increase!

Well, at least, Mr. President, on page 18, section 20, the Minister of Finance has some respect for the dead and he said that instead of increasing the fees, he is going to downgrade the money.

**Sen. Ainsley Mark:** Mr. President, I rise on a point of order. The Senator is misleading the House. He was referring in his contribution to Part XIX, dealing with the Fire Service Act; and for some reason he seemed to omit that the new fees, however, will not apply to life saving or rescue operations, humanitarian services and services undertaken for and on behalf of the national community. I am submitting that he is deliberately misleading the Senate, Sir.

**Mr. President:** Is it that you had not got down to reading that part?

**Sen. W. Mark:** No, Mr. President, what my good colleague is saying has nothing to do with my contribution.

**Mr. President:** What he is saying is that you are making—

**Sen. W. Mark:** But he cannot assume, Sir, that I am misleading the House, when I have not said anything in my presentation to give that impression. He is telling me something—telling the President, rather, not me. What I am saying is that I do not have to read this section.

**Sen. Huggins:** Why?

**Sen. W. Mark:** If he wants to read this section, that is his right. But I was referring to specific sections, Mr. President, under the Fire Service—

**Sen. Huggins:** Out of context!

**Sen. W. Mark:** No, not out of context.

**Sen. Huggins:** Do not tell me, no.

**Sen. W. Mark:** Mr. President, do you want me to read it over?

**Mr. President:** I do not want you to read it over. The point has been made that you are making certain statements in which you are not telling the whole truth.

**Sen. W. Mark:** What statements have I made, Sir? What statements, specifically, have I made in this Senate that could lead you to come to that conclusion? I am saying that my hon. Friend is attempting to get me to read something that he wants to read. But I am not misleading this Senate. I have not said anything in my presentation to give Senate, that impression. I am saying that the hon. Senate is being provocative.

**Mr. President:** I do not think he is being provocative. But you may continue. The Minister is free to reply at a later stage and deal with it.

**Sen. W. Mark:** So, Mr. President, if we go to clause 22 of this Bill on page 26, we have the question of the Motor Vehicles and Road Traffic Act being amended. I think this amendment came a bit too late. Maybe it should have come a little earlier—maybe this should have been addressed in 1984.

“the registered owner and the person seeking registration as the registered owner shall both be present before the Licensing Authority together with the used motor vehicle that is the subject to the transfer at the time that transfer of registration occurs.”

If that was in existence in 1984 we would not have had the confusion involving the Prime Minister and Dole Chadee. This section came a bit late.

**Sen. Senator:** How that come in?

**Sen. W. Mark:** You don't worry—it come in.

So, Mr. President, we are saying that we made it very clear in our presentation here that we do not support the imposition of this penalty tax that is called a transfer tax. We feel this is an unnecessary imposition on the population of this country and poor people, in particular, and we maintain that position to date. We see no reason for this imposition.

But the Government, Mr. President, as I said, is a government of the rich and big business, and not a government of the poor people of this country.

**Sen. Ojah – Maharaj:** Capil, you heard that?

**Sen. W. Mark:** The road improvement tax, is punitive, Sir. If one looks at page 36, one will see the kinds of fees that are imposed just to transfer a vehicle. It is ridiculous! Not even the dogs have escaped.



**3.00 p.m.**

Mr. President, the road improvement tax, section 25 dealing with the Income Tax Amendment. Sir we feel that this tax is not going to facilitate, in a serious way, developments in that sector. In fact, this amendment is extremely vague; and we need to have some more concrete clarification from the Minister on that matter.

In fact, Mr. President, no mechanism has been provided to address this issue objectively and we expect that this business levy of 0.2 per cent put here which is to be paid on a quarterly basis, according to the Minister of Finance, to be a failure. We believe that the revenue forecast is not going to be got by the Government as a result of the vagueness of this arrangement. Again, the Minister of Finance would need to give us some more concrete information on this matter. It is very vague and we need some clarification.

We looked at the issue of deductions for investment in approved hotel and tourism projects, but we do not have a clear appreciation in this document of what exactly is a tourism project beyond the vague description provided in this Bill, and we believe that, again, the Minister needs to look at this issue very carefully.

The Minister of Finance, as would be noted in this document, has the authority to issue a certificate to the particular approved project owner so as to have him qualify for the particular benefit in question. We feel that this is an area, Sir, that if not clarified, could leave room for corruption and corrupt activities on the part of the participants in this exercise. Again, this is an area that we have some doubt about and we would like the hon. Minister to look at it very carefully. [Interruption] We are talking here about the tax for deductions for investment in approved hotel or tourism projects.

Mr. President, we would like to deal with this section on the Road Improvement Tax. We have noted with some concern the effort being made by the Government to improve the road network. We await anxiously the first report of the hon. Minister on precisely what has been done over the last six months when he presents that report sometime in June.

However, what we have noted in this Bill, Sir, is a situation in which the Government has established a management committee. It has established a management committee, to supervise this road improvement tax, and even though the bulk of the moneys is going to be coming from the travelling public, the Government has appointed some member of the private sector to be on that particular board or committee, it has appointed government officials to be on that

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board or committee and we have observed again, in its hostility towards labour, which is a very important social partner in the framework of development in this country, that it has left out labour once more, when a large part of the road improvement tax is being paid by the workers of this country.

Maxi fares have gone up. Do you know that bus fares are going up from April 1? It is the poor people who have to dig deeper into their pockets to pay maxi-taxi fares to come to work and to pay bus fares from April 1, yet, they are not represented on a committee that the Government has established to supervise the road improvement tax.

We find it strange that the Government continues to work in that kind of way, when it tells the population that it wants co-operation from labour; it wants to extend the hand of friendship to labour, but here is a situation where it can begin to do so but it has not taken up the opportunity.

Page 59, clause 29, says that:

"The rates of import surcharge with respect to the Seventh and Eighth Schedules shall be reduced as of 1st January, 1994—"

and they indicated the percentages in question.

The hon. Minister of Finance ought to be telling this Parliament how these percentages or reductions in import surcharge are going to be reflected in lower prices for consumer goods and services. This makes no sense whatsoever if we are going to provide lower surcharges and the business community is not going to be encouraged or instructed to reflect those lower charges in lower prices. Flour has gone up already for the year and hops bread has gone up. All categories of bread have gone up, and we would like to have from the Minister of Finance or may be the hon. Minister in charge of consumer affairs what mechanisms the Government has put in place to ensure that the population of this country derive some benefit from those deductions in import surcharges.

As I said, Sir, the Government has abandoned its responsibility for leadership. It has now left this responsibility to the blind forces of nature. Markets are now going to bring about growth, development and transformation by themselves, and this is why the Ministry of Consumer Affairs could boast that the market would determine the level of prices in our country. Therefore, all the Minister of

Consumer Affairs would have to do is to watch over price increases in our country. That is her responsibility.

I believe that the hon. Minister of Finance owes this country and this Parliament an explanation as to what mechanisms they are going to put in place to ensure that the poor, the oppressed and the dispossessed enjoy the benefits of these reductions in prices through the lowering of the import surcharge.

We would like to know exactly what is happening with the in-bond sales tax. It has been imposed from Jan. 1, 94. The Minister ought to give us an explanation as to what is taking place with the revenue collection in that area.

Page 60, proposed section 39—tax on financial services. I do not know if the Government has done a serious assessment of the impact of this tax on small and medium—sized businesses. If one look at pages 65 to 70, one would see that every conceivable service one can imagine has been covered by the Government in imposing this 15 per cent tax on financial services. But this Government wants to make us the financial centre of the Caribbean and gateway to South America. How can we make our country the financial centre of the region and gateway to Latin America when such punitive and oppressive taxes are imposed on the business community, particularly the small and medium sized businesses?  
*[Interruption]*

**3.10 p.m.**

No! We have a position. We have a role for the private sector in our new economic structure. The UNC, the alternative government we see a very positive and dynamic role for the private sector.

What we are saying is that this particular tax is going to hamper the development of the private sector, particularly small businesses. Many small businessmen, from the information I have received, are experiencing great difficulty in meeting these taxes. Some are going out of business.

So what I am saying is, let the Minister tell this country and the Parliament what has been the impact of this tax on the business community since it was imposed. We need to have an update. This is why I keep saying that the only way this Bill is going to make sense to this Senate is if we are able to get an objective and up-to-date analysis and account from the Minister of Finance as to how these things are going; whether the targets are being met.

**Mr. President:** Your speaking time has expired.

*Motion made,* That the hon. Senator's speaking time be extended by 15 minutes [*Sen. S. Capildeo*].

*Question put and agreed to.*

**Sen. W. Mark:** Mr. President, all we ask here is for the Government to come clean with us and provide this Senate with some appreciation of what is happening with those particular areas which they have targeted in an effort to increase revenues in the country. In terms of registration of business names, that has not escaped the pen of the hon. Minister of Finance. We have to also pay a new tax here.

So as far as we are concerned on this side, many of the items identified in this Bill, many of the areas that the Government has targeted from which to collect revenue, are suspect. We believe that the Government will not be able to realize the revenues targeted.

We have indicated to this Government on many occasions that there are many areas in this economy that the Government could, in fact, engage and gain some more revenues. There are many ports of entry in this country which are without customs guards. Caridoc is one of them. My information is that millions of dollars in illegal goods come through that port annually, and the Government—the Minister of Finance—has refused, for whatever reason, to make that particular point of entry a legal one, in terms of putting customs officers and customs guards to, at least, monitor activity.

Many Colombian women come through that particular port.

**Hon. Senator:** How do you know that?

**Sen. W. Mark:** Information reaching me. All I am saying is that we can, indeed, collect some additional revenue and ease the crisis on the poor of our country. We understand that there are close to about six or eight ports in the country, in the South, Central, North and in the deep West.

**Mr. President:** Are you suggesting a tax be paid?

**Sen. W. Mark:** I am saying, Sir, that illegal goods are coming into this country that ought to be taxed. The Government ought to take account of this matter in an effort to raise additional revenue and ease the burden on the poor of

our country. We are saying that the poor are overtaxed. We are calling on this Government—the Minister of Finance—to impose some kind of additional tax on those banks which are making super profits. They must all share in the burdens of adjustment. But the Government would not tax these people, instead, they are putting the pressures on the poor.

We are not saying to overtax the banks, but we are saying that when banks make super profits, over and above—when they floated the currency one bank alone recorded close to \$100 million, and after tax, close to \$70 million. We are saying that the tradition has always been to make a little \$40 million or maybe \$20 million at times. But when you go to \$70 million, I am saying, let these banks make a contribution to the coffers so that we can save a soul in Beetham, or in Tobago. Many children cannot go to school today because the Government has refused to pay its subsidies to the maxi-taxi drivers. The government has sabotaged the PTSC; run it down from 800 buses to 110 today, and at the rate that we are going here, by 1995 we will have no bus service in this country. The Government is killing the Public Transport Service Corporation.

We are saying that the Government has to look at these areas and become more creative and not look at revenue-raising measures in a straight line. There are other areas that they can look at, and we have advanced these suggestions to them, but they have refused again to entertain some of our views on this matter.

One area that I would like to raise before I close is the need for the Government to be extremely careful with the kind of concessions they are granting to foreign business corporations in this country. The Ambassador of the United States recently said that what these people look for when they are coming into a country is political stability and security. She should know! But this Government continues to prostrate itself before corporations, granting huge concessions that even local enterprises cannot get and cannot enjoy.

What happens at the end of the day? They invest one dollar; they take out \$200, and the Government is telling us, that that is our salvation. Salvation to hell! We are saying that the Government has to look at these issues. We are not against foreign investment. We want to make it very clear, we are not opposed to foreign investment. But you must bring foreign investment here on terms and conditions that are acceptable to our country and that will advance the interest of the people of this country, not to prostrate yourselves before a foreigner and lose your dignity, pride and self-worth in getting him to open a pizza hut! I always say,

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when a Minister opens a pizza hut or some chicken and chips place, it hurts me. My heart bleeds. That should be the job of a county councillor or some executive officer in some constituency, not any Minister of Government. Courts is importing all its furniture from America, England and Europe; and all its equipment is coming from abroad damaging the local furniture industry. Here—and you have a Prime Minister of this country launching Courts. It really bleeds my heart.

All we say is that we must have pride and dignity, and when we are negotiating with foreigners, we tell the Government to do its homework properly. Therefore, what we are saying on our side is that we do not support these measures in this Bill. We should like to advance alternative solutions to this Government's problems in terms of raising revenue, and we hope that this Government would look at them very carefully.

We would like to call on the Minister of Finance to look very carefully at the issue of the foreign debt. Would you believe, we have so many countries in the Caribbean and Latin America, and according to the *Trinidad Express* report, Tuesday, March 13, Trinidad and Tobago was among four countries in the region that were able to pay their debts in 1993. We were joined by El Salvador, Guataemala and Panama.

**3.20 p.m.**

All I am saying to the Government is that it needs to look at the issues in a very broad light and determine whether it is going to postpone its debt payment in an effort to alleviate people's suffering. We are saying that the Government needs to negotiate. We on this do not believe that the Government of this country has taken a decision that its debt obligation is inescapable and, therefore, that is it. We are saying to this Government that it can re – negotiate its debts and get some breathing space.

Mr. President, do you know how much has to be paid in debt servicing for this year, both local and foreign? We have to find close to TT \$3.7 billion for this purpose. That is a huge slice of the national pie, so we are saying to this Government that it can do more: it can enlist the support of the Opposition. Let us form a government of national unity; let us confront the problems head on and move forward so that we can give our children a better, a brighter and a serious possibility of hope; because hopelessness is killing our nation today. People feel hopeless, they feel frustrated that there is no way forward because of the dilemma

in which the country finds itself due to the Government's ineptitude, incompetence and misguided economic policies.

We would like the Minister of Finance to give us an appreciation of some of the areas I have defined. We would like to have an update on how these things are working. We would like to know if the Government has these things on target in terms of revenue collection. We would like the Minister of Finance to tell us why there are eight ports in this country where illegal shipments of goods and services, including drugs and prostitutes are coming in? Why has the Government not clamped down on those ports of entry to gain some additional revenue for our country and to ease the plight, crisis and dilemma faced by thousands of ordinary citizens in our country?

Thank you very much, Mr. President.

**Sen. Michael Mansoor:** Mr. President, I should like to start my short contribution, today, by joining the others in the Senate in expressing our sincerest condolences to our friend John, on the loss of his mother.

The debates on finance bills in this Senate have, in my respectful opinion, historically been somewhat unsatisfactory experiences. Primarily, because in just about every year that I have been here, these bills, which are normally quite lengthy, are brought to this honourable Senate in a hurry and are debated in a hurry with the unwritten rule being that no amendments would be entertained.

On this particular occasion we have been presented with a 77 – page document, much of it, I agree of rather mundane significance, but several provisions are of quite significant import to the commercial life of this country. I think it is regrettable that we get these bills so late and, it is even more scandalous, that we get fairly lengthy amendments to the Bill at five minutes to two. I have difficulty dealing with a six – page amendment on a complicated matter relating to the Tax Appeal Board when I get it five minutes to two.

These debates, historically, have been quite unsatisfactory, and I believe that because of the nature we have, perhaps, put in the tax legislation of this country, much language, regulations and laws that are sub – optimum and do not serve this country as well as they should. Let me register, once again, my respectful displeasure at the way this Bill and these rather lengthy amendments have been brought.

Secondly, it would appear that the debates on matters of finance seem not to be given the significance that they might be. I note, for example, that the Minister of Finance is not here. Maybe it is not important what we say, but it is rather

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discouraging, to say the least, that we are asked to debate these matters when, perhaps, no answers are forthcoming; and no one seems to be listening.

In the good old days we had the Commissioner of the Board of Inland Revenue here. Well, he has delegated this duty to someone else; maybe, that is quite in order, but I would just like to urge that we all recognize how important it is for us to put tax legislation into the laws of this country that is given the kind of importance and attention that it deserves. To come here and just be told that we must approve 80 pages of law, with six or seven pages of amendments added in for good measure, on short notice, is really quite unsatisfactory.

Perhaps, on a less serious note, I must start my short contribution saying that in politics everything seems to be possible. I never thought I would have heard Sen. Wade Mark argue for tax concession for local businessmen. I never thought I would have heard Sen. Wade Mark argue for a repeal of taxes on financial services, especially when one of the major banks has agreed to pay the tax on these financial services. In politics, all things are possible.

Maybe, Sen. Wade Mark knows and understands—

**Sen. W. Mark:** Mr. President, on a point of clarification. Let me state that I have always been consistent in many positions I have advanced. In the budget debate, our party took a clear position against the imposition of the tax on financial services and that particular tax the Senator is making reference to. I am just being consistent. I am a party man, so I am being very consistent.

**Sen. M. Mansoor:** Mr. President, I thank the Senator for his explanation. I was going to tell him that there is an election to the Board of the Chamber of Commerce and, he might be interested in it.

One of the first provisions of this Bill has to do with the Tax Appeal Board. The Bill I read before I came here basically said that before a matter is heard by the Tax Appeal Board one had to provide security. I understand that this amendment has something to do with that, namely, it seems to suggest that what is called the Jamaican model has been followed here. I do not know what the Jamaican model is, I am sorry to say, and I do not believe the Minister explained it in any great detail.

Clearly, it has been the position of many persons in this society that to suggest that people should pay their taxes or provide security before the matter is heard at the Tax Appeal Board is a right which, if given to the Board of Inland Revenue,



can be abused. This would not be because of any benevolence on the part of the senior people there, but mainly because of the way the bureaucracy works, and the fact that many of these matters are adjudicated by relatively junior people who may be misguided—nothing to do with the management of the Board of Inland Revenue.

**3.30 p.m.**

I hope that Sen. Daly would be more familiar with the provisions of the Jamaican situation and would be able to perhaps give us some comfort that these amendments improve the situation. When we get amendments at 1.55 p.m. It is very difficult to come to an opinion on them. I said in December when we looked at the Budget that it has much to do with the efficiency with which objections are heard and dealt with by the Board of Inland Revenue. If what I saw in the Bill last night is put into law it would be a very unsatisfactory situation. It would be very onerous. I hope what the Minister has proposed in his amendments deals with the problem.

The more important significant clauses of this Bill start with clause 22 which has to do with the question of the transfer taxes on used cars. As was said by many commentators in December, this is really in the nature of a nuisance tax. Vat has been paid on vehicles at inception. To attempt to claw back taxes when used cars are sold is really scraping the bottom of the barrel.

Many of the provisions of this Bill are quite ludicrous. The one that really struck me as being extremely complicated and extremely expensive to implement is clause 22 a which incepts a paragraph (e) in section 19 of the Motor Vehicles Act which basically says that where one of the persons who is a party to this transaction is unable to come because of ill-health, on the payment of \$100.00 the Licensing Authority will send someone to the person's home to presumably see that the person exists.

In this day and age, when we have difficulties to do very simple things like moving policemen from one part of the country to the other, we are suggesting that the officers of the Licensing Authority will be going to people's homes to look at sick people who want to sell a car. That provision just seems quite ludicrous in 1994 in Trinidad and Tobago. It seems an incredible way of doing business. This tax remains, in my view, quite unsatisfactory. I hope that the penalties are strong enough to stop people from flouting the legislation. My view is that it will be flouted. How do you establish the possession of a vehicle? How

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does one establish possession as opposed to borrowing a vehicle? This particular part of the Motor Vehicles and Road Traffic Ordinance will be incredibly difficult to police properly. I ask whether we are really creating useless work for people which will cost the country no end of money and which will be to very little avail.

I know that the Minister is not of the mind to change any of these clauses, but I ask him to look at the cost of administering this particular tax; the cost of sending officers to people's homes to see if they exist; the cost of affidavits, the cost of having two persons visit the Licensing Authority at the same time. Then the taxes of \$200.00 on a bicycle, the amount in the Schedule. I suspect that the cost of administering this measure is probably going to be greater than the amount of tax recovered. It is a nuisance tax simply because the Value Added Tax is being paid on these vehicles. To seek to recover it further down the line is just unfair.

The Minister noted that clause 23 provoked much debate in the other place. It had to do with pound fees. I saw the expression for the first time today. I suggest to the Minister that he is charging \$100 for every horse; mare, gelding, and colt but he is only charging \$50.00 for maintaining the said animals. For how many days he does not say. Maybe, it is bad economy. He might want to look at it again.

The troubled matter of this business levy. You will remember that when this particular measure was introduced for corporations, much skepticism was expressed. I have more skepticism about this particular insertion in the income Tax Act simply because we are now seeking to put a charge 1/4 per cent of sales on persons. So that we are now bringing into the net every vender, every small business person in this country. I ask again: What are we really doing? We are seeking to collect four times a year from small business persons 1/4 per cent of sales on a quarterly basis. The amount is very small and perhaps, this is a way of bringing people into the tax net. I understand that this is the wisdom that gave rise to this particular measure, in the first instance.

When one looks at the complex manipulations that have to be done—let us understand what we are talking about. An average vender in this country would sell \$120,000.00 a year. He has to. If he earns a 20 per cent margin on what he is selling, it means he is earning \$2,000.00 a month take-home. This particular measure captures everyone who is in any kind of business 50 weeks in the year. We are asking this type of business person to do rather complex calculations

about sales on a quarterly basis. We are also exposing such persons to penalties if they estimate their sales incorrectly. What are we really doing?

We are complicating business in the country to the point where people are going to have so many taxes to deal with, so many different measures to deal with, that they either would just not comply with any of them or they would spend all their profits trying to comply with them. I do not believe that this is a good way of getting people into the tax net. I do not believe that the Government is going to be able to get vendors who do not have sophisticated accounting records to correctly estimate their sales and calculate interest at 15 per cent if they estimate an amount less than 90 per cent of their sales.

First of all, how is the Government going to determine whether or not they fall into the net in the first place? Everybody will be selling \$119,000.00 a year. Pages and pages of complex legislation to deal with the collection of taxes which are very difficult to collect in the first instance and which will cost much more money to collect. I ask: Is this the best way to get people into the tax net? Surely it is not.

The interest on foreign denominative savings accounts is a good move on the part of the Government. There were earlier discussions about the rate of interest being received for such deposits. Hopefully they would improve in the fulness of time.

The other matter of lands and buildings taxes. In several places in the legislation the Government is suggesting that wear and tear allowances, mortgage interest and home repair allowances will be granted only if lands and building taxes are paid. I have no problem with that measure. It is for getting people to pay their taxes. I ask the question: What if there is an appeal or a dispute about the level of the lands and buildings taxes? What would happen in those cases? What if an owner of property disputes the amount of the taxes? From what I can see in my review of this legislation no provision has been made for this. I ask the Minister to look at it. I am told there is an amendment on it but I have not had the chance to look at it.

### **3.40 p.m.**

The deduction of 150 per cent of promotional expenses for export sales. In theory this is a good measure. One cannot really argue against it if this Government believes that by giving this particular concession, export sales would be increased. It is important that we understand the difficulties of these measures

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and I will talk a little about simplifying the tax code as opposed to complicating it. A measure like this, although well conceived, does complicate matters.

I would draw the attention of the Minister to proposed section 10A. (3) of the Insurance Tax Act where it says that promotional expenses would be allowed if they are incurred in order to create or promote the expansion of foreign markets for the export of services referred to in subsection (1) (a) or goods and agricultural produce. The language there is very important. We are saying that promotional expenses would only be allowed if they are incurred for the expansion of. Therein lies the difficulty in administering what appears to be very innocuous and perhaps useful pieces of legislation.

I can forecast now there would be all kinds of arguments and disputes about promotional expenses being deducted because the Revenue would seek, quite rightly, to say that we would allow the promotional expenses only if they are incurred to expand export activity. That may sound simple, but when it comes to administering it and claiming a specific deduction in a specific instance, there is difficulty.

I ask the Minister that provisions like these, although well conceived, do they really achieve what the Government sets out to achieve? Is it not better to look at the overall rates rather than seek to reduce the tax burden in these rather complex ways? Because at the end of the day a very complicated piece of legislation would be created which would be very difficult to administer.

A revenue auditor may well say he would not allow the 150 per cent deduction if sales activity was not expanded. What happens if, because of market conditions, a company exported \$2 million in 1995, but had exported \$6 million in 1986, or a year prior to 1995? How can it be argued that expansion has been made in the export activity? These are the kinds of expenses that would be allowed.

Overseas travel for the purpose of conducting promotional activities. I tell the Minister and the Government that there would be all kinds of arguments as to why 150 per cent of these expenses should be allowed. There is complexity in the legislation. When we seek to make the point again, because it is really the only comment that I think we can establish a theme for my comments on this Bill?— There are about three or four pages of legislation to deal with this particular item. All that would result is arguments, confusion and disputes because the language is complex.

We are seeking to use tax legislation to accomplish ends which should be accomplished in other ways, and not by complicating matters. What is meant by expanding export activity? It is very difficult for me. I can see both sides of the coin. I can understand the revenue's vantage point in this matter and the businessman's vantage as well. The measure would just create confusion. That deals with promotional expenses.

Then we have this relatively new item. This is another instance where the Government is seeking to use tax policy to accomplish economic ends: the deductions that would be allowed in respect of contributions for investment equity in approved hotels or tourism development projects. One understands what the Government is trying to do. It is trying to encourage people to invest in hotels and tourism projects, a worthy objective. We must never ever forget that when tax policy is used to encourage people to make investments, although initially it may make a lot of sense, and it may encourage people to do things, very fundamentally, it encourages people to put investment dollars without paying due attention to the essential economic viability of the project.

In other words, I am saying that if people invest in these projects only because of this tax incentive, it is very likely or highly probable that the benefit of that investment to the country is not really researched properly. People are making business investment decisions for perhaps the very wrong reasons of getting a tax deduction. Although tax policy has to be used to promote certain economic purposes, when I see what appears to be very generous provisions to encourage people to make investments I wonder and worry about the essential economic viability of the project. There again is the question about complicating the legislation.

If one looks at proposed 13 (A). (1) and (2) they appear to be contradictory. In 13 (A). (1) it is being suggested that the allowance would be up to 25 per cent of the investment. Then in 13 (A). (2) (b) there is language to suggest that the deduction should be taken over a period of three years. That is really quite contradictory. I really do not know what it means. I make the very fundamental point that when we try to put onto the books such large pieces of legislation in a hurry, maybe, this is all right, but it appears to me, on the surface not to be so.

I foresee difficulties in administering this allowance. I wonder what it does to business decision making. Again, there are further complications. In the legislation we are giving special status to these TTMF bonds. Maybe, it would encourage people to put money in the mortgage finance company. Again, I wonder what this does to the overall allocation of resources in the society.

I now come to clause 26 which has to do with the Incremental Profits Tax. Before I do that I will deal with clause 25 which appears on page 48. I did not have much time to look over this measure, but I believe what is happening here is that the gross dividend income allowance is being reduced from 85 per cent to 45 per cent.

The way I work it out is that, if in 1993, the gross up 85 per cent is allowed and a person had received a dividend of \$100 it would have been grossed up to 185, the notional tax would have been \$74 on that \$185, and the dividend income allowance would have been \$85 giving the person a refund of \$9. Under the proposed rates \$100 grossed up to \$145; tax on \$145 would be \$58 and the dividend income allowance would be \$45, which would mean that he would have to pay taxes of \$13.

I do not understand what is going on there. I ask the Minister to clarify the position because surely it is not the intention to put people into a tax payable position. Maybe, I am missing something, but that is the way it seems to me at present.

**3.50 p m.**

I now come to the incremental profits tax. As I said in December when we looked at this, having dual rates of taxation is akin to having dual rates for currencies: it leads to confusion and difficulty. Already one can see in the legislation attempts being made to prevent people from doing things that the artful and imaginative would try to do. There are already provisions to deal with people who seek to setup new companies to do the same business in order to take advantage of the base year.

When we seek to have two rates of taxation for corporations, we are essentially putting into the legislation an element of chance and luck which we should seek to excise from corporate matters. What we are doing is saving that if you had a reasonably depressed set of results in the 1993 year, up to October 31, you would benefit. If, however, you did not have that situation, and you had a bumper year in that period, you would not benefit. So that we are introducing into tax legislation an element of chance and luck, which is foreign. If you are lucky, you are lucky, and if you are not lucky, you are not lucky.

As I said in December, to the extent that the taxation year was open, in terms of people filing their results for the base year when the measure was first announced, the Minister has opened a door for manouevre, to put it mildly. I ask the question: Did the Minister look at what has happened in other countries when

these dual rates of taxation have been introduced? Is it a good experience? Is having dual rates the only way to deal with encouraging business activity? I suggested in December, and I suggest it again, that maybe it would have been better to look at the overall rate which really sounds quite high in international circles. We are talking about 45 per cent. Might it not have been better even to reduce it to 42 or 43 per cent—I do not know what the numbers suggest—rather than bring into the legislation a 30 per cent tax window on a set of profits which are really the consequence of some sort of fortuitous result in a particular base year? The fundamental question I am asking is: What really informs this type of economic logic? Is it that we are so anxious to appear to be doing something that we are rushed into positions that are not totally logical?

I again would like to tell the Minister that if I know anything about these matters there will be much going backwards and forwards in terms of determining base year profits and what should be at the 30 per cent rate; what activities gave rise to profits. All sorts of things will arise which will require an extremely microscopic analysis of this language, but which I do not think this Bill will receive in this Senate because of the pressure of time. So, I will leave the question of incremental profits tax and, hopefully the Minister will be able to tell me that the picture is very different from what I have suggested.

We then come to one of the very good measures in the legislation. It is the creation of the Catastrophe Reserve Fund for property insurance business. Basically the legislation is suggesting that insurance companies will be able to put aside up to 20 per cent of their net retained premium on property business towards a fund which will be under a trustee arrangement with the Supervisor of Insurance. That is a good measure. I do not want to criticize it because it is good. I will only make one comment and it is this: that catastrophe funds of that nature should perhaps be outside the very rigid regulations with respect to where the fund can be invested. If you really think it through and there is, in fact, a catastrophe, much of these funds may be invested in businesses that have been subject to that catastrophe; so one wonders about the viability of the fund. I understand fully that there was good reason for having the 20 per cent rule with respect to where these investments can be put, but I would want to suggest to the Minister that in the review of the Insurance Act, and, perhaps, in the review of this legislation, consideration be given to changing the rules somewhat with respect to where these funds can be invested.

One of the things one has to recognize about the insurance industry—and this perhaps relates more to the life insurance industry than it does to the general

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insurance industry—is that, historically, in the last 20 odd years, insurance companies have been forced to invest locally in TT dollar securities, most of them at rates of interest well below prime interest rates today. What that really means is that the savings of policyholders have, in fact, been invested in securities that have been ravaged by successive depreciations, flotations, devaluations, to say nothing about normal inflation. With every downward movement of that currency, the pensioners of this country, the people who rely on their policies for survival, suffer.

In particular, pension funds and insurance funds, which we have mandated, as a matter of law, to be invested in local securities, have suffered very badly because of that imposition. While I appreciate that there is good reason to keep the investment dollar in Trinidad and Tobago, I would want to suggest the Minister that some consideration be given to relaxing the rules that compel insurance companies and pension funds and, in this case, the particular catastrophe fund, to be invested in really what is a very small range of securities.

I do not think there can be any comment on this particular bit of legislation that can exclude a comment on the feeling of being put upon by a Government that is seeking to put its hands in one's pocket at every turn. I understand a little bit about balancing budgets, and I understand very clearly that the Minister is under much pressure and has difficulty in satisfying all the demands for funds that I am sure he receives every hour of the day. So that, I can well understand his inclination to seek to raise taxes across the board. I would suggest to him for future consideration is that many of these taxes are essentially nuisance taxes. I do not want to come back to the horses and the colts, but if one looks at many of the taxes that are in this particular Bill, one has really to ask the question: How much are we going to collect? How much is it going to cost us to collect it?

**4.00 p.m.**

I want to suggest to the Minister that notwithstanding the financial pressures—and I am sure that there is much of that—we seek to simplify tax legislation rather than have such a plethora of taxes, such a complex machinery to collect all of these taxes that cost the country so much money and create a feeling of humbug on the part of the taxpayer.

Mr. President, I am not talking about any specific tax measure at this stage; I am talking about the basic philosophy which we should use to guide how we determine taxation policy. Should we have a philosophy that suggests that every



year we bring an extra 20, 30, 40 pages of legislation to tax 1.5 million people? Because that is what we have been doing.

Every year that I can remember, we have brought pages and pages of new laws and regulations. And we hear from time to time comments—even in this honourable Senate—that people escape the tax net, and Ministers of Government, because of the propriety of tradition, can do very little about it. We heard the Minister of National Security being bold in his impotence in this matter a few weeks ago. I sympathize with him on that because I understand exactly what he is saying. Yet, Mr. President, we have all of these laws and regulations.

I want to suggest to the Minister of Finance that we continue to do what we started in the 1987/1991 era, when there was a deliberate attempt by the Government of the day albeit on the advice of the international people, to simplify the tax legislation, to remove from the tax legislation all of these special allowances, concessions, attempts to change this and that; to simplify the legislation by (a) expanding the base, reducing the rates and making it clear and simple to everyone what has to be paid, and at a reasonable rate, rather than seek to give to give a little bit here and there. It changes this from year to year. It is contradictory.

If you look at the economic history or what has happened in the last two years in tax legislation—what we do in one year we contradict in another year. It has just been a sea – saw of measures and counter measures and it all come about because we do not appear to have a fundamental philosophy as to how we should tax. I want to suggest that one of the essential themes of that philosophy should be simplicity. We should not be bringing pages and pages of legislation every year, complicating the lives of those who have to administer it and, more importantly, complicating the lives of taxpayers. It has been proven that if rates are reasonable and simple then people tend to pay their taxes more readily than if the rates are very high.

I should like to end my short contribution by asking the hon. Minister to give serious consideration to what I should like to call the philosophy behind these tax measures. It should not be a simply matter of, let us raise all the taxes we can because we have a revenue problem. That may be good for a few months. But I say again, we need an underlying philosophy that would end in simplification and reduction of overall rates. If we do that, the emperical evidence suggests that more taxes would be collected.

I remember very clearly that when the VAT legislation was brought here a few years ago—and I opposed it because of several reasons, althought I was one of the

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first to recommend it to the Government—there was a very clear undertaking on the part of the Government of that time to simplify and to reduce the marginal rates of tax. I understand that circumstances have intervened, but what I see year after year is a destruction of some of the good work that was done in those years with respect to tax legislation. Value Added Tax was basically good legislation, but we seek to complicate our lives unnecessarily with measures like these.

I do not believe that there is really very much opportunity to change anything in this Bill and the amendments that we have just received because I understand that this Bill has to be passed today because of other reasons. I trust that the hon. Minister will understand that I am not making these comments to be critical, but I am really making them because I honestly believe that in successive years we are really doing ourselves a disservice by bringing this type of legislation in small doses.

**Sen. Ainsley Mark:** Mr. President, I rise in support of the Finance Bill 1994 and I will be dealing specifically with one of the issues that Sen. Mansoor raised.

Sir, you know that I very infrequently disagree with Sen. Mansoor, and quite frankly, today I do so with great trepidation and even humility. But I want to treat with the issues relating to the question of the changes to the Tax Appeal Board section:

“...no appeal shall lie to the Appeal Board unless the person aggrieved...has paid the tax as assessed or has provided security.”

This is an issue that both at the budget debate and again here today has been the source of concern. Listening to some of the comments at that time and listening to some of the comments in the profession, one would get the impression that this provision is intended to be harsh, it is intended to be confiscatory and it is, to cover up inefficiencies in the Inland Revenue Department.

What I propose to do very briefly this evening, is to make the case that there has been evidence of abuse of this provision? One can identify, perhaps, four reasons. First there were large numbers of frivolous objections. Secondly, taxpayers were failing to co – operate with audit requirements, resulting in a large volume of cases at both audit and objection stages, which ultimately led to appeal.

There have been instances of deferment of tax for—as our previous speaker said—five, six, seven or eight years and large amounts of tax were usually

involved. Since I was a member of the Standing Committee that made this recommendation to the Minister of Finance in November last, I think it is useful that I attempt today, to explain to my colleagues in the Senate and perhaps the national community, our rationale for the recommendation.

**4.10 p.m.**

In our discussions with the administrators at the Board of Inland Revenue, we got the impression that many taxpayers were failing to respond to letters requiring them to provide information or to be interviewed by officers in the Objections Section.

We were told that some of the taxpayers would respond to the request to be interviewed, but then they would either produce only some of the relevant documents, or in most cases none at all. We were told also that it appeared that some taxpayers deliberately delayed until the two – year statutory period for processing these objections, only to produce some of the documents or none at all towards the end of the period. This, of course, gave rise to an appeal.

The issue here is that since there is no requirement to pay the taxes in dispute, there appears to be no urgency on the part of the taxpayer to have the matter resolved. Indeed, the information we got seems to suggest that a taxpayer could delay the process for several years by not cooperating with the objections section and later filing a notice of appeal against the determination of the Board. And fundamentally, it is this abuse of the process that the proposal in the Finance Bill is seeking to minimize.

**Sen. Daly:** Just for clarification, can I take it that the hon. Senator is speaking to the proposal contained in the amendment that was circulated today?

**Sen. A. Mark:** I will come to that proposal in the course of my contribution.

Another point that came up in our deliberations in that committee was the fact that a large percentage, between 80 and 85 per cent, of matters going to the Appeal Board were settled before determination at the Appeal Board. We, as a committee, tried to find out from the administrators what was responsible for this situation. One of the main reasons advanced was that at the stage of appeal—I imagine, on the prodding of the lawyers, or the accountants who are involved at this stage—much of the information that could or ought to have been produced earlier, either at the audit stage or the objection stage, was produced at this time. It is likely that on the intervention of the lawyers, the client would have been told: “Well, listen, I have to get this information if I am to make a reasonable case on your behalf.”

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So that when we look at the amendment—and we talk here about the Jamaican proposal,—and, I would deal with it in detail later—what it is essentially trying to do is to get the taxpayer to produce the information at the objection stage, at the audit stage, and it is the view, therefore, that this would expedite many of these matters and they ought not then to reach the appeal stage.

We recognize of course, that there will always be matters of law which would of necessity go to the appeal stage, so that one of the critical elements in the proposal is seeking to ensure that taxpayers co – operate with the Board in expediting the process of reviewing assessments in dispute.

Sen. Mansoor spoke about the VAT Act, and one should point out that under that Act, of 1989.

“...except with the leave of the Board, an application by a taxpayer to review and to revise an assessment shall not be made unless the tax in dispute has been paid or such security acceptable to the Board has been given.”

So that self – same provision that is proposed in the Finance Bill, 1994, exists in the VAT Act, 1989. The experience has been that there have been comparatively few objections in the four years since the implementation of the value added tax: there have been only four appeals. While one can argue that there is not of necessity a link between the two, there is the feeling that the fact that one has to settle the tax in dispute or provide such security acceptable to the Board, this has resulted in a reduction in what one might consider the frivolous objections.

Now what has been the experience in other countries? Because what we are proposing here is not anything new. If we look at some of the Commonwealth countries—similar provisions exist in the tax legislation of Australia, Canada, India, and closer to home, Guyana. The United Kingdom and the United States, however, have systems that are similar to the present system in Trinidad and Tobago. Let me deal a little with the experiences in some of these other countries.

**4.20 p.m.**

In the United Kingdom, the present law relating to appeals to the Tax Appeal Board is similar to that which obtains in Trinidad and Tobago:

“A taxpayer is required to pay within 30 days such taxes which are not in dispute. However,...”

Mr. President, I think this is important:

“if the Board of Inland Revenue feels that there is danger of not recovering taxes or penalties it may demand immediate payment of all taxes and penalties as assessed.”

Similarly, in the United States of America, under the American Income Tax Act:

“A taxpayer is not required to pay the taxes in dispute before he may appeal against the assessment raised by the Internal Revenue Services.”

The hook in that legislation is that if the taxpayer is unsuccessful in an appeal, he must pay the taxes owed together with interest at a rate which is significantly higher than commercial lending rates.

Let us look at the countries that have these provisions in their tax legislation. In Australia, section 201 of the Australian Income Tax Act provides that the fact that an appeal to the Court or a reference to the Tribunal is pending, shall not in the mean time interfere with or affect the assessment which is the subject of the appeal or reference. Also, it is the practice in that jurisdiction for the Commissioner to allow 50 per cent of any tax in dispute to remain in abeyance until the matter is finalized for genuine dispute cases. However, any tax remaining due and unpaid will attract additional late payment tax at a rate of 20 per cent per annum from the original due rate.

This information was taken from the *Australian Income Tax Guide*, 33<sup>rd</sup> edition in 1988. We are talking about a 20 per cent rate when the prime rates in that jurisdiction were very much lower. So, a significant penalty was imposed in that situation.

In Canada a similar situation exists where even though the taxpayer may have filed an objection to or an appeal from the assessment or intends to do so, he has to pay those taxes. Subsection 158 (3) states:

“In hardship cases, or where an objection or an appeal is pending, the Department may accept security from the taxpayer for payment of the taxes that have been assessed and may make arrangements with the taxpayer for regular payments over a period of time.”

So that there is this provision in the Canadian tax law.

In India, section 249 (4) provides that

“No appeal under this Chapter shall be admitted unless at the time of filing of the appeal –

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- (a) where a return has been filed by the assessee, the assessee has paid the tax due on the income returned by him.”

There is also a provision for treating with hardship cases, where the Commissioner has a certain flexibility.

Mr. President, I have identified three other Commonwealth jurisdictions which provide, in their income tax laws, for payment of taxes prior to filing of appeals with the proviso that they provide for part payments or exemptions in individual cases or where the appellants are able to prove hardship.

Closer to home, similar provisions have been enacted in the income tax laws of Guyana since 1970. In this society we have become paranoid, and it is amazing the extent to which this paranoia is affecting our lives. We listen to debates in this Senate; we read the newspapers and we hear and read about teachers who are abusing children; we read about policemen who are breaking the law; we read about tax officers who are abusing their authority, and, in all of this, we are allowing a few miscreants to colour our perception of what is happening. We would always hear about the hoggish nurse in the hospital, not recognizing that there are hundreds of other nurses working under the most trying conditions doing extremely good, honourable jobs.

We have to address the remedies that are available to the taxpayer. Fears have been expressed that the proposed amendment may leave the taxpayer with no remedy if the Board of Inland Revenue arbitrarily assesses him to pay exorbitant taxes, since in order to appeal against any assessment of the Board, the taxpayer must necessarily pay the full amount of the tax assessed. But they are concerned—and justifiably so—about the position of the taxpayer who alleges bias, unfairness, inequality of treatment, unreasonableness and improper motives on the part of the Board of Inland Revenue.

I am suggesting that in such circumstances the taxpayer is not without recourse. I imagine that Sen. Daly in his contribution would advise us of the remedies that are available to the taxpayer. My information is that the taxpayer may apply to the High Court for judicial review of the decision of the Board in arriving at its assessment. Under the umbrella of judicial review, the taxpayer may apply for various remedies, which I do not necessarily have to get into at this point.

The question of anxiety was dealt with in a case in Guyana. Bata Shoe Company (Guyana) Limited and Others versus the Commissioner of Inland Revenue. May I quote what Justice Luckhoo stated:

“There can be no doubt that the appellants have expressed anxiety fears over the fact that the making of arbitrary and excessive assessments judicially determined for lack of funds on their part to satisfy the deposit requirements for appeal ... They say that the tax laws of a country also relate to the political liberty of the individual, and that good tax laws will take into account both ‘the necessities of the State’ and ‘real wants of the people’.”

Justice Luckhoo continued:

“The anxiety and fears felt by the appellants can be allayed by the fact that a Commissioner must act within the legislative limits of his power. He is a creature of statute and he must make his assessment ‘to the best of his judgement. There are the additional safeguards provided by the Income Tax Act, which give a person who disputes the assessment the right to apply to the Commissioner to review and to revise the assessment made upon him, and which also set out the manner in which the Commissioner may go about the review.

In other words, the Commissioner must at all times act in good faith and in a responsible manner. If he should at any time act in bad faith or should fail to act in accordance with the obligations imposed by statute, or should in any way exceed the statutory limits of his powers, the taxpayer would have a right to seek the court’s assistance to prevent any mischievous consequences.”

So it is clear that where a taxpayer feels that he has been aggrieved, he has several remedies available to him. Therefore, it is not correct, I would submit, for a taxpayer to say that he has no right to recourse in instances of abuse of the present proposed legislation.

#### **4.30 p.m.**

Mr. President, I have tried in my short contribution to establish that this provision is neither intended to be harsh and confiscatory, nor is it intended to cover up inefficiencies in the Inland Revenue Department. I am submitting that it is simply an attempt to eliminate frivolous objections and to place a greater onus on the taxpayer to assist the Board of Inland Revenue in resolving issues of assessments in dispute and objections expeditiously.

I have shown that a more onerous provision exists under the Value Added Tax Act and that there have been comparatively few objections and just about four appeals in the four years since the implementation of VAT. I have shown that a

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number of other Commonwealth countries—Australia, Canada, India and Guyana—have already instituted systems similar to the ones being proposed for Trinidad and Tobago; and from all reports, the systems are working reasonably well.

I have tried to establish that there is a wide range of remedies available to the taxpayer who alleges bias, unfairness, inequality of treatment, unreasonableness, improper motives, and so forth on the part on the Board of Inland Revenue. Before I close, let me, for the benefit of my colleagues, treat with the Minister identified as the Jamaican model.

The specific amendment really treats with getting information—putting the onus, that responsibility, on the taxpayer to provide the Inland Revenue Department with the information at the audit and objection stage, and not wait until it reaches to the appeal stage to provide the Appeal Board with the information.

The two issues which are shown here in the amendments: one gives the Board of Inland Revenue the right to require a taxpayer to furnish specified particulars within a prescribed time in relation to an objection. And where the taxpayer does not furnish these particulars, as required within the prescribed period, the notice of objection ceases to have effect and the assessment becomes final.

The second point, again treating with the information, is that it is proposed that the Tax Appeal Board Act should bar an appellant from introducing any document, or other evidence, to the Tax Appeal Board which was not produced to the Board of Inland Revenue during the period of objection, unless the Tax Appeal Board is of the view that exceptional circumstances exist that warrant the introduction of the document, or other evidence, at that time. This is what the Minister has spoken about—the Jamaican model—which is an attempt to get that taxpayer to provide the administrators with the information at the audit stage or objection stage—not wait until it reaches the Appeal Board; and if a prescribed time is given, an appellant simply cannot write “I object to this assessment.” One objects to the assessment and one is given a specified time to produce the information.

So that, in my contribution, Sir,—I am generally in agreement with most of what my friend and colleague, Sen. Mansoor, has said—but I think that dealing specifically with the amendments *vis - a - vis* the Tax Appeal Board—notwithstanding the fears of Senators and members of the public—I can



wholeheartedly commend this section, along with the rest of the Bill, to the Senate.

I thank you, Mr. President.

**4.35 p.m.:** *Sitting suspended.*

**5.05 p.m.:** *Sitting resumed.*

**Sen. Muntaz Hosein:** Mr. President, before joining the debate on the finance Bill proper, I want to say that my attention was drawn to two things. One, I saw some manoeuvring going on during the earlier part of the debate when the call of the master summoned certain Ministers who dutifully complied. Secondly, I see we are again subjected today to the parallel Parliament taking place outside in the corridors. The technique is very clear to us that what the Government is attempting to do—it has been doing it now for several weeks. If one recalls, for the past four weeks, we have had parallel parliaments and news conferences dealing with the subject matter before the Senate, which, in my view, is distasteful. It also shows scant courtesy to the Parliament.

**Mr. President:** Senator, before you go any further. These news conferences you are talking about, are they taking place in the Parliament Chamber?

**Sen. Hosein:** Not in the Chamber. I said the hall.

**Mr. President:** My jurisdiction, as well as, that of any Presiding Officer, is confined to the proceedings in the Parliament Chamber while the particular House is in session. I do not think any Presiding Officer or any other Member of a particular House can be blamed or be responsible for any other activity that takes place outside the Parliament Chamber.

If you have a complaint to make concerning any matter that you feel affects you in some way, I think you should complain to the person who is responsible for whatever you see that is not all correct, as far as you are concerned. As far as the Senate goes, there is no organized meeting or press conference over which I have control and I do not think it is right to have that sort of debate in the Senate.

**Sen. Hosein:** Mr. President, if I did refer or appeared to have said that you are responsible, that is not so. I am merely bringing the attention of the Senate to what is taking place.

Sir, the philosophy of the budget and the document before us, the Finance Bill, which is the last of the various documents that come before us relating to the budget, seem to be to “mamaguy” to show high income. One will recall that in the

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budget debate, I mentioned—and I am sure other Senators shared the same view—that the US \$19 per barrel oil price was way in excess of what was realistic, and we cautioned the Government regarding taking the advice of the very same advisers who advised it on the previous budget and who were wrong—it fell short—and again we are seeing the same thing.

We believe that it is well calculated so that the Government can show high income, and by doing so it is easy to show high expenditure, expenditure that will not be realized. We are seeing it coming to pass today—just over four months since the budget was passed.

I want to caution the Government once more about the technique which it is using, because the general public of Trinidad and Tobago has had its fill of promises that cannot be realized. From way back, 1986 and before, there were promises made to this population by the governments before and this one, and these gentlemen knew full well that they were not able to fulfil them, and yet they continue to do the very same thing, buying time. This is what it amounts to. The Government wants to buy time.

But what it does not realize—I have said it a few times in this Senate and I will have to repeat it again, it is very important—that it is setting up the population with high hopes and dashing them down right after. When that happens, disillusionment is the order of the day and the state of the country and the economy does not leave us any breathing space for this type of technique or this type of behaviour. I caution again: desist from this type of behaviour! The Government must level with the population.

The Government would be surprised to know what an intelligent population we have in Trinidad and Tobago—a very intelligent population. It is underestimating their capacity to understand what the problems are, and by what it is doing, it may very well blow up in our faces. We have had more than our fair share of problems in this country regarding that type of behaviour. We do not need more. But our system of Government does not leave us on this side of the Senate to do much more than to encourage the other side to behave in a particular way that will forestall any problem of the nature of which I am speaking.

I want to support Sen. Mansoor when he talked about the question of receiving amendments at the eleventh hour. This is not a cricket club; this is not a football club; this is the Parliament of the nation and the Government should not be disrespectful, as it is now, by bringing amendments to serious legislation at the

eleventh hour, which we are unable to peruse to be able to understand eleventh in order to make the kind of contribution that are necessary in the circumstances.

We support Sen. Mansoor when he talked about these amendments coming at that hour because I have not had the opportunity to look at them. I tried to get in a little reading, but it is impossible, because at the same time, we have to listen to the debate that is going on. We have to listen to what people are saying. How can we do all at the same time? It is just not possible. And it is contemptuous of the Government to do these types of things. I want to warn it that it must desist from this kind of behaviour.

**5.15 p.m.**

The hon. Minister of Finance—he is not here now—said that the deficit in the 1994 budget is likely to be one half of one per cent. He alluded to the fact that the deficit of the United States Government is far larger than Trinidad and Tobago's. So the parallel is being drawn. But we cannot draw a parallel in isolation. We cannot say that our deficit will be smaller than the United States; therefore we are better off than they. One must look to at what else goes with the deficit of the United States, and what happens here in Trinidad and Tobago. We must take into consideration our present position regarding crime; and we must look and see that notwithstanding the fact that the deficit in the United States is larger, they are self – sufficient in food, the price of which is at an affordable level.

While crime is high in the United States, one understands that when a crime occurs and you call the police, within minutes three and four police, cars appears, and you feel a great deal safer than in Trinidad and Tobago. So that when you make the parallel, as the Minister has made—I think that he was not being fair in making this kind of parallel. I think he should go a little further and make it properly.

The Minister of Finance said that the eventual deficit is likely to be in the vicinity of \$160 million. I recall that during the budget debate when we were discussing this matter of the budget and oil prices, the hon. Minister of Finance alluded to a hedge against fluctuation of oil prices. We thought that was a great idea, because we find ourselves naked with regards to the fluctuation of oil prices. I ask the question: What has happened to that idea of the hedge against oil prices? Perhaps in winding up the Minister will be able to tell us whether he has been able to put it in; and what is the cost. If he has not done so, why not? Is the cost too prohibitive? Or is it a straight case of bungling in his Ministry Is it tardiness why we have not had that hedge against oil prices? Because so much

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depends on oil and oil prices for our economic prosperity that one would have thought that it would be absolutely necessary to put that at the top of his list, on the front burner, so that we can be assured of a certain level of oil prices by having that kind of insurance. But it was not to be. Perhaps the Minister would come back and tell us why.

Let me now turn my attention to the question of road improvement which other Senators may have gone into. There are some areas that one has to look at that have not been mentioned here. One that concerns me very much, which I have been observing and which perhaps you might have observed it as well is this. When this tax was introduced, everyone asked the question: Why are we to pay a separate road improvement tax when in the overall taxation for all the preceding years, road improvement was coming out of it? But you see, that was a ploy by the Government. It seems to me that what they are doing is setting us up for further direct taxation of that nature. And when you talk to people, they are expecting it. I hope I am wrong, but perhaps before the year is out we are going to hear about another specific tax on some other matter.

So far, four months has gone by since the budget and what are the benefits of the road tax? My attention has been drawn to the kinds of roads that are being paved. What I am seeing are roads that need not be paved at this time are being paved. Roads that are almost good are being paved. When you look at the other roads which are in a worse condition, they are not even touched. But if you examine the type of roads, it is the highways that are done. So it is a PR job being done on the public, to say, "well look, everybody who is passing will see we are doing something". But if you examine further, for example, in San Juan/Barataria those roads are in most deplorable condition you could think of. There are some holes that if you stand in them, you are likely to reach down to your knees. But they are not being touched at all, because that is not part of the PR exercise.

I am saying that it seems to me very clearly that what this Government is doing, is setting us up. The next thing you will hear is a school building tax, and so on, until they break the backs of the taxpayers, and they are very close to breaking now.

**Hon. Senator:** What about a police tax?

**Sen. Hosein:** Of course. We must have a police tax, naturally. We will get a police vehicle tax.

Let me look at the Tax Appeal Board. This is intended to establish the procedure for conditions of appeal. We have had a contribution by Sen. Ainsley Mark regarding the appeal. Let us examine his argument. He said that this measure was to get people to bring in all their documents and so on prior to the tax appeal stage. If that is part of the argument for this measure, then why do we not just simply put a penalty and a deadline to bring in documents prior to the Appeal Board stage? That would perhaps be the better way.

But, you see, it is all well and good to speak about what happens in Australia, New Zealand and Guyana, but the laws which are made in a particular country have to do with the behaviour of the people, their cultural background and generally what obtains in that particular country. So what is good for the goose is not necessarily good for the gander in this case. We must draw from our own experiences and our laws must reflect that. We are a very small society, less than 1.5 million people. In this society, everybody knows everybody. Look at what is happening to the country today. You have a Commissioner of Police standing up yesterday and talking about rumours of this one is a drug lord and the next one is a drug lord, and you have the Chamber of Commerce answering. What is happening to this country? In no other part of the world are you likely to see that kind of behaviour. We have degenerated to that behaviour. That is what is happening.

**5.25 p.m.**

The powers that be do not understand that we are almost to the end of the rope; they had better understand that. Every institution in this country has broken down. So for the Government to come here and talk about the experience of Guyana and New Zealand and so forth may not be relevant: India's experience is not our experience. We must frame our laws and regulations to deal with the kind of people we have here.

I cannot accept the argument of Sen. Ainsley Mark because it does not hold water. He has put forward a very weak argument. The basic problem we have here is whether or not it is decided that people must pay the tax up front, or the matter must be decided, then the tax is paid. We have a problem of equity that is not in train here.

On the one hand, the Government is talking about 15 per cent when it is tax payable, but when it is a rebate, it is six per cent. What is happening here? It is wrong! Whichever way the Government goes—and I want to suggest that if you put in the regulations that documents must be handed in by a particular time,

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whether it is three or four months, and there is a penalty if that does not happen—there is no need to charge people up front. I am saying, as I have mentioned in several other debates—

**Sen. A. Mark:** Mr. President, the Senator is misleading the Senate. I am referring to Standing Order 7 where it is stated that the proceedings in debates of the Senate should be in the English language. I spoke in English, but it is apparent that I have not been understood.

The first part of my presentation dealt with the committee and the basis of our report. The amendment which deletes what is in the original Bill has nothing to do with people paying before the appeal. So, the Senator is misleading the Senate. If he does not understand, what he should do is to come outside and ask a question.

**Sen. Hosein:** Mr. President, I really thought that the Senator was going to raise a point of order, but I do not see that he did. It seems as though he wanted to make another speech.

**Mr. President:** And he said he once found himself, to supplying the arguments at his command but the understanding is beyond his capacity.

**Sen. Hosein:** Yes, Mr. President, I can see that, unfortunately. I feel sorry for him, Sir.

One must look at the holistic approach to the question of interest payments. It is very important that we do so. Firstly, there must be equity in the system. If the Government wants to charge 15 per cent interest for late payments, it must also pay 15 per cent when it is late in its payments or a rebate is to be given. This is the only way it will work.

Let me now turn to the question of hotel and tourism projects, and that part of the Bill which talks about deductions for investments. This is not clear, and, perhaps, the Minister of Finance will tell us, in his winding – up speech, whether he was talking about people who can open a restaurant and be given the tax concession, because that could be viewed as a tourism activity. I wonder whether he thought of that. Perhaps, we need to amplify so that we understand what we are talking about, because the Bill is not clear on this issue.

This Government and previous governments have paid much lip service to tourism. They have always talked about tourism in glowing terms but when it came to money, they vote very little to it. As a matter of fact, as a small tack on,

the new Minister of Tourism is also the Minister of Finance. I feel sorry for the poor Minister of Finance because he does not have time to do the job of the Minister of Finance, but now he also has tourism. That alone can tell the priority of this Government. Rather than put a Minister to deal with tourism exclusively and give him the tools so to do, they keep tacking it on to some other important Minister. Therefore, it is relegated to the backroom boys. We are not going to get very far in tourism if we take this approach.

Now I have to take issue with my good friend Sen. Michael Mansoor. He made an assumption concerning investment in tourism vis – a – vis the concessions given. He was afraid that, people making that kind of investment may do it for the wrong reason. I do not agree with him. Businessmen making investments of this nature ought to examine the matter properly before making that investment. So I think his argument is a bit off track. I would expect that businessmen would make investments on very sound judgments, and not necessarily because there is a concession for people going into the tourism sector. I do not buy that. In my view, I think that is not correct.

I do agree with Sen. Mansoor when he said that there are many humbug taxes that are being imposed on people. Take for example, there is a Pound Act. Hear what happens here: Pound fees for every horse, mare, gelding, colt, filly, ass, mule, cow, ox, steer, heifer or calf has moved from \$40 to \$100, an increase of 150 per cent. One must ask the question: What kind of people own asses? I understand some Members of the Government own asses and mules; but in the main, asses and mules are owned by very poor people.

Why does the Minister of Finance want to tinker with poor people's animals? From \$40 to \$100; how many asses do we have in Trinidad and Tobago? I wonder if the Minister knows. *[Laughter]* Generally speaking—with the exception of the asses on the other side—how many? Sen. Ojah – Maharaj comes from a farming community, but since he is driving cars, I do not think he knows anything about asses; he comes into contact with them off and on, at meetings and so on, I think.

We must understand what kind of humbug tax we are putting here. Perhaps, there may not be more than 150 asses and mules in Trinidad. How much money is going to be realized by this measure? Perhaps the Minister of Finance will tell us that when he is winding up.

### **5.35 p.m.**

The poor man who sells coconuts or sells coals and who still has an ass, if it gets away from him has now to pay \$100.00 in impounding fees. Let us not tinker

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with this. I have to disagree with that; it is taking it a little too far. Let me now turn to section 26 of this Bill.

Heavy weather has been made of the incremental tax, the profits tax of 30 per cent above the base year. Could we not have done this in a better way? Could we not have maximized our efforts in a simpler way? Our unemployment is far too high. We all agree with that. That is one of the few things that both sides of the Senate agree on. We on this side would have expected that if you are going to give a tax break you would have wanted to tie it in with employment.

Perhaps the Minister of Finance could think about it for the new budget he hopes to bring—a sliding scale—that the more people you hire, the bigger your tax break. You kill two birds with one stone. You get people to invest on the one hand and you try to solve your unemployment problem on the other. That, to me, makes much sense. What you will find then is that the investment will go into labour intensive industries. The accent will be on providing jobs.

If we do not provide jobs we would be in more trouble than we are now, which will not benefit the Government, nor the loyal alternative government nor the loyal gentlemen and ladies on the Independent Benches. It would not benefit any of us. Nobody in Trinidad and Tobago would benefit from it. I would like to see the Minister of Finance—forget who suggested it—simply take it, walk with it, run with it and do not worry with people who are into divisive politics.

Let me turn my attention to another nonsense tax. Let us look at Rural Pedlars, Part XXXVI.

“The Second Part of the Appendix to the Rural Pedlars Regulations is amended by deleting the words ‘200.00’ and substituting the words ‘360.00’.”

Mr. President, pedlars! People with a little box trying to sell “pallets.” People trying to sell dinner mints and crix biscuits at the side of the road. You want to increase the tax of these people? It is disgraceful and shameful! We have reached the stage where we must tax the smallest, weakest and most vulnerable of the society. Do you know that you are not going to collect one cent? The people who are pedlars come and go. Who is going to police them? Why waste time with matters of this nature? Why must one have a licence to try to make a few dollars to feed one’s family? Why? Look at the Parallel.

**The Minister of Planning and Development, Sen. Dr. The Hon. Lenny Saith**, could pick up the telephone and make a deal worth millions of dollars, yet



he does not have to pay a licence at all for that. Sen. Mansoor could do the same thing. He does not have to pay a licence. The small man selling starlights and pepper mango is being subjected to an increase in license fees. If you check at all the schools, the channa vendor and the lady selling toolum never paid a licence in their lifetime. Why are you wasting the Parliament's time with this kind of measure? Why should these people have to pay a licence? Remove that kind of thing! Allow people to get a nice feeling about governments.

The people in the street do not feel very good about governments. Not just this Government, but governments per se. They do not like the establishment. You must understand why. Because these kinds of measures that are being passed are the type that make people dislike politicians and governments. I am sure, and the Minister in his winding up could tell us, that he cannot raise money from this. I can understand what happens. He probably asked his aides to come up with something. His aides will tell him: "Look we have this one and that one, therefore, we could raise that and we could get some more money," without really thinking it through and understanding the philosophy behind what they are doing.

I want to tell you that if this Government does not change it, we will. The time is not very far. We will change all these nonsensical taxes, taxing asses and pedlars. We are not into that. I hope that the cries of this side will be heard by the Minister of Finance and that he will see the need to change the technique in presenting his budgets and his finance bills.

Thank you very much, Mr. President.

**5.45 p.m.**

**Sen. Martin Daly:** Mr. President, I want to make a brief contribution basically to raise three points in the debate.

First of all I support Sen. Mansoor wholeheartedly in the fact that it is very unsatisfactory to give us a Bill of this size to be debated on the kind of notice that we got. I certainly hope that this Government, as I would suggest shortly, would show some willingness to change some of the cumbersome procedures, and will give serious thought to not bringing a Finance Bill on the eve of the expiration of the relevant time limit. I really think it is very important.

For reason which I would compliment the Government wholeheartedly, we would have faced a situation today where, not for reasons of paranoia as was suggested by Sen. Ainsley Mark, but for better reasons than that, some of us

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would have wanted to resist the provision in Part VII of the Bill as it was originally presented in relation to the paying of tax for the providing of security.

One of the reasons why I would have resisted it—I do not want to reopen the debate because it has become clear what has happened—is that it would have been totally discriminatory in the sense that many ordinary taxpayers, not the big bug taxpayers that we are so fond of castigating in this place, sometimes regrettably by calling the names of particular people and even Members—Where would the ordinary taxpayer and how easy would it be for him, to get security to the satisfaction of the Inland Revenue? Would he be able to go to the bank and raise a bond?

I raise that not to flog a dead horse, but to show that there are many perspectives to things when new legislation is being introduced. If it is introduced in a situation where there is really no time left for amendments, or constructive debate, many ordinary people might get hurt. That is one of my objections; not only to do with the inequities of having to pay first and get six per cent. I was going to argue against this for one reason. One of my reasons was that it is discriminatory.

Happily, as I understand it, and I hope I am right, the whole of Part VII on pages 6 and 7 of the Bill as it was originally presented, is being deleted, and in its place is being put the new clause 7 which I understand to be the Jamaican model. If I am right, then I unreservedly compliment the Government on this approach because I think it is far fairer and more suitable to our system in its present stage of development.

I think it is a wonderful thing that the Government should have introduced this amendment, but of course had it not done so—I am not familiar with any Jamaican model—but assuming it was necessary to do any research in order to persuade the Government to introduce something different, time simply would not have permitted it. That really does reduce constructive debate to a farce.

I would appeal to the Government when it bring these bills, particularly where new clauses are introduced, not merely altering figures, not to back us against the wall in terms of time. Happily, as I say on this occasion, this amendment which I think is a very good one, has been introduced. I repeat that I unreservedly compliment the Government on it because it answers many of the anxieties that many Members and persons had outside about the possibilities of abuse.

The third issue I should like to raise—and no one would be surprised that I am raising it again is this question of enforcement. I agree with Sen. Mansoor that much time and probably money are being wasted in introducing and collecting many small taxes. Of course, I think the Government's time would be far better spent on trying to collect some taxes from those persons in the society, who clearly, are not making the appropriate tax return, if they are making them at all.

I am always very sorry that every time I raise this point I am met with either laughter or an unproductive response. Sen. Mansoor had referred to this and we know that the Minister of National Security is aware of the problem to which I am referring, because in the course of another debate, he said that he had made certain observations about persons in the society and passed them on to the Ministry of Finance, but that he is only the Minister of National Security and he is not the Minister of Finance.

I want to make it clear for the record that there can be no dispute of the kind relating to the service commissioners and Commissioner of Police. The Commissioners of Inland Revenue are public officers and therefore they are subject to the policy directions of the Government. This is not a case where you have some independent agency set up by statute, or some agency that is constitutionally protected where the Minister cannot give clear, firm and unambiguous policy direction.

I would like to see a clear and firm policy direction. Instead of fiddling about with all these taxes, I would like to see a strong evasion drive. There are whole streets in this country where huge, palatial, expensive, marble floored residences are going up behind high walls. One wonders whether the state of the economy can support these things. There are many other indications, some of which the Minister of National Security has referred to. There are businesses that appear to be booming in a situation where it does not appear that the economy can support boom to that extent.

I really think it is very important to pursue this, not only because it would relieve the Minister of Finance of the headache of trying to pull every little penny from here, there and everywhere; not only because it represents a vast untapped reservoir of funds, but because I think people in this country are getting more and more cynical about the way in which justice is not dealt out even handedly.

This is not paranoia. The taxpayer who year after year is asked for his marriage certificate; his deferred annuity receipt and these different documents which are submitted year after year—I do not have an original of a deferred

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annuity receipt, because every year I am asked for it. I handed over the original and each year I have to send in a photocopy saying when the original was submitted. Instead of all this fiddling, and the feeling of injustice and grievance that this kind of thing produces, people would feel much better if the marble floored, speed – boated, high society people were making a return which we think is commensurate with their lifestyle.

I think this is very important. The powers of Inland Revenue are crystal clear. As a matter of fact, once Inland Revenue makes the assessment, the burden is on the taxpayer to appeal, and therefore he has to satisfy the Tax Appeal Board that the assessment is wrong. Inland Revenue has wide powers including its powers under section 119 in relation to fraud. I think the time of the Ministry of Finance would be far better spent going after this type of wholesale, visible apparent evasion than trying to pull in all these little sums of money from here, there and everywhere.

I am somewhat encouraged when I see an effort by the Government to be fair in tax administration by this type of amendment in response to protest, and that this Minister and Government might grasp this particular nettle.

Thank you, Mr. President.

**The Minister of Finance and Tourism (Hon. Wendell Mottley):** Mr. President you caught me perhaps a little off guard. If I could deal with a number of the criticisms raised by Sen. Mansoor.

Sen. Mansoor was extremely critical of the transfer tax and felt that it might not yield the amount of revenues that we have projected. He was also critical of the business levy in the same vein. Let me give him and this Senate the undertaking that we propose to review a number of the taxes imposed this year and see what the performance is, and from that review we would decide whether they are revenue effective or not.

**5.55 p.m.**

Certainly, though, the business levy which was charged, not in this budget, but in the previous budget, has been successful. The business levy arises from discussions with the Mexican tax authorities in which the Mexicans were attempting to broaden the tax base and, as in so many societies such as ours, they have found that large numbers of persons and corporations with visible signs of

wealth do not pay taxes. Their corporate tax returns always show marginal profitability, yet the asset base of the corporations seems to deny this.

It is out of that has come the business levy on corporations. It has certainly worked in Trinidad and Tobago, and it is out of that experience that we have attempted to broaden it solely to traders and others who pay no tax whatsoever. Many of them do not file personal income tax returns; most of them do not file corporate tax returns. In this instance, the business levy is a relatively simple tax based on turnover. This is an attempt to pull some more people into the tax net.

There was much discussion coming from Sen. Mansoor on the philosophy of tax collections. Let me assure this Senate again that I listened carefully, reflecting on the different philosophies. I give this Senate the assurance that we are concerned not to over – complicate the tax laws of this country. We sometimes, perhaps, err on the side of such complications when we are pressed to reduce taxation, and when in fact the overall revenue situation simply does not permit it.

In the case of the incremental tax, the corporate tax is now 45 per cent and there is general agreement on this side that that rate is too high, but the revenue position of the Government and the call on expenditure, and our capacity to shrink expenditure move in different directions. Had the oil sector been performing, both in terms of price and production, at levels at which we could have more comfortably made an assessment back in November, that we would have been seeing revenues from this principal sector well over the \$1.5 billion mark, we could have accommodated a fall in the overall corporate tax rate. But, having so recently given back a large amount of taxes on the trade side, and also in the new petroleum legislation, we are not yet in a position to reduce taxes on corporations and on individuals but felt that a signal of the direction in which we were moving was at that stage necessary.

Incremental profits tax is clearly a temporary measure and, as soon as possible, we do intend to merge the rates. Out of that has come some of the complications Sen. Mansoor pointed out in the grossing up provisions for the withholding tax. He is correct. There should have been two rates but that would have been a nightmare to administer and we therefore had this particular rate in which he has correctly pointed out an anomaly. Quite frankly, the easier way to deal with it is not to have the two rates, but, ultimately to merge and have one corporate tax rate rather than the varied rate, such as we now have, as an interim solution as we move in a certain direction.

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I give the assurance that we do understand that this business of incentives complicates the tax system and we will be undertaking a review in the course of 1994 and, hopefully, the benefit of that will be seen next year.

We also take the point about the Catastrophe Reserve Fund that the clear intention is that there should be a provision where those funds would not be so restricted as to how they should be invested because of the very nature of the Fund. This is a matter that I will look into. We are reviewing the Insurance Bill right now and perhaps it might be best to accommodate it in there.

There is also the question of the lands and buildings taxes and the appeal matter which he has brought to our attention. Frankly this escaped us and he is correct. We will seek on another occasion to correct this problem which has been drawn to our attention, that is the problem where, if there is an appeal on a land and building tax matter, the fact of that appeal might preclude you from claiming the land and building tax when you file your income tax return. That is a matter we will seek to address on another occasion and I thank this Senate for bringing that to my attention.

Sen. Hosein raised the question of oil tax hedges or swaps. These are matters which are being investigated right now by the Ministry of Finance. We have more than one offer from large multinational financial institutions. We are investigating it. It is complex, but the idea is that it permits you to lock in to an oil price and, therefore, an oil revenue higher than prevailing at the present, but you give up something for it.

You give up either a premium, as in the case of an insurance premium, or you give up the upside, in case the oil price moves to \$18, you do not get the benefit if you have locked in at \$16. Or, you might give up something in terms of time. You might have to look in at a price today that carries into 1995. There are several variations along a theme and we have not settled on any one as yet; therefore, I cannot speak with finality on this matter, except to say that it has become all the more important that we do so and now.

The other matter, the question of evasion, was raised by Sen. Daly. The Government, last year, did very well in terms of its tax administration, not only in Inland Revenue, but also in the Customs Division in particular. We have set ourselves very, very high levels of collection compared with our collection efforts in previous years, and through several study devices in terms of strengthening

auditing and in strengthening the direct interaction between the tax collectors and the taxpayers; in all instances we have surpassed our expectations last year.

I want to give Senators the assurance that that effort continues in a heightened way in 1994. We have had co – operation from the public servants in those departments. Their morale is high. I personally met much support from those departments and they have benefitted from the experience of other tax regimes outside this country, and expert visitations. Right now in the Customs Divisions there are three United States senior customs officers working alongside our Division in strengthening regimes. They have done much administratively; however, there will be required some changes in legislation that will ultimately find its way to this Senate.

**6.05 p.m.**

There has been a fair amount of criticism that the terms “Approved Hotel” or “Tourism Development Project” are not clearly defined. It is necessary, merely for the Minister to be satisfied that it is an activity conducted on a commercial basis, which in his opinion, promotes a development of hotels and tourism. As the Minister of Tourism, I propose to issue clear guidelines as to the types of projects which will be allowed to qualify under this provision.

The Ministry of Tourism—although its structure and form were agreed to by Cabinet—is waiting on the service commissions for the appointment of a permanent secretary and for the filling of the vacancies. As soon as that is done—I believe within the next fortnight—we will proceed to issue these guidelines for all and sundry to note. It is incidentally a separate ministry; it is not part of the Ministry of Finance. Although, yes, it does tax my time some more, there will be dedicated officers whose sole responsibility will be for the advancement of tourism development in this country.

There has also been much made of the rural pedlars licence—

**Sen. W. Mark:** Before the Minister goes onto the pedlars licence, could he tell us as the Minister of Tourism what is going to be the fate of approximately 300 workers who were marching today, claiming that their jobs are threatened with extinction as a result of the formation of TIDCO? Could he give us some clarification and assurance that the workers are not going to be retrenched?

**Hon. W. Mottley:** Mr. President, TIDCO is a new promotional agency and it has a very specialist mission, that is, some investment co – ordination, but highly promotional. One of the problems of the older agencies is that with the effluxion

of time, more and more of their budgets have been consumed by administration expenses. There was not only that particular vice, but three separate institutions each with its own doorman, its own messenger and so forth.

In a season when investment promotion has become so critical, we have laid all the framework necessary to attract investors; the macro economic climate, the right trading regime and so forth. We now need to go outside Trinidad and Tobago and promote hotel construction; and to promote among our own investors here in Trinidad and Tobago as well. Very little of our tight dollars is left over to do the actual business of promotion. It is all consumed at the level of wages and salaries. It is that fact which caused the Government to rethink its position, to start afresh and to reorient the new TIDCO.

With the rural pedlars licence, the facts are that it does not deal with someone selling popsicle on a bicycle cart. In fact, it does deal with venders who have a motor transport. It is not just the ordinary, poor fellow that one wants to weep on one's shoulder about. We have to understand that there is in this country, a greatdeal of—what might be termed—activity in the informal sector and a great deal of misplaced worry about activity in that sector.

In fact the market – mummies in Guyana, the higglers in Jamaica—this a very significant sector—the attempt to bring them into the tax network through the business levy or simply here to collect more money from them for a pedlar's license, one should not misplace sympathies and believe that many of them are living a hand – to – mouth existence. Some may well be, but a large number is not.

**Sen. Mahadeo:** Mr. President, may I take this opportunity before the winding – up by the hon. Minister, while he speaks of the rural pedlars and the people who are motor operated and not the toolum vender and so forth, what about those who do the suitcase trade? Those people who travel three and four times a month to Caracas and Magarita and return with their huge suitcases piled up with goods that they in turn move off around the country, could provisions not be made for those people as well?

**Sen. W. Mottley:** Sen. Mahadeo is absolutely correct. The Customs Division has taken a different view on this matter. All too often people have to make a living and we respect their initiatives in these directions, but it is a business activity and it does compete with other businesses which have to pay legitimate taxes and so forth. Therefore, if one does not recognize that fact, then one could in



fact, if one turns a blind eye to that kind of activity, be jeopardizing other jobs in others areas. As a result, the Customs Division is taking steps gradually, because we do not want to be unsympathetic or to discourage their activity, to bring them into the mainstream of business to make sure proper duties are assessed on their trade and their matters are professionally handled in terms of customs documentation and so forth.

With these few words—

**Sen. W. Mark:** Mr. President, before the hon. Minister winds up, many key elements of my contribution may have escaped the Minister since he was whisked away, not by taxi, but by the power of the personality that came. I, however, would like him to clarify some points that I raised.

For instance, I did pose the question that under proposed (1) and (2) section 45 there is a lopsided management committee to comprised only Government and private sector elements . I asked the question why the labour movement was not included in this committee. I also raised the question about the type of targeting that you have had for all these different measures and how the revenues are coming in. Are the revenues on target? Are there shortfalls? I thought he could have given us an update on that matter.

Finally, I did raise the issue of other avenues that can be looked at in terms of raising revenues. I spoke about these many ports that are just open to bandits who are bringing in millions of dollars in goods, both in human skin and flesh as well as goods, and are not paying any duties. I particularly made mention of Caridoc which is exposed completely; there are no customs guard and so forth. I hope that he can provide some clarification.

**Mr. President:** Sen. Wade Mark, the hon. Minister's contribution has ended.

**Sen. W. Mark:** Yes, I know but I want him to clarify these points, Sir.

**6.15 p.m.**

**Hon. W. Mottley:** Mr. President, I thought I had dealt rather adequately with the macro – economic measures, in terms of where we had seen shortfalls and how we planned to adjust, and generally to give the population the assurance that it was being managed. And that the Minister of Finance was shielding the ordinary man in the street from the effects of the oil price fall by taking measures that did not affect them directly, that is, did not reduce wages for public servants; that the Minister had moved and taken his ministry's own adjustment and swung

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from a forecast surplus as presented in the budget to a deficit of under 0.5 per cent of GDP for 1994. I thought I dealt with the macro – economic matters right up – front in my presentation.

On the question of the road fund, and Sen. Wade Mark's request to have the labour movement represented, Mr. President, it is a request I have heard and I will carry it to higher authority. That is all I can promise on this matter.

The other question of illegal entry of goods through either regular ports or other uncustomed ports is under the survey right now of a very high level team of our customs officer including US customs officers, because of the possibility as Sen. Wade Mark has pointed out, of not only revenue loss but also of security breaches. But, I regret to report that in the wealth of taxation that I have devised here, I cannot accept Sen. Wade Mark's recommendation to tax flesh as it comes into this country.

**Sen. Barrack:** Mr. President, I would like to know, based on the Government's basic strategy for investment, what is the strategy that is going to be employed for the small businesses along the highway; and what incentives are going to be given to these people to continue with their investment programme. Also, I would like to know what programme there is for the small businessmen.

Thank you.

**Hon. W. Mottley:** Mr. President, we have quite an active and elaborate proposal from the Small Business Development Company for assistance to the small business community, not only by way of finance, but also, by showing them new markets that they can exploit legally without running foul of the law.

Thank you.

*Question put and agreed to.*

*Bill accordingly read a second time.*

**Hon. W. Mottley:** Mr. President, in accordance with the provisions of Standing Order No. 63, I beg to move that the Bill be not committed to a committee of the whole Senate.

*Question put and agreed to.*

*Question put and agreed to accordingly, That the Bill be now read the third time.*

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*Motion made, That the Senate do now adjourn  
to Wednesday, March 23, 1994, at 1.30 p.m. [Hon. L. Saith]*

*Question put and agreed to.*

*Senate adjourned accordingly.*

*Adjourned at 6.21 p.m.*