

*Cde. Dr M. Shahabuddeen, O.R., S.C., M.P.,
Attorney General and Minister of Justice

*Cde. R.E. Jackson, M.P., (Absent)
Minister of Foreign Affairs

*Cde. J.R. Thomas, M.P., (Absent)
Minister of Home Affairs

Ministers (6)

Cde. U. E. Johnson, M.P.,
Minister in the Office of the Prime Minister

Cde. Sallahuddin, M.P.,
Minister in the Ministry of Agriculture

Cde. R.C. Fredericks, A.A., M.P.,
Minister for Youth and Sports,
in the Ministry of Education and Social Development

*Cde. Y.V. Harewood-Benn, M.P.,
Minister of Information and Public Service

*Cde. R.A. Van West-Charles, M.P., (Absent)
Minister of Health and Public Welfare

*Cde. K.W.E. Denny, M.P.,
Minister of Manpower and Co-operatives

Ministers of State (2)

Cde. M. Corrica, M.P.,
Minister of State for Internal Trade
and Consumer Protection

Parliamentary Secretaries (4)

Cde. A.W. Bend-Kirton-Holder, M.P.,
Parliamentary Secretary, Housing, Ministry of
Health and Public Welfare

Cde. D.A.N. Ainsworth, M.P.,
Parliamentary Secretary, Ministry of
Education and Social Development

*Non-elected Member

Cde. B. Bhaggan, M.P.,
Parliamentary Secretary, Ministry of
Foreign Affairs

Cde. J.B. Caldeira, M.P., (Absent)
Parliamentary Secretary, Ministry
of Agriculture

Other Members (24)

Cde. M. Ally, M.P.

Cde. M. Armogan, M.S., J.P., M.P.

Cde. B. Beniprashad, M.P.

Cde. A.A. Chin, M.P. (Absent – on leave)

Cde. J.P. Chowritmootoo, J.P., M.P.

Cde. O.E. Clarke, M.P.

Cde. E. B. Davidson, M.P. (Absent – on leave)

Cde. H. Doobay, M.P.

Cde. A.B. Felix, M.P.

Cde. E.H.A. Fowler, M.P.

Cde. P. Fredericks, M.P. (Absent)

Cde. E.F. Gilbert, M.P.

Cde. J. Gill-Mingo, M.P.

Cde. A. McRae, M.P.

Cde. E. Melville, M.P. (Absent)

Cde. J.M. Munroe, J.P., M.P.

Cde. S. Prashad, M.P.

Cde. R.N. Primo, M.P.

Cde. P.A. Rayman, M.P.

Cde. C.G. Sharma, J.P., M.P. (Absent)

Cde. S.H. Sukhu, M.S., M.P.

Cde. B. Tiwari, M.P.

Cde. C. Vandenburg, M.P.

Cde. R.E. Williams, M.P. (Absent)

Members from the National Congress of Local Democratic Organs (2)

Cde. R. Bishop, M.S., M.P.

Cde. B. Latchminarayan, M.P.

Members from the Regional Democratic Councils (9)

Cde. K.N. Jones, M.P. (Region No. 1 – Barima/Waini)

Cde. K.V. Jairam, M.P. (Region No. 2 – Pomeroon/Supenaam)

Cde. C.A. Singh, M.P. (Region No. 3 – Essequibo Islands/West Demerara)

Cde. W. Bipat, J.P., M.P. (Region No. 4 – Demerara/Mahaica)

Cde. H.I. London, M.S., M.P. (Region No. 5 – Mahaica/Berbice)

Cde. I. Chowritmootoo, M.P. (Region No. 6 – East Berbice/Corentyne)

Cde. N.R. Charles, M.P. (Region No. 7 – Cuyuni/Mazaruni) (Absent)

Cde. D. Abraham, M.P. (Region No. 8 – Potaro/Siparuni)

Cde. D. Hinds, M.P. (Region No. 10 – Upper Demerara/Berbice)

Members of the Minority (12)

(i) People's Progressive Party (10)

Minority Leader (1)

Cde. Dr. C. Jagan, M.P., (Absent)
Minority Leader

Deputy Speaker (1)

Cde. Ram Karran, M.P.,
Deputy Speaker of the National Assembly

Other Members (8)

Cde. J. Jagan, M.P. (Absent)

Cde. Reepu Daman Persaud, J.P., M.P.,
Minority Chief Whip

Cde. N. Persaud, M.P.

Cde. C.C. Collymore, M.P.

Cde. S.F. Mohamed, M.P.

Cde. I. Basir, M.P.

(Absent – on leave)

Cde. C.C. Belgrave, M.P.

Cde. Dalchand, J.P., M.P.

(ii) United Force (2)

Mr. M.F. Singh, C.C.H., J.P., M.P.

Mr. M.A. Abraham, M.P. (Absent)

OFFICERS

Clerk of the National Assembly - Cde. F.A. Narain, A.A.

Deputy Clerk of the National Assembly – Cde. M.B. Henry

PRAYERS

14.05 hrsANNOUNCEMENTS BY THE SPEAKER(i) Changes in the National Assembly

The Speaker: Comrades, I wish to refer to a Press Release on 1st May, 1983 from the Office of the President and to announce for our records these changes effective 1st May, 1983 as they affect the National Assembly and its Members:

Cde. S.S. Narine, Vice-President, Works Transport and Housing, has been re-designated Vice-President, Social Infrastructure.

Cde. H.D.Hoyte, Vice-President, Economic Planning and Finance, has been re-designated Vice-President, Administration.

Cde. H. Green, Vice-President, Agriculture, has been re-designated Vice-President, Production.

Cde. R. Chandisingh, Minister of Education, has been re-designated Minister of Education, and Social Development.

Cde. R.H.O. Corbin, Minister of National and Regional Development, has been re-designated Minister of Mobilisation.

Cde. F.E. Hope, Minister of Internal Trade and Consumer Protection, has resigned, and has ceased to be a Member of the National Assembly.

Cde. H.O. Jack, Minister of Energy and Mines, has been appointed an Ambassador and has ceased to be a Minister and a Member of the National Assembly.

Cde. U.E Johnson, Minister of Co-operatives, has been appointed Minister in the Office of the Prime Minister.

Cde. Sallahuddin, Minister of Finance, in the Ministry of Economic Planning and Finance, has been appointed Minister in the Ministry of Agriculture.

Cde. Y.V. Harewood-Benn, Minister in the Office of the Prime Minister, has been appointed Minister of Information and Public Service.

Cde. H. Rashid, Minister in the Office of the President, has been appointed a Senior Minister and has been designated Minister of Energy and Mines.

Cde. Dr. R.A. Van West-Charles, Minister of Health, has been re-designated Minister of Health and Public Welfare.

Cde. K.W.E. Denny, Minister of Labour, Manufacturing and Industrial Development, has been re-designated Minister of Manpower and Co-operatives.

Cde. M. Corrica, Minister of State in the Ministry of Internal Trade and Consumer Protection, has been re-designated Minister of State for Internal Trade and Consumer Protection.

Cde. R. C. Fredericks, Minister of State for Youth and Sports, in the Ministry of Education has been appointed a Minister and has been designated Minister for Youth and Sports in the Ministry of Education and Social Development.

Cde. A.W.Bend-Kirton-Holder, Parliamentary Secretary, Ministry of Works, Transport and Housing, has been re-designated Parliamentary Secretary Housing, Ministry of Health and Public Welfare.

Cde. D.A.N. Ainsworth, Parliamentary Secretary, Ministry of Education has been re-designated Parliamentary Secretary, Ministry of Education and Social Development.

Cde. J.B. Calderia, has been appointed a Parliamentary Secretary in the Ministry of Agriculture.

Cde. H.L.B. Singh, has been appointed a Minister of State, in the Ministry of Finance.

The Speaker: Comrades, I wish on behalf of the Members of the Assembly and myself to extend congratulations to the Members who have been promoted that is Cdes. Harun Rashid, Roy Fredericks, Harold Singh and Joseph Cladeira. I also wish to extend best wishes to those members and also to the other Members in their respective assignments.

(ii) Resignation of Cde. H.B. Walcott-Nascimento

The Speaker: I have received from Cde. Walcott Nascimento a letter tendering her resignation as a Member of the National Assembly with effect from April 22, 1983. Following Cde. Walcott-Nascimento's resignation a vacancy has occurred in the National Assembly. I have therefore to refer, in accordance with section 99A of the Representation of the People Act, Chapter 1:03, called upon the representative of the list of candidates from which Cde. Nascimento's name was extracted to further extract from the said list a name to fill the vacancy.

(iii) Leave

The Speaker: Leave has been granted to Cde. Corbin, Cde. Davidson and Cde. Basir for today and to Cde. Chin until the end of the month.

INTRODUCTION OF BILLS - FIRST READING

The following Bills were introduced and read the First time:

Children born out of wedlock (Removal of Discrimination) Bill 1983 - Bill No. 12/1983 published 1983-05-05. /The Prime Minister./

Accidental Deaths and Workmen's Injuries (Compensation) (Amendment) Bill 1983 - Bill No. 13/1983 published 1983-05-05. /The Minister of Manpower and Co-operatives./

PUBLIC BUSINESS

BILL – SECOND AND THIRD READINGS

FISCAL ENACTMENTS (AMENDMENT) BILL 1983

A Bill intituled:

"An Act to amend certain fiscal enactments."

The Vice President, Administration (Cde. Hoyte): Cde. Speaker, this Bill presents a miscellany of amendments to several fiscal statutes. These amendments arise out of a proposal which were contained in the Budget Statement presented to this Assembly on 1983-02-15. The Bill therefore seeks to give effect to the proposals which were made in that statement. Broadly speaking, the amendments can be placed in two categories.

Firstly, those which seek to strengthen our compliance procedures and secondly those which seek to close certain loopholes in the statute of which people have taken advantage to avoid the incidence taxation.

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I think it will be convenient if I dealt with the various amendments in the order in which they appear in the Schedule to the Bill.

The first amendment affects the Deceased Persons Estates' Administration Act, Cap 12:01. One problem which the Commissioner of Inland Revenue has been facing, as he attempts to administer this Act, is that it is virtually impossible for him to really verify what are the assets of a deceased person. Very often legal personal representatives present a list of assets which is defective. Very often the deceased person might have a bank account, might own shares, might own movable and other kinds of property, but there is no means by which the Commissioner of Inland Revenue can ascertain that the list of assets presented by the legal personal representative is an accurate one, and when the list is defective, of course, the duty which is paid upon the estate of a deceased person is not the correct amount. This Bill seeks to ensure that the legal personal representative is compelled to present an accurate list. Therefore, it provides for a list of assets to be attached to a probate or letters of administration and further provides that the administrator cannot deal with any property of the deceased unless it appears on that list. So, if he attempts to deal with the bank account, for example and that account is not on the list, well the bank is precluded by this law from allowing him to do so. If he attempts to sell a property and that property is not included in the list, then he is precluded from doing so. So that, once he comes up against this difficulty, he has to return to the Commissioner of Inland Revenue and amend his list and, of course, have the estate revalued so that the appropriate duty can be paid.

The next amendment affects the Tax Act, Cap. 80:01. That Act provides for a wide range of taxes upon a number of activities. Under the present law, when a taxpayer is in default of the payment of his taxes under the Tax Act, the tax attracts an interest of six per cent per annum. In these days of high interest rates, that rate is ridiculously low. Therefore, the opportunity is taken to increase the interest on overdue payments to 25 per cent, the purpose being really penal, to of persuade the taxpayer to pay his taxes promptly so as to avoid a penal rate of interest.

The next amendment affects the Miscellaneous Licences Act, Cap. 80:04. Under that Act the Competent Authority issues licences for very many activities and purposes, but he has power under the law, when a person does not take out his licence, to deal with the matter administratively. Rather than taking the citizen to Court, he can compound the offence and impose a penalty for failure to take out the licence and for the late payment of the licence fee. But that law limits the Competent Authority to dealing with

license which do not exceed \$50.

Over the years, license fees have gone up, and therefore the purpose of this amendment is to increase the amount from \$50 to \$2,000, so that the Competent Authority can settle administratively with the citizen in respect of any license which has a ceiling of \$2,000 without having to take that person before the Court and await in which is very often a time-consuming and unnecessary procedure.

The Travel Voucher Tax Act, Cap. 80:09, is also being amended. First of all, to clarify a point, which has been causing certain difficulties: If one reads the Travel Voucher Tax Act, one would realise that the tax is really a tax on travel. It is not a tax on ticket. The value of the ticket is merely a base on which the tax is calculated, but the tax is a tax on travel so that if a person buys a ticket today and he holds that ticket until sometime next year and then he sets out to use that ticket to travel abroad, the tax he has to pay is not the tax which exists today but the tax which exists at the time he sets out on his journey. If the tax is increased, he will therefore have to pay the difference between the prevailing rate today and the rate at the time he sets out to travel. Conversely, if the rate is reduced, he will be entitled to a refund. Opportunity is taken to make this matter abundantly clear since there seems to have been confusion in the minds of agents who deal with the sale of airlines tickets.

One strategy used by travelers to escape the incidence of the travel voucher tax in the past has been to buy a ticket for a destination to a neighbouring country so that if the person is going to the United Kingdom, he will buy a ticket to Trinidad and therefore he pays a tax on the value of the ticket between Georgetown and Port-of-Spain. When he gets to Trinidad he then buys another ticket and he proceeds on the journey he intends to make. Under the law, as it stands, the Commissioner has power nevertheless to require that traveler to pay the tax based upon the value of the ticket from Georgetown to the United Kingdom. However, he could only make a request for payment if the traveler proceeds within four days of his arrival in Trinidad. This amendment seeks to extend that time to fourteen days. What the law is trying to do is to make it unprofitable for a person to go to Trinidad with a view to evading or avoiding the incidence of the travel tax in Guyana.

The National Development Surtax Act is also being amended and the purpose of the amendment is to make compliance with payment of National Development Surtax quicker.

(Cde. Hoyte continues)

At the moment if a taxpayer does not pay his National Development Surtax on the due date, it attracts interest at the rate of fifteen percent (15%) from that date to the date of payment. Now, again having regard to the prevailing interest rates, it is good business not to pay tax. If a taxpayer puts that money into a deposit account or if he buys Treasury bills, he would get a rate of return which is higher than the interest rate which he would have to pay as a penalty for not paying his tax on the due date. Consequently, opportunity is being taken to change the rate from fifteen percent (15%) to twenty five percent (25%) in the first year, and to thirty percent (30%) if the tax remains unpaid for a period in excess of one year. The objective is to persuade the taxpayer to pay his National Development Surtax as promptly as possible.

Then, Cde. Speaker, there are several amendments to the Income Tax Act, Chapter 81:01. The first amendment relates to Section 13(x). This is a very important amendment for the small earner, the worker at the bottom, so to speak, of the income scale. Under the current law, a citizen becomes liable for income tax when his taxable income reaches \$500.00. This amendment will increase the ceiling so that the citizen becomes liable for taxation only when his taxable income reaches \$1,000.00. The effect of this amendment will be to remove 55,000 workers from the income tax register because right now, at the bottom of the income scale, there are thousands of workers who have found themselves on the income tax register. This measure is part of the Government's policy to cushion the cost-of-living impact on low-income earners in practical and realistic ways.

The second amendment, Cde. Speaker, to the Income Tax Act affects Section 26(1) (a). This Section is being amended to close certain loopholes and prevent tax avoidance. A person who contracts for any deferred annuity on his own life or the life of his wife or reputed wife, with any Insurance Company, is entitled to an income tax allowance of the annual amount of premium paid by him. He can deduct it in the same way as

he deducts the premium paid by him on an ordinary policy of life insurance; by many people particularly people with large incomes who are in the high tax brackets, have been taking out these deferred annuities just before the end of the year, have been claiming the tax deductions and, then, immediately after the year encashing the deferred annuity policies. This, Cde. Speaker, is really against the purpose for which the law was enacted. Such contracts are intended to provide annuities to be paid in the event of death or old age and so on. So, in order to ensure that a person takes out an annuity policy for the genuine purpose of providing for old age or dependants, the law is now being amended to say that the annuity contracted must be for a period of not less than ten years if the taxpayer really wants to take advantage of the tax benefits granted under the Act. The amendment provides that, in any event, the tax payer should not surrender the policy before five years, because if he were to do that, the Commissioner of Inland Revenue would then reassess him on the basis that he did not pay the premiums or was not entitled to the allowance. The whole intent of the amendment is to close the loophole and make sure that the tax allowance which is provided for in the income tax law is indeed used for the purpose for which it was intended. The tax allowance for premiums paid on deferred annuity contracts is meant to encourage people to provide for their old age and dependants, and not really to be used as a scheme for avoiding taxation.

Section 35 of the Act is being amended to allow persons to facilitate tax deductions in respect of donations made to certain institutions of a national character or international character. We are members of the Caribbean, the Economic Community, Caricom which has many regional institutions to which people might want to subscribe or donate amounts. In keeping with our regional commitments, the Government will prepare to consider certain required institutions like the Council of Legal Education as being institutions in respect of donations to which a taxpayer might become eligible to claim a tax deduction. There are many lawyers who feel that it would be a good thing to contribute to

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the work of legal education in the region. If, therefore, they were to contribute or donate some sum of money to that institution, such donation would be treated as if it were donation to a national institution.

Cde. Speaker, the amendment proposed to Section 39 (8) is also designed to close a loophole which people have discovered for avoiding the payment of taxes. Under the law, a branch office or Agency of a non-resident company is liable to with-holding tax on deemed distribution, unless the company re-invests its profits in Guyana in certain prescribed ways. Now, non-resident companies have been investing in Treasury Bills which as we know, mature in three months, Towards the end of the year the companies would take out Treasury Bills, to be able to show in their accounts for the year that they have not exported the money, but have invested in Guyanese securities in accordance with the law they would therefore claim exemption from the payment of withholding taxes and be technically correct in so claiming.

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(Cde. Hoyte continues)

Again Cde. Speaker, Section 56(6) identifies an attempt to deal with another area of avoidance in the law and this has to do with Life Insurance policies. Now, under the law, if a person surrenders a life insurance policy, he has to pay a surrender tax unless he has reached the age 60. If he is 60 years and he surrenders, then there is no surrender tax. What usually happens is that, having taken out a policy, a taxpayer would then assign the policy to his father or grandfather and or uncle who has reached the age of 60; and because the term "insurance policy holders" was defined to include an assignee, the father or other assignee could encash the policy and get the money without paying a surrender tax. Of course, the money is then paid over to that young person who is under the age of 60 who was the real owner of the policy. In this way, the payment of the tax was awarded.

Income tax provisions can influence people to save. They can encourage people to make provision for their old age, for their retirement and for their family and so on; but many people have been using them merely as a means of avoidance.

Section 60(1) Cde. Speaker, attempts to clarify a matter, which although very clear in the mind of the Commissioner of Inland Revenue, did not appear to be equally clear in the minds of the people who manage companies. Many of those people believe that if their company's income, their surplus, was less than \$1.250, they need not file income tax returns. Well, that was never really the law. However, the fact is that many companies never filed returns and when the Commissioner talked to the managers they said "But look! We did not make any profits." But the law requires all companies should file income tax returns. This amendment therefore makes the matter abundantly clear: whether companies allege that they are losing money or not they have to file a return with the Commission of Inland Revenue.

The amendment to Section 75(3) again deals with another stratagem for avoiding the payment of Income Tax. Within recent years, there has been an alarming increase in the number of persons and companies who and which claim that they are donating all of their income to charitable institutions. According to the law, citizen can do that and escape paying income tax on his income. In many cases, as the Commissioner of Inland Revenue found out when he carried out an investigation, the donees turned around and maintained the donors.

The citizen gave all his money to an institution and the institution fed, clothed and housed him and very often kept him supplied with a fair amount of luxuries including motor cars. This practice clearly could not be right. This amendment therefore seeks to limit the amount which an individual citizen can donate to a charitable institution and claim for income tax purposes and the limit to 10 percent of chargeable income.

Then Section 99(1) of the Act attempts to persuade people to comply in a timely fashion. In a similar way as in the National Development Surtax Act, the penalties, or rather the interest rates, were changed. The interest rates on tax chargeable income which has not been paid have been changed to 25 percent in the first instance and 30 percent if that tax remains unpaid for a period of one year.

I now want to deal with section 36, a most important section, in the light of Government's firm policy of attempting to mitigate the incidence of income taxation. For some years now, certainly over the past four years, the Government has done something every year to ease the burden of taxation. There have been movements in the income tax bands and there have been increases in the allowances which people can claim. What the Government is attempting to do now is to deal with the rate which is payable at the higher levels of income. We know that that rate was 70 percent and many people particularly people in managerial positions and people who – [Cde. Ram Karran: Vice-Presidents and Senior Ministers.] Leader of the Minority Party [Laughter] important Trade Union comrades holding big post and big shares in companies and so on. [Laughter] They all pay that but for years Cde. Speaker, this was a sore point with professional people, particularly managers, and also with working couples since income in our country is consolidated for tax purposes.

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(Cde. Hoyte continues)

What this amendment proposes to do is to ensure that nobody pays an average rate of more than fifty percent of total chargeable income.

If Comrades read the newspaper recently or listened to the Caribbean news, they might have heard that the Prime Minister of Barbados in his Budget Speech has just reduced the average rate to sixty percent in Barbados. In the Caricom area, at any rate, our rate was not really the highest. At present, when this Bill is passed, assuming it is passed, we will certainly be below many other countries. Now, Cde. Speaker, I would like to deal with the two remaining amendments together because they are interlinked. This is the Capital Gains Tax Act, Chapter 81:20 and the Property Tax Act, Chapter 81:21. The amendment proposed for the Property Tax Act is one which is designed to allow the calculation for property tax to be based upon the value of the property as at January 1, 1981. At the same time, opportunity is taken to increase the amount of the exemptions which can be claimed in respect of property tax. For example, a taxpayer was able to claim the value of tools of one's business or trade up to \$5,000: this amount has been increased to \$10,000. He was allowed to claim household furniture up to \$2,000. That has increased to \$10,000. One was allowed to claim jewellery up to \$2,000 and this has been increased to \$5,000.

Now having advanced the date of valuation for the purposes of the Property Tax Act to January 1, 1981 it seems only fair that for the purpose of the Capital Gains Tax, we should apply the same date and not the basis which was hitherto used. Thus if a person acquires a property and subsequently sells it, then the differential would be as between the valuation of the property as at January 1, 1981 and the value of the property on the date it was sold. Of course, there have many deductions which the property owner can lawfully claim in order to reduce the actual amount upon which the tax is calculated.

Cde. Speaker, these are the main points which affect those amendments contained in the Bill now before the National Assembly and I ask that the Bill be read a Second time. [Applause]

Motion proposed.

Cde. Narbada Persaud: Cde. Speaker, there is no doubt that Guyana is in serious financial problems and there is also no doubt that the Government in its desperation and its mad rush to find every possible way to raise additional money in their futile attempt to get out of this financial straight-jacket in which they have plunged Guyana, has brought this Bill before the Assembly this afternoon. Why should the workers be saddled with additional burden in a country like Guyana today where the burdens are overbearing already. A careful analysis of the Bill reveals that its primary purpose is to increase the penalty to the tax payers in a number of cases. We on this side of the Assembly recognise the fact that taxation is one way or one of the many ways by which a Government raises money to provide the necessary services and benefits to its people. We here in this country have been taxed year after year and perhaps we in Guyana can be classified as one of the heaviest taxed country in this part of the world. But notwithstanding these heavy taxes, the Guyanese people, the Guyanese workers, the Guyanese taxpayers are being called upon to pay year after year for those services and benefits which ought to be derived from this heavy taxation. The services and benefits have been on the decline during the past ten years. Because we recognise the fact that taxation is one of the many ways in which a country can raise money or ought to raise money for such benefits and facilities we are not opposed to taxation and we cannot be opposed to taxation. But, Cde. Speaker, when taxation has reached the point where it acts as a disincentive to the taxpayers as is the case in Guyana today; when taxation has reached the point when the taxpayers have to borrow to pay taxes; when taxation further increases the cost of living of the taxpayers, then obviously we in the People's Progressive Party must raise our voices and speak out, oppose such taxation which are not in the interest of workers any longer.

There can also be no doubt that the I.M.F. with which this Government has had a number of arrangements with whom this Government is once again having dialogue, is demanding that Government balances its budget, that they must reduce this yearly deficit particularly in the current budget.

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Now there are two ways in which the yearly deficit can be reduced.

The Speaker: Cde. Narbada Persaud, I think for a very long time this Assembly has not had the benefit of an analysis of a Bill as it has had in this case. I am at a loss to understand or follow your contribution to this Bill. You start off on the premises that the Government is out to tax. My recollection is that only two sections deal with increase of interest rates. All the others are beneficial to the taxpayer. In this Bill there are two sections, or three sections, which I think everybody in this House including you -- where there has been blatant evasion. I think the Vice-President used the word "avoidance", a more neutral word. I think there has been blatant evasion where people have been donating their entire incomes. Surely that is not a raising of taxes. [Cde. Ram Karran: "Only the Rabbi, sir."]

The Rabbi will be caught.

Then there is another blatant evasion where I am taking out an annuity and just paying 15 ^{surrender} per cent/tax and I avoid paying my 70 per cent tax. Certainly that is not a detriment to the taxpayer.

The other sections deal with concessions to the taxpayer from \$500 to \$1000. Then there is the other one for purposes of doubt. People with companies are not sending in returns. How does the I.M.F. get into this? How taxation? Could I have an analysis, if I may so suggest, and the section as the Vice-President put it? Could we deal with it that way, if you don't mind?

Cde. Narbada Persaud: Cde. Speaker, the points raised by you as tax evasion I certainly agree with. I also agree with the Vice-President, but obviously it is my right to deal with those aspects. Take, for example, the three sections dealing with additional interest rates. I am going to refer to that in a very short time. As I am saying, there are two ways. One is to reduce expenditure and the other is to increase taxation. Unfortunately the Government has chosen the latter and it has chosen the latter whereby --

The Speaker: Cde. Narbada, you seem intent on having your piece and I am intent on having the debate concerned with the financial Bill.

Cde. Narbada Persaud: Cde. Speaker, am I not speaking on the Bill? It is increased revenue. That is where I am at the moment. The Bill seeks to increase revenue. Increased interest rates of course bring increased revenue but, unfortunately if I cannot proceed that way, then I will have to abide with your ruling.

I wish to refer to the last four lines of section 3 (5) of the Travel Voucher Tax Act Cap. 80:09.

The Speaker: What page, please?

Cde. Narbada Persaud: Page 361.

The Speaker: It is the Bill I am talking about.

Cde. Narbada Persaud: The Travel Voucher Tax Act. I don't have a number.

I have the Gazette. It is page 3 of the Bill, sir, section 3 (5). The last four or five lines read -

"that variation shall have effect also in respect of every travel ticket issued before the date on which the order so specifying came into operation if on that date the travel ticket subsists and the journey from Guyana, the subject matter thereof, has not commenced."

While the argument put forward by the Vice-President has merit on one side, on the other hand it has some disadvantages for some of the people in this country. I want to agree with him that if the travel agents manipulate and pre-date the tickets, obviously that is an offence and the Government should set up machinery to avoid it, but if I have worked for 25 years in this country and I want to take my wife and three children on a holiday and I plan for that holiday for a very long time; I go and buy my ticket one week or two weeks before without having any knowledge whatsoever that the tax is going to be increased; I have the tickets in my possession. Two weeks later the Minister announces that the tax is increased. I am called upon now to pay additional tax. Do you know what it means for me personally, Cde. Speaker? I cannot take my wife and children anywhere.

The Speaker: You don't want to take them?

Cde. Narbada Persaud: I want to take them. That was the plan for 30 years. Now, because of the additional taxation, that aspiration is not realised. I would be deprived of the opportunity of taking my wife and my children on that holiday. The honest man is being deprived of that opportunity because of the rascality of some people, as the Vice-President described on a previous occasion. This is what you may describe as retroactive legislation. You are going to pass the legislation now to take care of me when I bought my ticket two or three weeks ago. That, to my mind, is not right.

I agree with the Vice-President. If there is rascality, find the rascals now and punish them. As he mentioned last time, take away their licences. I agree with that, but do not penalise the honest man from having his holiday by bringing this tax into effect.

If I turn over the page there are section 4 (1) and section 8 (3) (a) and (b) in the same Act. We have this -

"(a) if as a result of such order any additional amount has become payable as travel voucher tax in respect of any travel ticket, the carrier or

charterer who issued the travel ticket shall, at the time of giving effect to the travel ticket collect from the person named therein the additional amount so payable . . ."

However, (b), at the bottom, says that if you paid in excess, that excess will be refunded to you. Let us face reality. Will there ever be an excess? Do taxes ever go down in this country? If we pay 10, 20, 30 per cent and we go to 50 per cent, are we ever going to go down? Is there ever going to be a refund? Obviously not.

The Speaker: Income tax has been reduced from 70 to 50.

Cde. Narbada Persaud: I am talking about the travel voucher tax.

The Speaker: You never can tell. I never thought that income tax would go down.

Cde. Narbada Persaud: I turn over to the next page and this deals with the Income Tax Act, Cap. 80:01, section 13 (x). The Vice-President pointed out that this is being changed. We are substituting \$1,000 for \$500. We welcome that, but, Cde. Speaker, - unless you do not want to hear - with the realities of today, what we are saying is that \$1,000 is not enough when the cost of living increased by 250 per cent between 1971 and 1981. When he mentioned that the names of 55,000 persons will be removed from the register, it is an admission and an indictment against the Government because of the low wages that people are paid in this country. He is saying that 55,000 people, almost 25 per cent of the people employed in this country, do not have to pay because of the small pittance they are paid.

The cost of living is high. I shall give figures based on the official cost of living index given by the Government. If 1971 it cost \$200^{a month} for a man, his wife and his family to live, with that 250 per cent increase up to 1981, it would cost him \$700 to live.

15:05 hrs.

(Cde. N. Persaud continues)

That is the increase in salary, so correspondingly moved up. Therefore, if we really want to help the small man, let us increase the allowances too that the chargeable income would be reduced also and then we can say that we are really assisting the small man.

Cde. Speaker, I wonder if we will be able to go because I am now at income tax act section 99:1A page 8 and this one is the one that if the income tax is not paid on the due date we now have to pay 25% interest and if that income tax is still not paid after 12 months that interest rate moves to 30%.

Cde. Speaker, there might be many reasons why people cannot pay their income tax particularly at these times. Things are very hard Cde. Speaker, and I think all of us sitting in this Chamber would agree that things are very hard and obviously we find it very difficult to buy food. We find it difficult to pay rent. Now we must find it difficult to pay our taxes. Food comes before tax Cde. Speaker, I think you will agree with me and we cannot - - -

The Speaker: You complain for services and you complain for taxes.

Cde. N. Persaud: But we have not been getting the services Cde. Speaker. The point I am making here is that the food is so expensive, we cannot even buy the food. We are trying to grow but when we grow in the night the people come and thief it out. What you do? We are in the same position. Crime is on the increase Cde. Speaker, and I am saying that the interest rate now is moving from 12% to 25% and from 15% to 30%.

The Speaker: From 12 to 15 after one year and from 25 to 30.

Cde. N. Persaud: Yes Cde. Speaker, correct 12 to 15 and from 25 to 30. It is a big increase Cde. Speaker, and therefore I think – now we are called upon to pay interest rate, this high interest rate on taxes that we due the Government. Has the Government ever considered also paying interest on the refunds that they have for us? Have they ever given consideration to that? In 1983 I received a refund of (I am a good tax payer) \$504.00 that they due me for my income 1974, year of assessment 1975. All the time they had that money for me, I get the same \$504.00 based on the ----- . Is it fair? Is it fair that I must

pay interest charges to them for 12 months at this rate when they have had for me for so many years and the answer is definitely no. Therefore, I also call on the Vice-President and his able Commissioner to give thought to this. If we want to assist the people, surely we cannot have it all our way. I agree the Government as I said is in a financial straight jacket and they have to find more money to run the country, but Cde. Speaker, we must be fair in doing these things and we must try to see these things because I do not want to go into all three of the sections that talk about the increase of interest rates are too excessive. What is happening now, I have to be forced now to go to the bank and borrow the money at a low - because the interest rate there is lower, to go and pay the Government. That is what the Government wants. That I must now go and become a borrower to the Government, if not - the rate is so high that what can I do. I do not want to go to the jail again, so what do I do. So Cde. Speaker, I would want to say in concluding that the additional interest rate particularly that they are putting on, that will not solve the problem that the Government has in front of them. They have to do many other things including - if they have this problem in getting money, they have to do many other things like the corruption and the squandamania, the extravagance and they have to restore democracy and when they do that the economy would flourish and when the flourishes it means that we would be in a better position to have increase revenue and we do not have to unnecessarily tax the people and increase the interest rates the high way we increase it.

Mr. M.F. Singh: Mr. Speaker, to the extent that the bill is a tidying up operation as the Minister explained to us plugging some of the loop holes which provided opportunity for the tax evasion. That is good and it has our support. Indeed some of the provisions I think are long overdue and I would like to compliment the administration on having brought some of these measures to plug those loop holes. Obviously it is wrong for somebody to donate all their earnings to charity and then live off that charity and the other points that have been made but I would like to touch briefly and specifically on some aspects. Indeed some have been covered by the last speaker but for example on page three, the amendment to section 35 of the Travel Tax Act. Mr. Speaker, we know that the Minister has already signed the order which raised the tax from 30 to 50%. Indeed,

in my humble opinion this is penal. We are told there is freedom of travel but we are allowed only the equivalent of \$200.00 when it is available and now in addition to the cost of a ticket we have to pay 50% more on the cost of the ticket. 20% more. You are almost forcing people to stay here in Guyana.

Now in the past if you had a relative you could perhaps go out with your \$200.00, the relative would put you up providing you found the passage money. I want to stress on one particular aspect of it. There is something known as an early bird fare and lots of people take advantage of that. You have to buy a ticket months in advance. There would have been people who would have bought such a ticket and would have made all the arrangements and planned for their journey. This proposed amendment will catch those people/who have been trying to be smart. Those are not dishonest people. They are honest people who have planned for a holiday, have barely been able to scrape up the money to buy an early bird fare and having paid for it, having concluded a contract with the airline in respect of that early bird travel arrangements, they now find themselves stuck with having to find 20% more to pay to the Government. If they cannot find it, the implications are that they would lose their money because if you do not travel on that early bird ticket you lose everything. You have to travel on a specific day, a specific time, a specific flight. If you do not travel, if you cannot find the money and you do not travel, you have lost everything, unless perhaps you may have taken out an insurance on it you would have lost everything.

So, Mr. Speaker, in my humble opinion if in all good faith you bought a ticket not knowing that the Government would have raised the tax then you should be permitted to travel on that ticket and legislation should not be retroactive as is being sought in this case.

On page 5 Sir, let's move on to where indeed some concessions has been given by raising the limit of non-taxable income from \$500.00 to \$1,000. I do not want to labour the point, it has been made by the last speaker but I would like to support him that in the light of the increase in the cost of living we have heard that 55,000 workers would be affected but I would have thought that in the light of the increase in the cost of living a more realistic figure to raise it to would have been \$2,000 rather than \$1,000.

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¥2,000 and that would indeed have affected the majority of the average wage earner. I am not talking about the middle income and the higher income, but the ones in the lower bracket. So I would have liked to see the Government raise that figure from ¥1,000 further to ¥2,000. Section 26 1A, well I spoke to the Minister about that. On page 7, section 36.

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I am not quarreling with this proviso, this amendment. Of course, it is some help to people who did not have an incentive, any incentive to work harder, because 30 per cent of their salary just went into tax. Now it will come down to 50 per cent. But the point I want to make is that the only people who would be affected by this piece of legislation are the people who are earning in excess of \$33,073. Now how many people earn \$33,073. You have a chargeable income. Your chargeable income will have to be in excess of \$33,073 before this section is of any benefit to you. Those are the figures and I have it on very good authority.

Sir, on page 9, I do not want to go over what the last speaker said, we have a property tax being amended so that the property tax will now have to be paid on the value of property as at the 1st January 1981. So we have a situation where you will pay property tax. Somebody will have to value. I do not know how the Commissioner will do it, whether there will be arbitrary valuation or whether these are the mechanics of it which perhaps the Vice-President might indicate exactly how you will establish valuation as at January 1, 1981, in respect of property generally. Property may have depreciated, they may have appreciated. I do not know how you will go back and figure out how it was like in 1981. However, be that as it may, I am going a step further to say that it is only fair that the allowance, since you are fixing the value as at 1st January 1981, for the wear and tear under section 17 of the Income Tax Act should be amended. The Income Tax Act should be amended so that also is based on the 1981 valuation. At the present moment it is based on the same 1981 valuation. Using two standard sets of values, for property tax I have 1.1.81, but for depreciation Company's Tax purposes depreciation, you are going back to the book value, you are going back to what your Capital cost is less. I think the Commissioner has a schedule in the subsidiary legislation. The Commissioner schedule is there with the way in which wear and tear depreciation should be taken into account. There has been no change in that. I say the two should go together. Property Tax for 1.1.81 valuation for wear and tear and depreciation purposes should also be for 1.1.81. I respectfully request that the law should be amended accordingly.

Sir, two last point I would like to make, points which I would have liked to see included in this tidying up legislation. Sir, you will remember that for years now the Late Mrs. Elinor D'Silva - God rest her soul - and myself have been pleading with the Government for separate assessments for husbands and wives. Now we are tidying up the Income Tax Act. I note when I was going through the Constitution, I noted that Article 29:2 under equality for women

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I saw a lot of women with placards - I say give them equality. Let them not be automatically tied to the apron string of the man in income tax purposes.

In fact Article 29 (2) of the Constitution states:

“The exercise of women’s right is ensured by according women equal access with men to academic, vocational and professional training, equal opportunities in employment, remuneration and promotion, and in social, political and cultural activity, by special labour and health protection measures for women, by providing conditions enabling mother to work, and by legal protection and material and moral support for mothers and children, including paid leave and other benefits for mothers and expectant mothers.”

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(Cde. M. F. Singh continues)

Provide conditions establishing mothers to work. That is a condition we should provide – enabling mothers to work. Right now many wives are not working because they are tied to their husband's income. It is less production because the present system of plunging their earnings with the husband's is disincentive for the wives to go out to work. If we are talking about equality, let us give the wives equality. Let us give them separate income taxes and not tie them to the..... of their husbands.

One last point that I would like to make and this is something I would like to see tidied up in the Income Tax Act, Section 5(B) which tells about what is liable for taxation, gains or profits from any trade. It exempts an allowance for medical or dental expense or for any passage to and from Guyana. If you get an allowance for passage to and from Guyana, that is exempted from taxation. That is the only one inside the Act. However, there is a circular which was issued by the Secretary to the Treasury in 1974. I am not saying I do not agree with it. I agree with it but I am just talking about tidying up. The circular exempts Government debentures, mortgages, deposits in credit unions. You can take your passage allowance and apply that and that is free of taxation. I am saying I would have liked to see this bit of legislation amended so that instead of exempting only passages to and from Guyana it should exempt all those things that were in the Treasury circular in 1974, so we could have a real tidying up operation. Those are the few points which I urge on the Government. Thank you.

Cde. Hoyte: Cde. Speaker, I am grateful to my friends on the Minority benches for the contributions they have made. They have certainly made some interesting points. I think that it would be true to say that there are obviously very many other defects in the Income Tax law which we will have to deal with. This Bill does not purport to be a comprehensive and exhaustive reform measure. As people recognise shortcomings, I hope they would raise them not only in this Assembly but in a formal way but also by letter to the Commissioner or the appropriate Minister. The Government certainly would examine proposals or recommendations.

May I touch also on the few points first raised by Mr. Feilden Singh. The first one relates to his comments on the travel voucher tax act amendment. What I would like to stress is that a ticket is not deemed to have been issued for the purpose of the law until that citizen produces a valid exit tax certificate; so that even though the travel agency might give a citizen a ticket today, that ticket is not necessarily deemed to have been issued. In fact, that ticket is not deemed to have been issued until that

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citizen gets an exit tax certificate. As is well known exit tax Certificate is normally valid for the duration of a month. So apart from businessmen and similar categories who because of the frequency of their travel, get exit tax certificates for a longer period, the average person should not find himself in a predicament arising from the fact that he might buy a ticket and many months after might find that he is required to pay more money. The legal position is that the issuing of tickets is really coincidental with the issuing of the tax exit certificate. Now, as I have already said about this amendment, it merely clarifies the extant law.

Members will recall that during the debate of the Travel Voucher Order which I made consequent upon the announcements in the statements, this matter surfaced and I pointed out that many people, because of an erroneous interpretation of the law, had been backdating tickets and doing all kinds of strange things. I did announce that the Commissioner was going to prosecute them. Fortunately, we were spared that acrimony because all of them, having reflected and I believe having been properly advised, settled these matters with the Commissioner and paid the taxes which were properly due. The need to go to court or take any particular action against people did not therefore arise.

The other point I want to refer to is the raising of the ceiling from \$500 to \$1,000 getting on to the tax register. Now this sum of \$1,000 is chargeable income, that is it is the amount which is left to the citizen after he has made his deductions for N.I.S. wife, husband, insurance policies and all other allowances which he can claim. The calculation is that a man who is earning \$500.00 - that is the average unskilled worker who has a wife and three children – ought not to be liable for income tax. When we consider that we have a large number of people in that bracket, I think it is not quite right to say that this measure will not benefit a large number of people. It is indeed a great benefit to them. Mr. Singh wanted to know how valuation should be made by what the law in its esoteric language calls the accountable person. We know there are many people who make a living by valuing property. They appraise the property and they swear to an affidavit of valuation. These are competent expert people who can tell you what property values were in '38, for example.

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(Cde. Hoyte continues)

So that that is not a difficulty. The difficulty will arise if the Commissioner disagrees with the valuation, as he sometimes does, but I think in most cases these affidavits of valuation are accepted because the people given the valuation know that their reputation, their livelihood, depends upon people respecting them, their judgment and their affidavits.

Mr. Singh also raised a question on wear and tear and suggested that the amount should be increased. The problem here is a difficult one because under acceptable accounting practice, certainly for tax purposes, certainly for tax purposes, wear and tear is calculated upon cost and never on market value. I think you will know that this whole question as to what is now appropriate accounting practice is being debated world-wide now that you have the phenomenon of inflation and people have been talking of inflation accounting and coming up with all kinds of models. As a matter of fact, in the United Kingdom, the Government appointed a Committee to make recommendations as to what should be the appropriate accounting practice now that you have a very strange situation of high rates of inflation and so on. These people – they are all experts – sat for many months and produced a report which was promptly rejected by the accounting profession. The debate is a very fierce one also in the United States of America, so that we are on difficult ground and I don't think it is beyond us to try to work out some solution which is appropriate to our circumstances, but we will have to do a lot of work on that.

On the question of separate assessment, I know that you will have very many people with you on that. I know there are many of our womenfolk who have been very vocal on this issue and it may be that if the campaign mounts there may be something which might come out of that.

I couldn't really say.

Just a few comments on what Cde. Narbada Persaud said. First of all, the interest rates which have been increased are not intended to raise revenue. The amounts which one will get from that will be negligible. It is a compliance mechanism. It is intended to persuade people, as I said, to coerce them, if you wish, into paying promptly and if people are complying with the law they ought not to find themselves in the position where they owe large amounts of income tax because we have a P.A.Y.E. system. Any difference between the taxpayer and the Commissioner ought to be a very small one. As you rightly observed, many people overpay and have to be refunded.

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Generally, I think it would be wrong to interpret this Bill as a revenue measure. It does confer substantial relief upon various categories of taxpayers and I think we need to see it in that light.

I remember, many years ago, when I was at the Bar, a certain gentleman, now deceased, who was a well known property agent and buyer and seller of properties, told me one day, quite humorously, that he never paid rates and taxes to the Town Council because, when he did not pay, the penalty was very, very low. The interest charged upon outstanding amounts was far less than he could get if he took that money and put it on a deposit account in the bank. That is precisely what he used to do. Instead of paying his rates and taxes, he consciously put the money on a deposit account and then, a long time after, he would pay the money, because he made a profit on that.

That is precisely what we are trying to prevent. I think you need to look upon it not as a revenue measure but rather as a measure to induce people to pay their taxes promptly.

Those are the points I wanted to make, Cde. Speaker. Perhaps I should say that Mr. Feilden Singh brought to my attention before the Sitting began, a point arising out of the amendment proposed to section 26(1) (a) of the Income Tax Act, Cap. 81:01. He pointed out that if we were going to delete the phrase which is proposed to be deleted, then in section 26(1) we would have to delete the words "or contract" wherever those words appear.

The Speaker: In that section?

Cde. Hoyte: Yes. I am grateful to my colleague. I have consulted with the Attorney General who agrees that Mr. Singh's observation is accurate. I will seek leaving during the committee stage to have the necessary amendment made.

Question put, and agreed to.

Bill read a Second time.

Assembly in Committee.

Clauses 1 and 2 agreed to and ordered to stand part of the Bill.

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Schedule

Cde. Hoyte: May I propose an amendment to the Schedule. That would be an amendment to the Income Tax Act, Cap. 80:01: After Section 13(x) insert Section 26(1). The amendment will be –

Delete "or contract" wherever they appear.

Amendment put, and agreed to.

Assembly resumed.

Bill reported with an amendment; as amended, considered; read the Third time and passed as amended.

ADJOURNMENT

Resolved, "That this Assembly do not adjourn until Friday 13th May, 1983, at 14 hours." /Vice-President, Party and State Matters./

Adjourned accordingly at 15:38 hrs.