

National Assembly Debates

PROCEEDINGS AND DEBATES OF THE NATIONAL ASSEMBLY OF THE SECOND SESSION (2002-2005) OF THE EIGHTH PARLIAMENT OF GUYANA UNDER THE CONSTITUTION OF THE CO-OPERATIVE REPUBLIC OF GUYANA HELD IN THE PARLIAMENT CHAMBER PUBLIC BUILDINGS, BRICKDAM, GEORGETOWN

59TH SITTING

2.00 PM

Thursday 14 April 2005

MEMBERS OF THE NATIONAL ASSEMBLY (68)

Speaker (1)

The Hon. Hari N. Ramkarran, S. C., M. P. - *Speaker of the National Assembly*

Members of the Government - People's Progressive Party/Civic (34)

The Hon. Samuel A. A. Hinds, M.P.

-Prime Minister and Minister of Public Works and Communications

The Hon. Reepu Daman Persaud, O.R., J.P., M.P.

-Minister of Parliamentary Affairs

The Hon. Clement J. Rohee, M.P.

-Minister of Foreign Trade and International Co-operation

The Hon. Harripersaud Nokta, M.P.

- Minister of Local Government and Regional Development

The Hon. Gail Teixeira, M.P.

- Minister of Culture, Youth and Sport

The Hon. Dr. Henry B. Jeffrey, M.P.

- Minister of Education

The Hon. Saisnarine Kowlessar, M.P.

- Minister of Finance (Absent)

The Hon. Shaik K. Z. Baksh, M.P.

- Minister of Housing and Water

The Hon. J. Ronald Gajraj, M.P.

- Minister of Home Affairs; Region No. 3-Essequibo Islands/ West Demerara

The Hon. Rev. Dr. Ramnauth D.A. Bisnauth, M.P.

- Minister of Labour, Human Services and Social Security

The Hon. Clinton C. Collymore, M.P.

- Minister in the Ministry of Local Government and Regional Development

The Hon. Satyadeow Sawh, M.P.

- Minister of Fisheries, Other Crops and Livestock (Region No. 5-Mahaica/Berbice)

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- *The Hon.S.Rudolph Insanally, O.R, C.C.H, M.P. - *Minister in the Office of the President with responsibility for Foreign Affairs*
- *The Hon. Doodnauth Singh, S.C., M.P. - *Attorney General and Minister of Legal Affairs*
- The Hon. Dr. Jennifer R.A. Westford, M.P. - *Minister of the Public Service*
- The Hon. C. Anthony Xavier, M.P. - *Minister of Transport and Hydraulics*
- The Hon. Bibi S. Shadick, M.P. - *Minister in the Ministry of Labour, Human Services and Social Security (Region No. 3 - Essequibo Islands/ West Demerara)*
- **The Hon. Manzoor Nadir, M.P. - *Minister of Tourism, Industry and Commerce*
- The Hon. Carolyn Rodrigues, M.P. - *Minister of Amerindian Affairs*
- The Hon. Dr Leslie S. Ramsammy, M.P. - *Minister of Health*
- Mr S. Feroze Mohamed, M.P. - *Chief Whip*
- Mr Cyril C. Belgrave, C.C.H., J.P., M.P. - *(Region No. 4 - Demerara/Mahaica)*
- Mr. Donald R. Ramotar, M.P.
- Mr Husman Alli, M.P. - *(Region No. 7 - Cuyuni/Mazaruni)*
- Mr. Komal Chand, C.C.H., J.P., M.P.
- Mrs Indranie Chandarpal, M.P.
- Mr Bernard C. DeSantos, S.C., M.P. - *(Region No. 4 - Demerara/Mahaica) (Absent)*
- Mrs Shirley V. Edwards, J.P. M.P.
- Mr Odinga N. Lumumba, M.P.
- Mr Heeralall Mohan, J.P., M.P. - *(Region No. 2 - Pomeroon/Supenaam)*
- Mr Ramesh C. Rajkumar, M.P. - *(Region No. 6 - East Berbice/Corentyne)*
- Dr Bheri S. Ramsaran, M.D., M.P.
- Mis Philomena Sahoye-Shury, C.C.H, J.P, M.P. - *Parliamentary Secretary, Ministry of Housing and Water*
- Mrs Pauline R. Sukhai, M.P. - *(Region No. 1 - Barima/Waini) (Absent)*
- Mr Zulfikar Mustapha, M.P.
- Mr Neendkumar, M.P. - *(Region NO. 4 - Demerara/ Mahaica)*
- Mr Khemraj Ramjattan, M.P. - *(Region No. 6 - East Berbice/ Corentyne) (Absent)*

* *Non-Elected Minister*

** *Elected Member from The United Force*

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Members of the Opposition (30)

(i) People's National Congress/Reform (27)

- Mr. Robert H. O. Corbin, M.P.
Mr. Winston S. Murray, C.C.H., M.P.
Mrs. Clarissa S. Riehl, M.P.
Mr. E. Lance Carberry, M.P.
Mr. Ivor Allen, M.P.
Mrs. Deborah J. Backer, M.P.
Mr. Deryck M.A. Bernard, M.P.
Mr. C. Stanley Ming, M.P.
Mr. Raphael G. C. Trotman, M.P.
Mr. Vincent L. Alexander, M.P.
Mr. Basil Williams, M.P.
Mrs. Volda A. Lawrence, M.P.
Dr Dalglish Joseph, M.D., M.P.
Miss Amna Ally, M.P.
Miss Sandra M. Adams, M.P.
Mr. Jerome Khan, M.P.
Dr George A. Norton, M.P.
Miss Myrna E. N. Peterkin, M.P.
Mr. James K. McAllister, M.P.
- *Deputy Speaker of the N.A*
- *Chief Whip (AOL)*
- *(Region No.2-Pomeroon/Supenaam) (AOL)*

- *(AOL)*
- *(AOL)*
- *(Region No.4-Demerara/Mahaica)*

- *(Region No.5-Mahaica/Berbice) (AOL)*
- *(Region No.10-Upper Demerara Berbice) (AOL)*

- *(Region No.4-Demerara/Mahaica) (AOL)*
- *(Region No. 3-Essequibo Islands West Demerara)*

- *(Region No.4-Demerara/Mahaica) (AOL)*
- *(Region No.10-Upper Demerara/Berbice)*
- *(Region No.1-Barima/Waini)*
- *(Region No.8- Potaro/Siparuni)*
- *(Region No.6-East Berbice/Corenthine)*
- *(Region No.7-Cuyuni/Mazaruni)*
- *(Region No.4-Demerara/Mahaica)*

(ii) Guyana Action Party/Working People's Alliance Party (2)

- Mrs Sheila V.A. Holder, M.P.
Mrs Shirley J. Melville, M.P.
- *(Upper Takutu/Upper Essequibo) (AOL)*

(iii) Rise, Organise and Rebuild Party (1)

Mr Ravindra Dev, M.P.

OFFICERS

Mrs Lilawtie Coonjah, *Deputy Clerk of the National Assembly*

Mr Maurice B. Henry, *Head Committees Division*

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PRAYERS

The Acting Clerk reads Prayers

ANNOUNCEMENTS BY THE SPEAKER

Leave

Honourable Members, leave has been granted to the Honourable Members

Mr E Lance Carberry, Mr Ivor Allen, Miss Amna Ally, Miss Sandra Adams, Miss Myrna Peterkin and Miss Lurlene Nestor for today's sitting, M. Stanley Ming up to 22 April 2005, and Mr Raphael Trotman up to the end of this month.

PRESENTATION OF PAPERS AND REPORTS, ETC

By the *Minister of Health*:

- (i) Report of the Special Select Committee on the Ministry of Health Bill 2004 Bill No .24/2004

By the *Chairman of the Special Select Committee on the Geographical Constituency Seats*:

- (ii) Report on the Special Select Committee on the Geographical Constituency Seats

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QUESTIONS TO MINISTERS

Honourable Members, there are five questions on the Order Paper by the Honourable Members Mrs Sheila Holder and Mr Raphael Trotman. Questions Nos. 1 and 2 are for oral replies, and Questions Nos. 3, 4 and 5 are for written replies. Questions Nos. 1 and 2 are for the Minister of Parliamentary Affairs.

1. VALIDATION BILL – Bill No. 5/2001

By Mrs Sheila Holder:

Would the Minister say what is the status of Bill No. 5/2001, published 17.5.2001, titled Seventh Parliament of the Co-operative Republic of Guyana (Constitutional and Proceedings) Validation Bill?

Oral reply by the Minister of Parliamentary Affairs, in the absence of Mrs Sheila Holder from her seat:

Hon Reepu Daman Persaud: Mr Speaker, the Seventh Parliament of the Cooperative Republic of Guyana Validation Bill, Bill No. 5/2001 was squashed when the National Assembly was prorogued on the 27 November 2002 to allow sittings of the Assembly to be held at the Ocean View Convention Centre.

Prior to that there were discussions between the Government and the Opposition, but those were not concluded.

The Speaker: The next question, or is that the answer to both questions?

2. REGIONAL MEMBERS OF PARLIAMENT

Would the Minister say when Members of the National Assembly, who are representing geographical constituencies, were sent their copies of the Fiscal Management and Accountability Bill, which was debated and passed in the National Assembly on the 15 December 2003?

Oral reply by the Minister of Parliamentary Affairs, in the absence of Mrs Sheila Holder, MP, from her seat:

Hon Reepu Daman Persaud: Mr Speaker, due to the difficulties faced by Parliament Office in getting parliamentary documents to Members of Parliament at Bartica and Essequibo, their documents are usually delivered to them upon their arrival in Georgetown to attend Sittings of the National Assembly and meetings of the committees. Unfortunately, because of this unsatisfactory arrangement, some of the Regional Members of Parliament received their copies of the Management Accountability Bill on 15 December 2003.

The Speaker: Question Nos. 3, 4 and 5 are for written replies. These answers are therefore, in accordance with our Standing Orders are being circulated.

3. MEASURES TO REDUCE THE NUMBER OF ILLEGAL FIREARMS

By *Mr Raphael Trotman:*

What measures will the Government introduce to reduce the number of illegal firearms in circulation?

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Written reply submitted by the Minister of Home Affairs (Ag.):

Efforts to reduce the number of illegal firearms in circulation are based on intelligence-gathering, enhanced scrutiny at our borders, and sound police work. These efforts have been paying off.

Nevertheless, the campaign is on-going as the countries of the entire hemisphere have signalled their concerns over stopping these weapons from entering their societies and contributing to an increase in more violent criminal activities.

The Quito Declaration in Ecuador, November 2004, called on those countries which manufacture these weapons to strengthen their control measures regarding sale and export.

4. ACQUISITION OF PATROL BOATS AND AIRCRAFTER FOR THE GUYANA POLICE SERVICE

By Mr Raphael Trotman:

What plans are there to acquire patrol boats and aircraft for use by the Guyana Police Service?

Written reply submitted by the Minister of Home Affairs (Ag.):

The Capital Programme annually makes provision for capital items based on available resources, and Parliament approves the expenditure.

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5 AIR-WING OF THE GUYANA POLICE FORCE

By Mr Raphael Trotman:

When will the air-wing of the Guyana Police Force be established?

Written reply submitted by the Minister of Home Affairs (Ag.):

There are on-going discussions on the matter, but a timing and budgetary resources have not been identified.

INTRODUCTION OF BILLS

Presentation and First Reading

EXCISE TAX BILL 2005 - BILL No. 4/2005

By the Minister of Tourism, Industry and Commerce, on behalf of the Minister of Finance:

PUBLIC BUSINESS

Bill - Report from Special Select Committee and Third Reading

ITEM 1 - MINISTRY OF HEALTH BILL 2004 - Bill No. 24/2004

That the report of the Special Select Committee on the Ministry of Health Bill 2004 - Bill No. 24/2004, be adopted.

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Hon Dr Leslie S Ramsammy: Mr Speaker, I would like to move that the report of the Special Select Committee on the Ministry of Health Bill 2004 be adopted, and that the Ministry of Health Bill 2004 be read a Third time and passed as amended.

Question -

That the Report on the Special Select Committee on the Ministry of Health Bill 2004 be adopted and that the Ministry of Health Bill 2004 be read a Third time and passed as amended.

Question put and carried.

Bill read the Third time and passed as amended.

BILL - Second Reading

**ITEM 2 - VALUE-ADDED TAX BILL 2005 – BILL No. 3/2005
published on 2005-03-12**

A Bill intituled, an Act to provide for the imposition and collection of Value-Added Tax

The Speaker: The Honourable Minister of Tourism, Industry and Commerce, on behalf of the Minister of Finance.

Hon Manzoor Nadir: Mr Speaker, I rise on behalf of my colleague, the Honourable Minister of Finance, Mr Saisnarine Kowlessar, and the government, to move the Second reading of the Value-Added Tax Bill - Bill No. 3/2005.

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The introduction of the Value-Added Tax (VAT) is a vital variable in the tax reform strategy of the Government. A Government which has been very concerned about adding any new taxes, and increasing old taxes, on the people of Guyana. The record of this Government over the past years is one of few tax increases, and one which has relied heavily on improving the efficiency of the tax system, rather than increasing taxes and tax rates.

Mr Speaker, in an effort to reform Guyana's tax system, the Government of Guyana, like many other countries in CARICOM and around the world, has taken steps to introduce a modern Value-Added Tax, effective in 2006. This reform is a necessary component of the Government's overall strategy to improve our economy. Government requested the assistance of the International Monetary Fund, Fiscal Affairs Division, to study the current tax system, identify weaknesses in the system, and make recommendations for reform.

This study recommended that a number of changes be made, including the replacement of a number of consumption-based taxes, with a value-added tax. Currently, most goods are subject to consumption tax of between 10 percent and 30 percent, with some goods, such as tobacco products, taxed at rates as high as 128 percent.

However, with the exception of selected services such as hotel accommodation, telephone, and some forms of public entertainment, a significant part of the service sector remains untaxed. Local and international trends have seen the service sectors increasingly being brought under the tax net. As economies develop, services contribute to a greater part of GDP; also increasingly the trend in taxation is to allow people to keep more of their wages and taxes by reducing personal income tax rates and to allow people to pay taxes based on their consumption choices.

Thus, Mr Speaker, we have seen taxes like the goods and services tax being introduced in Canada, and VAT, as I said earlier, has been introduced in many countries - as many as 130 countries worldwide.

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Mr Speaker, a number of benefits can be added from the introduction of a value-added tax. The VAT is expected mainly to broaden the tax base, to spread the burden of taxation across both goods and services, and to introduce a standardized rate. Overall, goods are expected to become less expensive as a result of VAT implementation.

Because of broadening the tax base, it will allow for a lower rate on many goods while, for some services, there will be an increase in price due to the addition of the value-added tax.

Simplified operations of the VAT - Any person in Guyana conducting business with sales greater than, or equal to an amount, which will be called a *threshold amount* that is to be determined, will be required to become a registered business for the purposes of the VAT. As such, they will be required to charge and collect VAT on all their taxable sales, and they will be entitled to a full credit for the VAT paid on the purchases that were necessary in making that taxable sale.

Persons conducting businesses with annual turnover below the threshold will not charge VAT on their taxable sales, nor will they be entitled to any credit or refund on their purchases, and they may be subject to an additional annual turnover tax.

In the case of a few goods which, by their nature, impose burden on the economy, typically goods that result in the increase cost of providing public services such as healthcare, there will be levied as well as Excise Tax.

Under consideration at this time are excise taxes on automobiles, alcoholic beverages, tobacco products and petroleum products. This excise tax will be collected at the point of importation or manufacture.

VAT will be specifically designed to be revenue-neutral, that is, the amount of revenue collected from the new taxes should be the same as that collected from the taxes which were repealed.

Mr Speaker, our current tax structure comprises both direct and

indirect taxes.

For example, direct taxes are those taxes imposed on income and property, such as personal and corporate income tax and property tax.

Indirect Taxes are those levied on the consumption of goods and services, for example, import duty, consumption tax, hotel accommodation tax, and telephone tax are all examples of indirect taxation. Although all of the indirect taxes used in Guyana are targeted towards consumption, they carry many different names and forms. Some are levied at various stages with multiple rates. Some are regulated by different pieces of legislation, and some are not applied equitably across different forms of consumption. Herein lies the problem which VAT implementation seeks to address. The many rates, much legislations, few goods taxed, and their ad hoc introduction, have resulted in deficiencies and inequities within the system, and have unfairly increased the cost of conducting business in some sectors.

The present consumption tax focuses mainly on taxation of consumption of goods. Many services are taxed only indirectly as a result of taxes on their inputs. The result of this is that the tax system makes the price of goods more expensive relative to the price of services.

Mr Speaker, to achieve fairness, and to allow businesses to compete on a level playing field, the tax system should affect the price of goods and services in an equal manner.

To achieve this, a reduction in the level of taxation and goods, and an extension on the tax base to include most services is required.

In addition to raising the cost of locally sold goods, the competitiveness of Guyana's exports in many instances are adversely affected by the current tax system, since export prices include domestic taxes paid on inputs and production equipment and machinery purchased locally.

Any taxes paid on these items, which are not refunded, make these exports less competitive on the Global Market. The current tax system

also allows for the cascading of taxes. Cascading occurs when one item is taxed more than once by the same tax, hence the word cascading. It also results in an uneven treatment on virtually identical goods as the effective rate of tax on different goods, may vary from one good to another. VAT will eliminate cascading.

Businesses registered for VAT purposes will be granted a credit for taxes paid on their inputs, which is called an input tax, which they can apply against the tax they collect on their sales called the output tax.

The difference between the tax collected, and the tax paid, is then submitted to Government. The difference - the net amount, is remitted. In the case of goods or services to be exported, on which no tax would be charged, tax on inputs related to those exports will be refunded.

The current system also attempts to improve the competitiveness of our imports through the extensive use of tax concessions and other incentives to domestic and other investors. The granting and monitoring of these concessions and incentives has proven to be administratively burdensome, and has lent itself to un-substantiated claims of favouritism, discretion and discrimination, not recognising the valuable role concessions played in buffering from external inflation and contributing to investment and development.

The inefficiencies and inequities in the current system have unfairly increased the cost of investments, and have even hampered competitiveness of local products on external markets. Therefore, it is necessary that the current tax system be reformed to incorporate VAT which, as I said before, will lead to fairness and equity, and increase competitiveness in international trade.

The taxes which are to be repealed upon the introduction of VAT will include:

- the consumption tax;
- the travel voucher tax;

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- the service tax;
- the premium tax;
- the hotel accommodation tax;
- the entertainment tax;
- the purchase tax; and
- the telephone tax.

VAT will be more comprehensive, less complex to enforce, and less open to abuse.

In addition, as mentioned earlier, it is expected that when VAT replaces these taxes, the effective tax rates for most goods will be reduced, due to a reduction in the rate, and because the base will be broadened to include services. This system also ensures that tax paid on capital goods expenditures is fully relieved without the need for a certificate system, which will assist in encouraging investment and reducing the cost of doing business. The VAT process also lets Government collect portions of the Tax at different stages of production and distribution, which will allow for better enforcement.

Mr Speaker, this brings us to what is VAT? VAT is a Consumption Tax imposed on the value of imports and the value-added, which includes labour cost, interest expenses and profit, or mark-up on goods and services supplied by one business to another, or to final consumers.

It was first introduced in France around 1947. Today, it is working in over 120 countries, including some CARICOM countries. For example, Jamaica, Barbados, Haiti, and Trinidad and Tobago, with plans to introduce VAT in Dominica, and to re-introduce VAT in Grenada.

VAT is designed to allow for taxation of all forms of consumer spending in a manner which is even and fair. Under VAT the full burden of the

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tax falls on the selling price paid by the consumer, and should not be borne on the cost of production. The VAT will introduce new terms to our people and, as PAYE is now well-understood, our people will be introduced to new tax jargon - for example, what is a taxable supply? A taxable supply includes the sale of most goods and services made by a taxable person. A taxable person includes anyone in Guyana making sales in excess of the threshold amount for registration.

Persons making taxable supplies are required to charge VAT on all their taxable sales, whether the goods are being sold to another business for use in their activities, or to a final consumer. The VAT is to be applied to every taxable supply by a taxable person, and to every import of goods or services. The tax payable is to be accounted for by the taxable person, in the case of taxable supplies, by importer in the case of an importer of goods, and by the recipient of the service in the case of an import of a service. However, the amount of VAT that a business has paid on inputs used to produce, or supply taxable goods or service, is going to be credited against the VAT they collect. This system of the provision of input tax credits will result in a business only submitting taxes on their value-added or mark up.

Mr Speaker, terms like *exempt supply* and *zero-rated supply* will become part of our tax language. An exempt supply, under VAT, is a supply for which no VAT is charged on the value-added by the supplier, because input tax credits are only available in the course of making a taxable supply. Persons engaged in the supply of exempt goods and services would not be able to claim a credit for VAT paid on the purchases and inputs.

As a result, these supplies are indirectly subject to the VAT, since any VAT paid on the acquisition of inputs becomes part of the cost of that supply. Typically, the VAT burden on exempt supplies is shifted to the ultimate consumer through a price increase. From the consumer standpoint, the tax burden on exempt supply may be lower if VAT was charged at the standard rate, because VAT is not imposed on the value-added or mark up by the supplier.

On the other hand, when we speak of zero-rated supply, these are goods and services that will be taxable, but at a rate of zero percent. The effect of this treatment is that, as a supplier is charging on their output, be it at a zero rate, the supplier is allowed to claim a full tax credit on the taxes paid on inputs cost. Thus the zero-rating of goods or services completely eliminates any consumption tax from the final price of that good or service.

Mr Speaker, one of the big issues, in terms of VAT, will be the issue of administration, and the Bill provides in detail on how the VAT will be administered.

As stated earlier, the term *taxable person* means a person whom is registered, or is required to register, under the VAT legislation. For the purposes of VAT the term person will include a state, natural person, company, trust, or partnership. Every person who conducts taxable activity will be required to register:

- if at the end of any year the person made taxable supplies of at least the threshold amount;
- if there are reasonable grounds to expect that the total taxable supplies to be made by that person in any coming year will be at least the threshold; or
- if the person makes taxable and exempt supplies reaching or exceeding the threshold.

A person who only makes exempt supplies will not be required to register for VAT. Under the proposed legislation, a person who is required to register must apply to the Commissioner General of the Guyana Revenue Authority within fifteen days of the date the person becomes obliged to apply.

The Commissioner is also authorized to register anyone required to register who fails to do. Registration in that case will take place with effect from the date on which the taxable person was required to regis-

ter.

Every registered person will be given a certificate of registration indicating:

- the registrant's name;
- the taxyer's number;
- the location of business or branch; and
- the effective date of registration.

That certificate must be placed in a conspicuous position at every location at which the registered person engages in taxable activity. Only registered persons can charge VAT on sales, or claim credits for VAT paid on business purchases. Also, only registered taxpayers can issue VAT invoices to consumers.

When a taxable person ceases to carry on taxable activities, that person will be required to inform the Commissioner General within fifteen days of the VAT.

Mr Speaker, returns, payments and assessment also form part of the administration of the VAT. Every taxable person will be required to file a VAT return for each month and to file that return within fifteen days after the end of the month, whether or not tax is payable in respect of that month; that return is to be filed with the Commissioner General of the Revenue Authority. The return will be in the form prescribed by the Commissioner stating the necessary information to calculate the tax payable for that period.

Where a taxable person fails to file a VAT return, or fails to submit adequate supporting documents, or where the Commissioner is not satisfied with the return or import declaration furnished, the Commissioner may make an assessment of the amount or of the amount, of VAT represented by that person as payable in the respect of the supply of goods or

services.

Mr Speaker, the Commissioner may require a person to give an acceptable form of security for the payment of the tax that is, or may become, payable when it is reasonable to do so for the protection of the revenue.

There will be penalties for late-filing, for non-filing, for late payment, for non-payment, as well as interest charged on unpaid balances. Should these balances remain outstanding, the Commissioner General will have the capacity to recover these amounts through garnishment, seizure of property by order of the court, or through other legal proceedings.

With respect to refunds of VAT, there is what is termed a *credit situation*, which will arise when a taxable person's input tax for a period exceeds the output tax for that same period.

Mr Speaker, there are provisions in the Bill to deal with accounting and record-keeping. The proposed VAT legislation requires every registered person to issue sales invoices, keep accounts, books and records as prescribed, produce relevant accounts, books, whenever and wherever they are required to do so by the Commissioner or any person duly authorised by him, and produce any other information as may be required by the authorities. These books and records must be kept in English, maintained in Guyana, and kept for seven years after the end of the tax period to which they relate. They must contain information that will enable the Commissioner, or his duly appointed agents, to determine a taxable person's liability and obligation, or the amount of rebate, or refund, to which a person is entitled. The records must be completely up-to-date, and must easily relate to the figure shown on the return for each taxable period.

Mr Speaker, the Bill makes provisions for objections and appeals. A taxable person who is not satisfied by the decision of the Commissioner may object to the Commissioner within twenty days after the serv-

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ice of the notice of the decision. That objection must be in writing, stating precisely the grounds for the objection. If after receiving the decision on the objection the taxable person continues to be dissatisfied, that person may lodge a notice of appeal with the Appeals Commissioners within twenty days after being served with such a notice. The Bill also provides for some speedy consideration of those appeals.

Mr Speaker, penalties are also included in the legislation, and they are going to be penalties for those who:

- fail to register;
- fail to notify the Commissioner of changes in address or closure of business;
- issue false invoices;
- fail to pay;
- fail to file;
- fail to comply with notices for the recovery of tax;
- fail to keep records;
- fail to comply with notices to give information; and
- make false or misleading statements.

Mr Speaker, there are special treatments for selected sectors. The Government of Guyana, like most of the other Governments of countries implementing VAT, has decided to give special treatment to the following sectors:

- *Medical and Dental Services* are to be exempted. Practitioners and Dentists will pay tax on their input purchases, but will not charge tax on the services that they provide. The tax paid on their purchases would not be refunded.

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- *Education Services* are also to be tax-exempted from VAT. This means that Medical Services and education establishments will pay the tax on their inputs, but not be able to charge taxes on the services they provide.
- *Financial Services* are also to be exempted. Financial services have proven in the past to be very cumbersome to deal with, and the standard treatment worldwide is for financial services to be exempted. The value-added in these services that a bank provides to its depositors and borrowers is often built-in to the difference between the interest rate it charges versus the interest rates it provides, and not solely on the specific fee to which a tax could apply.
- Similar difficulties are encountered in dealing with insurance businesses.

Exports will be zero-rated, as is the common treatment worldwide. This is to ensure that exports are free from any domestic taxes so as to remain competitive on the external market. A firm involved in the export of goods is entitled to claim a credit for all taxes paid by him in the production of the goods or service to be exported.

Small traders may find it costly to comply with the VAT, and it is not always cost-effective to include in VAT registered traders whose turnover tends to be below the threshold. For this reason, traders who fall below that threshold will be exempt. The effect of this exemption, like any other, is that the small trader would not be able to charge VAT on sales; does not pay VAT on purchases, and is denied any tax credit for taxes paid on inputs.

However, the tax law provides to have an option to register under VAT; a small trader who sells to other registered businesses that are taxable may find it beneficial to register as a VAT taxable person so that the registered businesses buying from the small business will be able to give tax credits or gain tax credits.

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Diplomatic missions and staff - These will be treated as is the case internationally; their staff who have been accorded duty free and tax free status will continue to receive this treatment under VAT. Diplomatic missions and their staff will be allowed to submit claims for refund of VAT in their imports and local purchases to the VAT office.

Mr Speaker, by and large, the economic impact of the VAT has proven to be an effective instrument for removing distortions in the marketplace, and inefficiencies in our economic system.

Among the benefits to be derived are:

- it will increase and broaden the revenue collection base;
- it will address inequity in the distribution of taxes across sectors, as I said earlier;
- it will prevent cascading of taxes;
- it will also enhance the competitiveness of our exports; and
- it will tend to lead to some form of economic growth.

Mr Speaker, much has been said over the last few days with respect to the value-added tax and listening to the comments in the public arena, and privately, most of them deal with two particular issues:

- Firstly, are we really rushing to introduce VAT?
- Secondly, are we prepared for the administration of the Value-Added Tax?

Mr Speaker, where we are today with the introduction of VAT is at the junction of the process which started perhaps some twelve years ago, when Member of Parliament, Professor Clive Thomas, argued for the introduction of a value-added tax.

Mr Speaker, two years after, on 13 February 1995, as recorded in

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the Hansard on Page 25 of that edition, Dr Thomas says of a value-added tax:

A value-added tax may not necessarily be more progressive, but what it would certainly do would be to make it limit the extent to which tax evasion might take place. The reason why this is so is that, in a value-added tax, the buyer and the seller do not have coincidence of interest in tax avoidance or tax evasion. The buyer has no interest in understating the costs of his inputs, because the higher the costs the less tax he has to pay. Why? He is paying the tax only on value he adds, the seller may want to get him to understate it, but he will say no, no, no why should I understate it to pay you, to pay your tax. So there is an opposition between buyer and seller. There, it is likely to generate a circumstance in which more accurate values of transactions are declared.

Mr Speaker, perhaps the other public figure whom has waved the flag for VAT is no other than our learned, well-read chartered accountant - Mr Christopher Ram and in 1993, he wrote extensively in support of the value-added tax, addressing all of the issues I am sure our colleagues who will speak if they opposed the tax will raise, and I will reserve some of his comments that he wrote twelve years ago and reproduced in *Business Page* on 12 December 2004.

Mr Speaker, basically what he said in 1993: *in view of the heightened interest of the Value-Added Tax recently, Business Page is re-running a three-part series on the subject, first carried in 1993,*

and I quote from Part I:

in his response to the 1993 budget, renowned economist Dr Clive Thomas called for consideration to be given to the introduction of value-added tax in Guyana,

He went on to state all the reasons, including addressing the Hon-

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ourable Member Mr Murray. The issue of the possible regressive nature of the tax ... and that is available on websites and in hard-copies for all to see.

Mr Speaker, recently Mr Ram gave a guest lecture at a luncheon for the Guyana Manufacturers' Association. That same organisation in 2000, in its submission to the Minister of Finance, called for the introduction of a value-added tax, and the rationale behind it was to relieve companies which are ailing, doing part to what they considered regressive taxes and discriminatory taxes on consumption.

Mr Speaker, in 2001, the GMA was so committed to the VAT that, when they visited the Minister of Finance for the Budget consultation, they again reiterated, and I am quoting from the written submission:

calling on the Government to revisit the tax system, with a view to broadening the tax net by implementing systems such as the value-added tax.

Mr Speaker, last year again, the GMA in their budget submission, the second item was the broadening of the tax base by the implementation of value-added tax, and they noted next to it that there was no forward movement.

Mr Speaker, not to be outdone in 2002 the Georgetown Chamber of Commerce also, in their submission under taxation issues ... and I quote from their paper:

the Chamber urges that the entire taxation system be reviewed, and that the feasibility...

at least they called for a feasibility

... of introducing value-added tax be given consideration.

Mr Speaker, here we have a tax that is driven a lot by the stakeholders, especially because they want a tax system that;

- I - is simple
- has a single rate; and
- will allow for fairness and equity.

Mr Speaker, the Government listens, and while we are at the position now of twelve years later, and yet some have said that we have not given it enough consideration, and that there may not have been enough consultations. In his 2000 Budget speech, on Page 50, the Minister of Finance said that we are looking favourably at the value-added tax, and in his Budget Presentation he said that we have embarked on a study that will inquire into, and make recommendations, for reform of the tax system and administration taking into account the impact on growth, competitiveness, revenue, poverty-reduction, and our international obligations. The Terms of Reference have been finalised and we expect work to start in the first half of this year - that was the year 2000. He said that on completion of the study we will consult widely before finalising the document for implementation at the beginning of 2003. What did the Minister of Finance say, with respect to the VAT, in 2003? I belaboured the point, Mr Speaker, because the value-added tax was not a tax dreamt last week, last month, or last year. It has a twelve-year gestation for its introduction. In 2003, in his Budget Presentation on Page 48, the Minister of Finance said *the Government will introduce a value-added tax by 2006, and will start the necessary preparations immediately*. We are under no illusions whatsoever about the difficulties and challenges that will occur during the implementation of such a tax, given the state of our physical and human infrastructure, and we will be seeking technical assistance to ensure a successful launch of the value-added tax.

Again, we have not arrived at that position here to day, because of some nightmare someone had. We did receive assistance with some studies and, in terms of the administration of a VAT, we have been consulting far and wide, and have been receiving as much technical advice as are available at the best levels worldwide.

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Last year, again VAT was mentioned in the Budget Speech and in April Cabinet established the VAT Steering Committee - a year ago, the VAT Steering Committee was established and in May 2004 that Steering Committee, with the help of a technical committee from the Guyana Revenue Authority, began the work of addressing the implementation and administration of VAT.

Mr Speaker, work progressed with regular meetings of the Steering Committee, with assistance from CARTAC and from the IMF Fiscal Affairs Division. Visits were made to the Caribbean and an attachment was done in Barbados for several senior Revenue Authority officials. We looked at the experiences of those countries in CARICOM that had implemented VAT successfully, also Grenada, where the tax was withdrawn and is to be reintroduced. *[Interruption]*

The Speaker: Your time is up.

Hon Reepu Daman Persaud: I wish to move that the Honourable Minister be given ten minutes to conclude his speech.

Question put and agreed to.

Hon Manzoor Nadir: Mr Speaker, staff has been identified, a public relations unit has been established, and we are even addressing the issue of office space and in September of 2004 preliminary designs for the physical layout of a VAT office were presented.

In December, the principles of the VAT were introduced to the private sector. The same private sector that has been carrying the flag five years earlier.

Mr Speaker, no one is saying that this is the end of the process. Recently - two weeks ago, we were to have the second reading of the VAT Bill, and at the request of a particular Member from the Opposition, who asked for two weeks deferment, we decided to so do. There are still some issues to be addressed. There are studies on going. We have fifteen months for the implementation of the VAT and most of the

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learned people have said that, in order to introduce a VAT, we need between eighteen to twenty-four months. We started consideration four years ago. We started work one year ago, and we are at the stage where we are now presenting the principal aspects of VAT to the National Assembly. We have to do a study to look at what the threshold will be. Should we have a threshold that is low, that will make the tax net so wide it will become an administrative burden, an issue now being faced by India as they introduce their VAT. Are we going to go with four different rates?

Wisdom is that, for both PAYE, Corporation tax and also VAT, there are single rates for each, simple and single, and those studies are being undertaken now, because of revenue neutrality a preliminary sensitivity study was done. A preliminary cursory look at the revenue-neutrality of introducing VAT on a range of goods at a particular rate was looked at. That study is being revisited at this very moment.

Mr Speaker, in terms of implementation of the value-added tax, there is going to be a separate unit, and senior staff has already been identified to fill those positions and, as I said, this is not the end of consultation. The government promised full Consultation for the implementation. We are now introducing the legislation, which has to be implemented, and I guarantee you, Sir, that we will have that.

The Government is supportive of this Bill going to a Special Select Committee. It will give stakeholders and Members of the House an opportunity to go through the Bill, line by line, and come back to the House with amendments, corrections, or other forms of changes. We are committed to that, and in particular to the general public education of the people, with respect to the introduction of a value-added tax.

Mr Speaker, this caring Government, which has been very careful with respect to imposing new tax burdens on the people of this country, which has an unenviable record of few tax increases and tax introductions, is now moving to improve the system even more. The physical arrangements for changes in tax administrations were made years ago

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with the amalgamation of the IRD and the Customs and Excise Department into the Guyana Revenue Authority. That was the physical change to start dealing with some of these more substantial changes that need to come.

Mr Speaker, in the end our country and our people, will be given a tax system that is fair and which will cater for the disadvantaged and the poor and will ensure that people who have the ability can pay their just share to the State. So Mr Speaker, I urge support for the Bill. I thank you. *[Applause]*

The Speaker: Mr Murray

Mr Winston S Murray: Mr Speaker, I have listened extremely carefully to the Honourable acting Minister of Finance, who made a very good technical presentation on the VAT.

He makes an assumption which I believe is false, and that is, somehow there is no support for the principle of the introduction of a VAT. I want to start by his reference to remarks made by Professor Clive Thomas in 1993. What he did not say, in his reference to Professor Thomas, was that in 1993, in this House, when Professor Thomas called for the examination of VAT, the PPP/C rejected it out of hand. We must put on record. *[Interruption: 'Well, we have learnt']* Well that you have learnt is admirable.

Let me go on to say, Sir, that I did not allude to that instance in order to disparage them for having changed their mind, and indeed Sir, we would like to tell them that they did not have to quote Professor Clive Thomas, nor indeed Mr Christopher Ram, to persuade the People's National Congress/Reform about whether a VAT is worthy of consideration. In principle, the VAT is a tax worthy of consideration, and if all the objective circumstances are right, and if the necessary studies indicate advantages over disadvantages, then, and only then, can we give our support to a Bill which seeks to institute a VAT. There is where we part company with the Honourable Minister.

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He took us through an identification of studies done. He took us through an identification of current studies being done - such as the sensitivity analysis in respect of the possible effects on cost of living such as the impact assessment study which needs to be done so that we can assess, in fact, what may be the rate, if you are talking about a revenue neutral tax.

Now, what is worrying for us of the People's National Congress Reform, is that the Minister, in advance of these studies having been completed ... and for sure, facts known as to the effect of them, and therefore as to what may be a desirable rate for the VAT, he has gone ahead, nonetheless, to introduce a law to bring before this Parliament a Bill to introduce the Value-Added Tax. It is significant to note that he led this House to believe that one of the things under consideration was the rate, whether there should be more than one rate. I thought the Bill was very clear on this matter and there was a pre-determined position.

I believe, in Clause 9 (1) of this Bill, it says very clearly, there shall be levied and pay a tax at a single positive rate, so I did not know that there was a decision to be taken as to whether we will have more than one rates. The Bill before this House specifies that there shall be a single rate.

What is worrying to us, is that while the Minister makes reference to the introduction of VAT in the Caribbean, in their cases they have the rate included in their legislation so when the legislation is approved by the House, the people in the country know, at the time the legislation goes into effect or passes the House what that rate shall be. But what are we doing in our law? In our law we are proposing to leave that dangling in the air, because studies are still to be done, and impact assessments still have to be made, and so we have relegated that important component of a value-added tax to the making of regulations by the Minister. Sir, we cannot subscribe to supporting a Bill in which the most important component, namely the rate of that tax, is left for some future date.

We note that of course the regulations under which the Minister will

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determine the rate is subject to an affirmative resolution of the House - very good, and we are happy to note that. The fact of the matter is that that is something that ought to have been taken account of and the necessary studies should have been done so that the public would know, upon the implementation, or the passage of this Bill into law, what the rate of that tax shall be.

Sir, I shall come back to some of the more substantive aspects of this legislation a little later on, but I want to pursue one aspect of the Minister's presentation, which I think is very important if we are to have the tax accepted by all the stakeholders in the society. Who are the stakeholders? The stakeholders are our manufacturers, the service providers, as well as producers of all sorts of commodities; and they are also our consumers. Nowhere have I heard the Minister make any reference to a consultation with any of the Consumer Organisations. I wonder if that is an oversight; or will he tell me that he proposes to do that after the Bill has come into effect? There is something about doing these things after this Bill shall have been passed by the House, and it is something of concern to me, because the need for consultation rests not upon the desire of the Government to involve stakeholders, but upon the Constitutional obligation placed upon the Government to do so.

Now, sir, I will come to that in some greater detail, but I first want to make reference to the Minister about this great consultative process which he identified. I noted those parts of the Budget of earlier years that he referred to. The first reference of a formal nature to the possibility of the introduction of a VAT was in 2000, and at that time, at Page 28 of his Budget statement, the Minister pledged that the Government will be consulting with the stakeholders to examine the applicability of the recommendations on VAT - *The applicability of the recommendations*. This is therefore not talking about consultations after the law shall have been passed through the House, but on the applicability itself of the VAT, and we have, the day before yesterday, 12 April 2005, a media release by the Private Sector Commission of Guyana. I noted what the Minister said about the agencies he consulted, but if as of the day before yesterday this is true, then the Minister must accept that there is, at minimum, a

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perception in some quarters among the stakeholders that the consultations that have taken place so far have been inadequate. That, is the minimum concession that the Minister must make.

Sir, I was at pains to find out how representative this organisation - the Private Sector Commission, is and I found out that it is the umbrella for some eleven private sector organisations, and some sixteen corporate entities in this country. So there can be no doubt about the scope of the representation, by this Commission in terms of stakeholders, and this is what that release says, Sir, which the Minister studiously ... in all his references to consultations, although this matter was the matter of bold headlines in the *Stabroek News* yesterday, he studiously avoided any reference to this release, but I have a duty to bring it to the attention of the public, and this is what they said, the Private Sector Commission notes with dismay the decision by the Government to proceed with Bill No. 3/2005 - Value-Added Tax Bill - without adequate consultation with stakeholders in general and the private sector in particular. This is in breach of an undertaking given by the Government in late November, 2004 to consult with the sector before, I repeat, before the passage of the relevant legislation. I would like the Minister to get up and deny that this is the case, a breach in an undertaking.

Sir, I took pains to find out, because many manufacturers and service providers called me, and other members of the PNC/R and they said to us, happy for you, I am glad, and they made it clear to us that they were unhappy about the way the Government was proceeding, not because they had an unprincipled objection necessarily to this tax, and is the point I want to stress. I do not think that anybody is saying they have an unprincipled objection to the introduction to the VAT and Minister, no doubt you may be right that consultations were done back in 2000. In fact they have said so to me, and they acknowledged in this release that consultations were done in 2004, but these consultations were the basis of some general principles that could interfere in VAT, in the implementation of VAT. Never were they given copies of this Bill and called upon to offer their comments on the draft Bill when it took form as potential legislation, and for them to be asked and called upon to comment on

what their concerns are. Their concerns are:

- whether this VAT is going to be equitable in nature on them;
- those unnecessary or additional burdens on them in terms of the records they have to keep, in terms of the forms they have to fill;

I am telling you these are the operational that concern them; and

- consumers of course are concerned about what the potential effect of this VAT could be on the cost of living in times that are extremely hard.

So we must not see these remarks of lack of consultation, or need for consultation, as necessarily in a negative light. But I want to make the Minister aware of what the Constitution actually says in respect of questions of consultation with stakeholders in particular, there are two Articles in this Constitution ... thanks, Honourable Minister for reminding me. One of them is Article 13, which states and I read for the records:

The principle objective of the political system of the State is to establish an inclusionary democracy by providing increasing opportunities for the participation of citizens and their organisations in the management and decision-making processes of the State, with particular emphasis on those areas of decision-making that directly affect their well-being.

Sir, if ever there was a matter that directly affects the well-being of consumers, manufacturers, and service providers, it is the introduction of the VAT Bill. I therefore ask that the Minister take this obligation placed upon him, and indeed placed upon the Government, seriously and that they adjourn this Second reading of this Bill so that the necessary consultations, as required in the Constitution take place prior to the passage of this Bill in the National Assembly.

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Sir, apart from any breach of faith which the Private Sector Commission release points to, apart from any lack of fulfilment of commitment by the Government that it is also hinting at, the fact of the matter, Sir, is that these consultations will help to make the VAT a more acceptable instrument when in fact it does come into force and we must see that as the objective. It is possible that if we do not pay heed to the request by the Private Sector Commission, that we may unnecessarily, cynical as some of you are about them, because I know that there is politics in some of these organisations. There is politics in this organisation - you know that, Clement. So that the point is, Sir, that we must not miss any opportunity, from whichever quarter it comes from in the private sector, to win friends and to remove possible antagonism if, and when, we introduce measures, especially measures of taxation that have a direct bearing on these stakeholders.

Sir, it is also the case that, if we do not take them up on consultation before we go through with the Second reading of this Bill, then I am afraid, I will have to say, for me it will be a missed opportunity to explain to stakeholders, and to convince them about the correctness of the course; and Minister Manzoor Nadir, Sir, through you, could make the same statements which he made so eloquently here this afternoon on the technical aspects of the Bill. At the end of the day, it will be up to the Government as to whether any recommendations that it may accept come out of those consultations come. At the end of the day, the decision is the Government's to make, but the Government, at the end of the day, could not be accused of failing to consult, and that is important, and that is why I suggest that this process of consultation, in particular with the Private Sector Commission, should take place before this Bill is passed by this National Assembly.

Sir, I come now to the proposal of a Special Select Committee, because the Minister suggested, in his presentation, that the Special Select Committee provides, or will provide, an opportunity for this consultation.

I just want to draw the attention of the Honourable Minister, Sir,

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through you, to something in the Standing Orders of this National Assembly. Standing Order 50 (1):

Functions of Committees on Bills

Any committee to which a bill is committed shall not discuss the general merits and principles of the Bill but only its details.

The Minister was correct when he said there is an opportunity for us to go through clause-by-clause, and to make amendments, but you have to look at the thrust of what the Private Sector Commission says. The Private Sector Commission says that successful introduction of the VAT requires, at a minimum, the active participation of stakeholders in the design of a sound policy with clear objectives, simple laws and procedures, and an appropriately structured and resourced administration, and appropriate compliance strategies.

This, Sir - it is my respectful submission suggests that they do not want to come to a Special Select Committee to dot the 'i's and to cross the 't's, and to argue over a clause-by-clause presentation. They want a consultation in which they can discuss the totality of the measure and they can make contributions and input into what emerges as the Bill that comes to the National Assembly.

Sir, I would like to say that I could go ahead and support the Minister if he enlarges, in open commitment in the National Assembly, and that the Government will endorse, that if we go to the Special Select Committee ... and this is not therefore rejecting it, but expanding upon it, that we will dispense with the limitations imposed upon the Special Select Committee by Standing Order 50 and that ... You see they are grouching already it is too much ... so that the consultations which the Private Sector Commission wishes to have, can be had in the broadest possible context.

Sir, I see this as an alternative to my earlier suggestion that we have the consultations prior to taking the Bill through the processes of the House, so if there can be a commitment that the private sector, in the

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consultations that will take place in the Special Select Committee, will not be limited, in their interactions with the committee, to simply dotting 'i's and crossing 't's then, Sir, it is possible for us to go ahead and support going into a Special Select Committee, but that is the pre-condition that we insist on .

Sir, something the Minister did not say in his presentation in Parliament, but which he had said elsewhere and that the substantive Minister of Finance has also said, is that the reason why, notwithstanding the eagerness of the consultations, or any consultations for that matter, prior to the legislation being passed, is that there are IMF conditionalities to be met, and therefore there are limitations imposed upon the timelines for getting this legislation through.

Sir, I want to say to this House that this is not the first time that such a device has been presented to it to seek to get legislation proceeded with. There are, within recent recollection, at least two Acts that were subject to rushed procedures in this National Assembly. The first is the Procurement Act, and Sir, what was the result?

We had a Procurement Act which subsequently, not because of anything we said here, however, relevant that was, but because the international community said to the Government that there were elements of that Act that had to be revised, so they agreed to engage in consultations after the passage of the Bill in this House.

In fact, Sir, we know, because we engaged with Dr Roger Lucheon, and the amendments to the Act were in fact agreed upon. To date we have not seen light of these in this National Assembly. They remain mired somewhere in that austere and omniscient institution .

So, Sir, that is the experience with the Procurement Act of more recent vintage we have had the Fiscal Management and Accountability Act, and that Act too, in fact, did not go to the Special Select Committee at all, because of the rush, we were told, to get it on the books to meet some deadline that was linked to drawing down of resources, and de-

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spite the haste with which that Act was implemented, to this day, as I stand here speaking, significant parts of this Act remain unenforced. Why are they not enforced? Because the Act says that the Minister shall bring relevant sections of the Act into force by way of Order, and he has not brought Orders to activate those Acts, so it seems the rush has not lead to what we thought was the basic underlying reason - that there was a hurry to get these things on the books. It seems as though that was the only objective not to implement the content of the legislation. Sir that is what we found.

We suggest here, in this case, which on the Minister's own admission, commenced since 1999, which is more than five years ago, that this is the legislation which was published a mere month ago - after five years, and if it is that the private sector organisations, having got this legislation a mere month ago, are asking that they want to interact on the totality of this legislation, you having taken five years with expert assistance from all possible international financial institutions - the best possible technical adviser, it took you five years to reach this point. Why do you find it difficult to accommodate the Private Sector Commission before you bring this Bill into law in order to have the necessary consultations and give them an opportunity to come?

Now we want to remind the Government that it has a sacred duty to honour the Constitution. We want to remind you that you need to allow the National Assembly to play its full and proper role, and we want to remind you that your duty is to protect, above all, the national interest at all times. So when you are hurrying up, hurry up in knowledge of those obligations.

Sir, or is it that the Government has become so weak-kneed that it cannot even stand up and make a reasonable request? Why is it we have to be told that someone else says that we have to hurry, so notwithstanding the concerns of the people's representatives here; they have no time with us. We have to hurry at the command of someone else. We find that unacceptable, and we hope that the Government could find the will, when it is proper, to stand up on behalf of the national interest.

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Now for the Bill itself, I do not think the Honourable Minister of Finance, or indeed the Honourable Minister of Foreign Trade, who is more foreign than local - that neither of them will accept that this is not an extremely complex and an extremely technical Bill. No matter how simple the Minister says is the administration of this measure. The fact of the matter is that this legislation, by any standard, is complex and very technical.

Sir, it is therefore vital that we take time to explain it to everyone so that there is the broadest, and the fullest, possible understanding of the contents and the effects of this legislation.

In this regard, I wish to place on record our Party's appreciation to the Commissioner General and his team often five, sometimes six, I believe - as many as that, in making themselves available, in three sessions, to answer our questions on technical issues. I believe it fit and proper that we should acknowledge the assistance they have rendered to us.
[Applause]

Of course that has helped us to have had a better appreciation of some of the things contained in this Bill. We have no problem with making a public acknowledgement in that regard. Notwithstanding, however, that there are a number of matters which continue to be of concern to us, and I believe it is also fitting and proper that I should raise those matters in this National Assembly.

While a more broadly based Tax - as the Minister said, on the production of goods and services may in principle, be acceptable on the grounds of equity in tax burden among producers, there are very, very important considerations that have to be examined.

Is this measure aimed at increasing revenue itself? Now, the Minister said that the aim of this legislation is revenue-neutral, which means that at the end of the day the totality of the revenue collected by this measure will be no greater than the totality of the revenue hitherto collected by taxes that will be repealed.

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Now, Sir, with great respect to the Minister, while that is an objective, one of the reasons he has not put a rate in this legislation is because what rate will do that is not yet clear, and so you have a pronouncement that it shall be, but you do not know if it shall be or what that rate is that will let it be. While we appreciate the objective, we are of the view that, at the end of the day, you are going to be collecting more tax than you currently collect. We do not believe that equity is the only objective here, that equity aimed at ultimate neutrality in the collections, that in fact, there is an awareness of what the strong likelihood is, and that is an attraction, but we are down-playing that attraction, which is that more taxes will be collected than are being collected by the current sources of indirect taxation.

Now Sir, let me show you what are some of the things they have done that will ensure the collection of taxes. The Minister led us to believe that, you know, this is a tax, it is a one rate tax, because that is what the legislation said, applied across the board and what ought to happen because you are covering a wider base, is that the rate should be lower than the consumption tax rate, and because of the cascading effect, even lower than the real consumption tax rate. So that is what we would expect, but in real life, we know that already the consumption taxes, purchase tax, and other taxes - excise taxes on some commodities, at the moment means that the application of a flat rate VAT on those commodities will drop revenues collected by the Government astronomically downwards, would drop them sharply, sharply downwards and what has the Government done. Today, they brought before us and hit before us ... today, I have seen this for the first time, an Excise Tax Bill. Now this Excise Tax Bill is intended to do just what I am saying, ensure that one does things which they do not like, for whatever reason, on which prices would have come down by the operation of a flat tax, to ensure that they can re-impose additional levels on taxation, so that the prices of those commodities are not going to come down. But what has the Minister done here? And this is how they are doing it deftly not d-e-f-l-y, they are doing it deftly by writing in the proposed Bill, this is excise tax bill. Taxable goods means, goods specified by regulations made by

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the Minister, which regulations shall be subject to an affirmative resolution of the National Assembly.

So when this Bill comes to us again, we will lay back, we would not be given any list of the commodities, but somewhere down the line, when the dust has settled, we are going to get an Order brought to us, or Regulations brought to us, that are going to stick in these excise tax rates in order to collect these higher levels of revenue on these selected commodities.

Sir, so what I am saying is to let us be above board and speak of all matters fully. That is what we should do. The Minister, to his credit, did call the names of some commodities, so he may yet be accused of letting the cat out the bag too early, but I noted him, and I listened to him, and I took proper note of what he said. So that is something of concern to us.

Another matter that is of grave concern, to us is the discretion in this Bill given to the Commissioner General in various areas. We drew them to his attention and I do not necessarily want to detain the House, if we do go to a Special Select Committee, we shall raise them there, and we hope that they shall be fairly dealt with. Because one of the matters that he has discretion over would be to determine the fair market value over a transaction. Now, the Bill, if read fully, states the condition under which fair market value shall be determined, and yet, having stated them, they give a residual power to the Commissioner General. If he does not like those rates, he shall determine what shall be a fair market value, and the reason why we pick on this particular one is that, currently, there are many problems in the Customs Administration, in which Customs Officers are whimsically, and without good reason, altering the prices on people's invoices for whatever reason, they know best, and further I say not. But it is known that other persons for similar commodities, have their invoice prices accepted, even though those invoice prices are lower than the invoice prices of the persons whose commodities are brought under question.

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The point here, Sir, is that we must minimize the residual powers given to the Commissioner where they exist - on returns of income taxes, they exist in assessments of taxes. The Minister may choose a particular taxable person and require that person to provide information on forms other than the forms stipulated in the law, in a way other than in a way stipulated in the law, and only he shall have the discretion to determine that. We have to be careful about that, because it could create the perception that the Commissioner General is exercising his discretion unfairly. I do not cast any aspersion on him. He is a man, as far as I know, of great integrity, and while that be the case, we cannot write a Bill or a law, peculiar to any one person, or any one officer.

Sir, apart from the discretion given to the Commissioner General, the Minister may make regulations - a number of regulations, under this Act. Some of these regulations are subject to affirmative resolution, and others are not. It is our respectful view that all regulations, even where those regulations, have to do with forms that people have to fill in, that these regulations should be subject to affirmative resolution in the House.

The Minister did not tell us anything about interest on unpaid taxes. He told us that they will pay interest on what they owe, but you know, look at the discrimination as between what is owed and what you owe. Where the taxpayer owes the government, they charge two percent interest per month on what is outstanding, so that it is compound interest, because if you do not pay it this month they add what is interest to the value, and then you pay two percent on that in the succeeding month. But when they owe you, they pay you a rate of one percent simple interest, and they write in simple interest in the law, and I am saying, in the interest of fairness, the government must treat itself and the stakeholders equally so that we can have equal confidence in each other.

Sir, *[interruption]* appeal to the ... I know you are stuck in a time-warp, so stay there.

Sir, recovery of monies from persons leaving Guyana is of particular concern to us. There is a clause here 45 (1) in this Bill which says as

follows:

Where the Commissioner General has reasonable grounds to believe that a person may leave Guyana without paying all taxes due under the Act, the Commissioner may issue a certificate to the Chief Immigration Officer containing particulars of the taxes due and request that the Chief Immigration Officer take the necessary steps to prevent the person from leaving Guyana until the person makes payment in full or an arrangement satisfactory to the Commissioner.

Now, Sir, I know it is for us ... mouth open story jump out ... you see, they already have their political objective. This is not as it appears to be. The point here is, first of all, this does not differentiate between the man who owes a dollar, and the man who owes one hundred million dollars. You are being treated equally, so your dollar debt has the same result as another's ten million dollar. That is an equality that even socialism will not accept.

The fact of the matter is this, there was a time and you know I am not shy to recall it, when you had to get a tax exit certificate to leave Guyana, but that is a more equitable measure than what exists here, because you knew for sure, once you had taken the pains and gone to the Commissioner of Income Tax as he was then, and obtained your tax exit certificate, once you arrived at the airport, you would be able to leave.

What we do not know here is that when you go up to the airport whether in fact the Minister has left a message there so that when you arrive you would be prevented from leaving. Sir, this is very, very objectionable. Why does the government want to repose this? Is it to give political instruction, political direction? Why is this here? This is what I want to put to the government. Development in any country, in particular in developing countries, has a price. It has a price. There will be leakages in any system that you set up. You must not become so obsessed and paranoid about catching the recalcitrant exceptions to the general citizenry who behave well, so that what you do is effectively

putting up a barrier against all citizens. Therefore what I suggest here, first of all, there should be some minimum level. Secondly, there should be the intervention of a court, because you can go ex parte to a court, provision can be made for you to go ex parte and obtain the necessary order of court, so that it does not devolve on the Commissioner in his own right and in his own judgement, to execute this. This is an extremely objectionable Clause in this Bill. In fact it is unconstitutional because it interferes with the right to travel.

Let us examine it in real terms. If a man is a manufacturer here, or a service provider here, the only time he is going to opt to not paying taxes is if he is going for good, but if he performs here - he may not live here, but he is an investor here, he has business here, he is going to come back and he is going to pay, and we must not try to catch the man so badly who is going to escape with a few hundred thousand dollars worth of tax, and what we do is frighten potential investors away from putting their money in the economy. I know that you do not like it, but that is a realistic expectation if you go ahead and leave this clause in place. *[Interruption]*

The Speaker: Mr Murray, your time has been up about fifteen minutes ago. I am sorry.

Mrs Clarissa S Riehl: Mr Speaker, I move that the Honourable Member be given ten minutes to conclude his presentation

Question put and agreed to.

The Speaker: Proceed, Honourable Member.

Mr Winston S Murray: Sir, they are only two other matters to which I want to allude.

Before we embark upon the imposition of VAT, we should have, in our respectful view, a clear idea as to the costs of collecting these taxes, as against the benefit to be derived. There is information which suggests, whereas in 1999, for every dollar we spent on collection, we collected

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\$72 .00 worth of tax. By the time we had come to 2003, for every dollar spent in the collection of taxes, only \$22.00 was collected. And what we have here, from information given to us by the Guyana Revenue Authority itself, is that US\$7.6 million are being spent in upgrading systems and personnel to administer this tax, that is, G\$1.5 billion that are going to be spent, and must have been well on course to being spent already in the administration of this tax.

The question we have to ask ourselves, is whether that money of that magnitude could better have been spent in better administering the taxes that we have on the books so that we have better compliance than we currently have; and we have persons who are currently outside the net, but who should legitimately have been brought into the net. No where have we seen any analysis that will enable us to make such a determination, and it is our suggestion that this is important before we decide to scrap a set of taxes and impose another, notwithstanding the benefits, which I do not disagree with, as identified by the Honourable Minister.

Lastly, Sir, this is a moral point I wish to make. We have, Sir, as you know, the Guyana Revenue Authority Act. Under section 28 of that Act this is what it says,

as soon as practicable, but not later than six months after the expiry of the financial year, the governing board shall submit to the Minister a report concerning its activities during that financial year, and further to that, a report shall be laid before the National Assembly and published, as soon as is reasonably practical thereafter.

Six months after the end of the financial year. This organisation has been in being since early 2000. Five years have elapsed, and not for one year has that organisation submitted a report to the National Assembly. But this is the organisation that will now be in a position to impose penalties on taxpayers for defaulting on their submissions, for late submissions, for defaulting in their assessments. I want to suggest that, before

they earn the moral right to do so, they have to put their own house in order. If not, people are going to raise questions about your morality in having these strong powers which are invested in you under the Act.

Sir, in closing, may I repeat that the People's National Congress/Reform has no objection, in principle, to the idea of a value-added tax. We do not need to be convinced about this by any references to anybody. Our own independent analysis makes us believe that.

However, as I said to the Minister, although we have no problem with the principle, the shape and content of the legislation has to demonstrate the objectives that you yourself said, that the tax will be revenue-neutral. At this point we do not know because we do not have a rate and only the regulations will tell us what the threshold will be. We will not know until we get regulations. The regulations are not before us. So, I say to the Minister that we are willing to go to a Special Select Committee on these matters, subject to a clear and open understanding that the private sector shall be allowed to be invited to these meetings, and not only to dot 'i's and cross 't's on the Bill before us, but to even open fundamental issues with respect to the VAT. With that, I thank you very much sir. *[Applause]*

The Speaker: Honourable Members, before I take the suspension, I would like to announce that the Members of the Parliamentary Sectoral Committee on Social Services are invited to attend a brief meeting in the Parliamentary Library at 16:15h during the break, and that the meeting of the Select Committee on Standing Orders will take place in my Chambers at 16:20h. We will suspend now for half an hour.

15:55 H - The Sitting is Suspended

16:35H - The Sitting is Resumed

The Honourable Minister of Housing and Water.

Hon Shaik KZ Baksh: Mr Speaker, after listening to the Honourable Member, who is now absent here, Mr Winston S Murray, I am left with

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the distinct impression that the PNC/R supports the VAT Bill in principle. But the Honourable Minister of Finance has clearly stated that many other bodies, over the years, have called for a VAT legislation. These include the Chamber of Commerce, GMA, Professor Clive Thomas, Ram and McRae Associates and several other persons. So it seems as though there is broad-based consensus on the need for VAT legislation. The Minister dealt, quite comprehensively, with the advantages of the VAT legislation, so there is no need for me to go into all the clauses and all the benefits which will be derived from such legislation. This has been well documented in the three-part series *Business Page* in the *Stabroek News* late last year and it is there for all to read. So I would not go into the advantages and the benefits of the VAT legislation.

I want to confine my contribution here in responding directly to the points made by the Honourable Member Mr Murray. Now, Mr Murray, quite rightly, states that PART III of Clause 9(1) provides for single positive rates in the VAT, and he goes on to state that it would have been better if the legislation had come to the House with the rate included. Now, as he is aware, the impact assessment studies are currently being done, and should be completed shortly, so we would have enough time to discuss the rate. In any event, Clause 9 (1) clearly states that the simple positive rate to be specified by regulations made by the Minister, which regulations shall be subject to an affirmative resolution of the National Assembly. It has to come to this House here; any rate which will be applied will have to come to the House here.

So there is no way the Government will, by no whims and fancies, impose a VAT rate. It will have to come here, so this must be made very, very clear.

In the case of the Trinidad legislation, which he referred to, the Trinidad legislation had the rate in it, but the legislation was pushed through very quickly, so the rate was included in the legislation.

Here, in Guyana, we are providing a timeframe of over fifteen months before this legislation is implemented, or come into being. So there is

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much time for these things to be done. But it is important that we sensitise the general population of the VAT legislation and so on.

The second point that Mr Murray spent almost half of his contribution towards, is the consultation. We have always, on this side of the House ... and we believe in the consultation principle, and we have done this in presenting the national Budgets throughout the years. The Minister always call in key stakeholders and have discussions with them, consult with them in the formulation of the budget. This has always been done. In the case of the VAT legislation consultation has taken place.

Now consultation took place way back in 2001 at a meeting with key stakeholders, and with key experts who came to draft legislation. More importantly, during December 2004, at Le Meridien Hotel, there were extensive discussions with private sector organisations on the VAT legislation. As a matter of fact, the private sector organisations were committed to submit concrete proposals on the legislation, but they failed to do so in the presentations made, so this, of course was never done and the Government has proceeded. However, it is important to note that opportunities will exist especially in the implementation phase, because that is the most important phase of the introduction of VAT in Guyana, and a whole series of consultations, discussions, public education programmes will be done during the next few months. So time is on our side to ensure that the Guyanese population, as a whole, and the key stakeholders in particular, become very familiar with the legislation.

The third point, which I consider to be on a side by the Honourable Member, was the VAT Bill being an imposition by the IMF, and that we are running to push the legislation through; but the fact remains, as I mentioned before, that we have fifteen months within which to actually bring the legislation into being. So there is much time. There is no need to hurry because we are going to a Special Select Committee, which shows that we are not hurrying through this legislation. So I want to feel that that was just on a side by the Honourable Member.

The point that the Minister made about the VAT legislation being

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revenue neutral – yes, this will be so - especially so in the short run, because we do not want to bring additional burdens on the poor segments of the society and we would want to ensure that there is a balancing out so that the revenue is neutral. But all VAT legislations that have been introduced in over one hundred and twenty countries in the world have shown that they have the potential to increase revenues for economic growth. This is a fact, we cannot move away from that.

In the particular case of the Trinidad legislation, which was reviewed in December 2002 by the Economic and Financial Review of the Eastern Caribbean Central Bank, they concluded, quite positively, that the yield from the VAT in Trinidad and Tobago has been generally higher than budgeted. So even here in CARICOM countries it has the potential of increasing revenues. But, of course, this Government would not be looking at increasing revenues to the detriment of the poorer segments of the society, so therefore we have to ensure that basic items ... and the Minister alluded to some of those items as zero-rated to protect the poor, especially basic food items. Of course, we will look at the Trinidad's legislation, which zero-rated a lot of the basic commodities, and in our own case we would have to work out the schedule of those commodities which must be zero rated in our context here. So I want to give the assurance that we will ensure that the items to be zero-rated to protect the poor in particular, because it could lead to increases in inflation and so on, if you are not careful over that, which will impact on the poor.

He mentioned about the imposition of the Excise Tax Regulations to determine rates and commodities. This is a balancing Act and we have to bring that legislation to ensure that the revenue-base of the country is protected. And, of course, he should have stated that this would be subject to the affirmative resolution of the National Assembly. What is happening is that, we are coming back here to this National Assembly at each stage. This will not be discretionary powers being exercised by the Minister ... and I do not see that he should have so much concern in that regard.

The other area he touched upon is the discretion of the Commissioner General in the termination of the fair-market value of a transaction. The fair-market value of a transaction, when determined, assists in the tax assessment of the individuals, or the companies, as the case may be, and clearly, when I look through this legislation, that seems to be something that should be appealed and I am quite sure that this will be discussed at great length in the Special Select Committee, because all assessments are appealable under the Income Tax Act, and I do not see why it should be different in this case here. So, I can see it is being taken care of.

The Honourable Member made mention of the Minister making regulations only on some subjects, and that only some of these are subject to affirmative resolution, but of course we do not want to abuse the privileges of this National Assembly. If we turn to Clause 95(3) first states,

subject to sub-section (4), regulations made under this Act are subject to an affirmative resolution of the National Assembly.

That is quite clear.

However, it goes on to state under Clause 95(4),

regulations pertaining to the description of the nature and form of filing, and documentation requirements, including, but not limited to those specified in Clauses 35(3), 35(5) and 61(e) may be issued by the Minister by way of notice in the Gazette.

These are simple, administrative procedures, we do not want to come to the House with those kinds of simple administrative procedures, and clearly I think he is making a mountain out of a mole hill here. You ought not to bring all these small things here. You have Minister place and the major regulations will be coming here and I want that to be known.

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The next issue he raised here is with the taxpayer having to pay two percent for monies due to the Guyana Revenue Authority, but Guyana Revenue Authority paying one percent simple interest. Now, interest was never paid before by the GRA. No interest was ever paid, and the two percent interest is being imposed because you want to ensure compliance in this new tax regime, and you have to have sufficient penalty to ensure that compliance, because this legislation can fail, as it has done in Grenada, if you do not have proper tax administration and ensure that you have sufficient penalties in place, and the legislation provides clear evidence of this in many of its clauses. So, the two percent per month is to ensure compliance by the taxpayer.

The one that the Honourable Member Mr Murray dealt at length with again is the recoveries of monies from persons leaving Guyana and he was very much concerned about Clause 45(1) possibly he has reminded himself of the past. In the past when so many Guyanese were stopped at the airport, so many of us were stopped under all kinds of spurious claims about taxes due and so on, and where you had to spend days if not weeks at the Inland Revenue to get a tax liability or a tax exit certificate. You must not forget those days. But this Bill is not being administered by the political directorate - by the Minister. This Act is being administered largely by the Commissioner General and this clause in particular gives the public official powers to ensure that taxes due are paid, because as I mentioned, this legislation can fail if we do not ensure the VAT legislation must be enforced comprehensively and it must be administered also very forcefully if it is to be a success. And this is one of the main clauses to ensure people do not owe large sums of monies in particularly and leave these shores. But I want to draw his attention to the fact that under section 71 of the Income tax Act this provision existed already and it has never been abused, because he is assuming that the powers vested in the Commissioner General will be abused, but this has not been so far. I am quite sure the Honourable Member said he has confidence in the integrity of the Commissioner General and his staff and I see no reason why he should fear that these powers will be used willy nilly and with discriminatory intent. I do not think that would be done.

The Honourable Member also made mention of the cost versus benefits and he mentioned the sum of US \$7.6 million to introduce the VAT. Yes, we need a lot money to introduce the VAT, because as this report here the Economic and Social Financial Review and I quote:

A comprehensive value-added tax is economically efficient and hence desirable.

This is after reviewing its application in Barbados, Trinidad and Grenada. The main constraint to the implementation of the tax is its administrative demands.

Firstly, a cadre of trained personnel is needed to effectively implement the tax. The tax is based to a large extent on self-assessments. Taxpayers must be acquainted with the calculation of tax liability and must be willing to pay their fair share. This requires the extensive consultation and effective education and publicity campaigns aim at ensuring tax compliance. The record keeping demand is tremendous, but this is required to accurately determine tax liability. Now a whole series of measures will have to be put in place, the Minister has already alluded to some of these measures: - a VAT Steering Committee;

- a VAT implementation team;
- training is going on not training only of the tax officers, but also training of taxpayers will have to be conducted;
- the public education programme;
- strengthening of the GRA; and
- setting up of that special unit.

All of these things are already in train and it calls for a lot of money. I would not of gone to that extent of saying you must weigh this US\$7.6 million to implement VAT, which he has agreed will bring tremendous benefits to the economy of Guyana and for all the advantages that VAT

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can bring . So there must be a cost attached to introducing VAT here, but this must be weighed against the tremendous advantages and benefits which will be gained. Here again I quote Ram & McRae and they have made three good points in support of the VAT and to show the benefits of VAT in Guyana:

- *Firstly, VAT greatly aids income tax administration and revenue collection;*
- *Secondly, it must be stressed once again that if properly implemented* ...

and this is the way we have to spend money to ensure that the VAT is properly implemented in Guyana.

... VAT can ultimately lead to a reduction in overall rates of tax.

- Thirdly, revenues will not be sacrificed but would in fact be enhanced as a consequence of the broadened tax base which we expect over time.

So, Mr Speaker, in terms of the response which I have given, I hope Members of the other side can see that the Government is always opened, transparent in presenting this legislation and is bringing this legislation to the House here before its implementation, fifteen months ahead of schedule, which is a long timeframe for more consultation to take place to go to the Special Select Committee to have further discussions there and possibly any amendments to be made. So, I would want to ask Members of the other side to give their full support to this VAT legislation. Thank you very much. *[Applause]*

The Speaker: Honourable Member, Mr Jerome Khan.

Mr Jerome Khan: Good evening, Mr Speaker. It is very unusual to

be speaking in the dark, but something is affecting our light.

Sir, I think the tone set by my colleague, Mr Winston Murray, sets the framework for our engagement in the debate on the VAT Bill that is now been proposed, and therefore I think the Government's side has a clear understanding that we, from this side of the House have no fundamental problem with the introduction of a VAT legislation. We have some problems with the mechanics, and that is at what I will speak to. But, before I do Sir, let me join my colleague in publicly commending the Commissioner General and his staff who took three days of their busy schedules to assist us in going through parts of the legislation in an effort to understand the jargon which has been so labelled, in that legislation. I do believe that the acting Minister of Finance did make the comment that we were going to be introduced to a Guyanese public jargon with which we were not familiar. I am quite sure that most people in this House are not familiar with some of the jargon that is so listed in the legislation. Even though I had the privilege of working with three bright young lawyers of the Guyana Revenue Authority, I am sure that they themselves left the experience enriched, having learnt from the exchanges that took place.

But having said that, Sir, I must also say that I am a bit disappointed that the recent statement by the Private Sector Commission, in which they called for a suspension of the VAT Bill – its passage today, and for more consultation, had to be answered by the Commissioner General of the Guyana Revenue Authority. I think it places the gentleman in a very compromising position. He is an Administrator and not a policy/decision-maker, and I think it would have been tidier if a member of the ruling Party or a representative of the ruling Party would have answered the call of the Private Sector rather the Commissioner General himself.

Mr Speaker, I think you would recall, when we debated some time ago Bill No. 16/2003 - Fiscal Enactments (Amendment) (No. 2) Bill 2003, we spoke then, from this side of the House, about the need for the entire system of taxation of this country to be overhauled, and I wish to remind the House what we said then, Sir. We said that for too long the

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burden has been placed on revenue collection coming from a small base. You can find it in the Hansard. The current approach is a revenue collection that is driven by a philosophy of collection.

Mr Speaker, it is therefore only proper for any party in government to address the issue of tax reform. I have no problem with the Government for attempting to do so, because in order for this economy to grow, we must look at all the tax regimes that are there to assist in the development of this country. My contention is that this Bill, while it tells us that is the purpose, places tremendous burden on others, other than the administration. For example, business people would have to be registrants who would be required to register if they are above certain thresholds. It therefore means that they will be acting as the tax collectors of the Government. There will be tremendous costs associated with that - of filing returns; and of ensuring that the accounting systems are different and modern.

Mr Speaker, I believe that the Government is effectively passing on the burden of the revenue collection to the business community, as opposed to using the current system that they have for tax collection purposes. I believe that is one of the reasons why there is such an enthusiasm by the ruling Party to draw down on the US \$7.6 million that is available to try to beef up their administration.

Listen to the discourse with the staff of the Commissioner General's Office. The one current theme that came out, Sir, is that there is money available and we have to get the money. I have no problem with any Government getting money Sir, to run a better system, but it must be driven by a consideration that it will improve the system, and I am yet to understand, and believe, that what is being proposed will improve the system. Why I say that is because we are not privy to any economic impact assessment. My learned colleague, the Honourable Shaik Baksh, said that is in process. I think it would have been better for that process to have been completed so that an appropriate VAT rate could be introduced. It is pointless to introduce the legislation and then say that we should wait for an economic impact assessment and then we will deter-

mine what rate we will use. I think that is putting the cart before the horse. I do not think Mr Murray was making a mountain out of a mole hill, as my colleague said, when he made reference to these things.

Mr Speaker, I think the reason various organisations out there - the Guyana Manufacturing Association - which issued a press release today, the Georgetown Chamber of Industry and Commerce; the Association of Regional Chambers of Commerce; the Tourism and Hospitality Association of Guyana; and others - are clamouring for some time to be consulted in a meaningful way is because they see that this is a huge departure from the current system, and they need time to educate their staff, to educate themselves, for the staff of the Guyana Revenue Authority to be educated, so that when the interaction takes place between the Guyana Revenue Authority and the business entities, it is not conflict-prone, but rather result-oriented.

Mr Speaker, I wish to turn to certain areas of the proposed legislation, to point out that, in the consideration in the Special Select Committee, where I understand this document is heading, that people pay attention to these areas to clean it up. Take, for example, on Page 2, under Section 2 (b) - Definitions. It speaks in terms of its Memorandum and Articles of Association, Written Rules or other Documents Constituting, or governing, its activities. I think, Sir, that you know, under the Companies Act 1991, which came into effect in 1995, we speak now of *incorporation* and not *articles of association*. I think they should be revisited in order to see how it can be cleaned up.

Mr Speaker, I am concerned as well about an item on Page 8 - *Taxation Officer* means the *Commissioner, a delegate of the Commissioner, any other person in the service of the Government who is appointed to an office with responsibility for VAT*. This comes under the Definition section. But I am directed to this section because there appears to exist here an avenue for the creation of a parallel agency, if you will, which could be working side-by-side with the Guyana Revenue Authority. We do not know if the taxation officers will be working under the Guyana Revenue Authority, or there is going to be a parallel

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group like BASS - the Berbice Anti-smuggling group, or the fraud squad. Again, I am asking those who will be involved in the review to look at that, because it is very untidy and not clear.

I also want to draw your attention to Page 9, under Fair-market Value. Mr Speaker, under Section 4 it talks about *where the fair market value of any supply or import of goods and services cannot be determined under Sections 2 and 3, the fair market value shall be determined in accordance with any method approved by the Commissioner*. I believe that is leaving too much discretionary powers to the Minister. I think it ought to be spelt out with some degree of specificity.

Mr Speaker, I also wish to point to the powers of the Commissioner ... and you could look at this on Page 16 Sections 6 and 7, where the Commissioner knowing, all the material facts at the time, makes a decision that a person is required, or not required, to register, and the person accepts the Minister's decision.

Now it would be a difficult task for the Guyana Revenue Authority to monitor trade that takes place - for example at Stabroek Market. The threshold that the Minister speaks of has not been established. We do not know if it is \$10 million, or \$15 million, or \$20 million annual turnover. But the discretion lies within the Commissioner, and I feel that it ought not to lie within the discretion of the Commissioner. It ought to be established so that everyone understands what kind of playing field they are getting into, because it could lead to evasions. That is the simple reason, and I am trying to be helpful in this regard, and I would hope that the Members of the other side will take it in the spirit in which it is said.

Hopefully, if we turn to Page 17, I am very hopeful about part of the clause here and my good colleague, the Minister of Foreign Trade and International Corporation said, *it is a good point that it is in the legislation*.

If you look on Page 17, Section 4 says,

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documents or information obtained by the Commissioner in the performance of duties under this Act may be used by the Commissioner for the purposes of any other fiscal law administered by the Minister, or the Commissioner.

I would hope that this provision of the law, where he may want to trace the proceeds of businesses that have sprung up overnight ... and I am glad that there is inclusion in this, and I wish to commend the Government side for doing this; I hope they put effect to this and use it.

Mr Speaker, I wish to turn to Page 46 - *Refund of Tax and Tax Relief*, and to turn to Section 35 (3) It says *subject to this section, if any of this excesses ...* that is, we are talking about refund here Sir, that if a business person pays in excess of what ... it says

if any of the excesses referred to in Sub-section (1) (a) for a tax period remaining, having been carried forward and used as input tax creditable in six consecutive periods, the taxable person may file with the Commissioner, a claim for refund for the amount remaining in the form, and with the documentation specified in the regulations.

Mr Speaker, I wish to say that six months is a very long time. It is a long period, given that the acting Minister of Finance and his other colleagues did speak about interest being given back to the taxpayer at the rate of one percent.

Mr Speaker, the average rate of overdraft interest on a loan is fifteen percent. I think it is grossly unfair for you to look at somebody, who may be using his overdraft to pay this, and then tell him that he is going to be refunded one percent.

Additionally, and I am sure the Minister will agree, many businesses are facing a cash-flow problem, and therefore it will be more beneficial to them to have that refund in a shorter duration of time, and in that regard I wish to refer to best practices that are in other jurisdictions

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where VAT is being used .

I wish to refer to India, and if you look at the Indian experience, you will find that in their regulation, which can be obtained at the *Andhra Pradesh Gazette Extraordinary website* dated March 28, 2005, at Page 37, when speaking of refund of taxes, it says, at Section 38 (1) (a) that *a VAT dealer effecting sales falling under Sub-section (1), the same as Guyana, the excess of tax shall be refunded within a period of ninety days on a claim made on a VAT return prescribed to the authority.* So if we are going to have best practices as compared to other experiences ... as the Minister said, this VAT is in 130 countries, and I am using one of those countries as a reference point, we ought to consider ninety days, and I hope this is taken into consideration when my honourable colleagues meet to discuss this in the Special Select Committee.

Mr Speaker, I also wish to turn to PART X - *Objections and Appeal* - Page 51 Section 39 (1) where it says that there is going to be a VAT Board of Review. The Board of Review means *it is a board which is appointed by the Minister to hear and decide any matter in dispute between the Commissioner and any person in respect of the person's liability, or assessment for value-added tax.*

Mr Speaker, we have, in the Guyana Revenue Authority ... and I am sure you are aware of this, something called an Inland Review Board - a Board that exists. In the case of a taxpayer wishing to appeal against a decision made, there is a board of review.

To the best of my knowledge that board is not functioning, and in fact, Mr Speaker, I would say that we were asked, on this side of the House, to submit a nominee to sit on that Board, and that nomination came through and was sent to the ruling Party. One year has elapsed since that nominee's name was provided. He was never contacted, and I am not so sure that that Board is functioning.

Secondly, given the past experience of what is happening at the

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Income Tax Department, I am not so sure that this Board that is on paper will have any teeth.

It seems to be more like a paper tiger, rather than really a Board that people can appeal to, and I am urging the Members on that side of the House, including my very good friend, the Honourable Minister of Foreign Trade and International Cooperation, to support having these Boards. We are not condemning you but we are saying that these legislations ought to come into force.

Mr Speaker, the technical aspect of the Bill was dealt with in an extremely well-organised and brilliant manner by my colleague, Mr Murray, and therefore I would not want to repeat any of that. I want to say to you that, if the intention of VAT is to prevent evasion, then, in order for that to happen, the Guyana Revenue Authority has to be supported in its organisation, and its mandate, to have proper training of its staff.

It would require the community out there, including all stakeholders - the consumers, the Consumers' Association, the Manufacturers' Association, and everyone to be educated. Education is important, and I am saying to you that unless this is done, no amount of talk from that side of the House will really lead to a prevention of tax evasion. I would like to say that I hope, when this legislation is passed - and it will be, because the Government has the majority, that there is no political interference with the work of the Guyana Revenue Authority, and that Members of the ruling Party do not interfere with the work of the GRA to politically direct their attention to businesses which are deemed to be non-supporters of the PPP/C. Mr Speaker, with those few words, I thank you.
[Applause]

The Speaker: Thank you, Honourable Member

Honourable Minister of Foreign Trade and International Co-operation

Hon Clement J Rohee: Mr Speaker, I would not wish to delve into

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any technical aspects of this proposed legislation, and I would take the approach which my colleague on the other side of the House, Mr Murray, took in dealing with some of the political implications of this medal piece of legislation. But what struck me, Mr Speaker, was when my colleague, Minister Nadir, spoke of the caring nature of this Government. I perceived that there were some chuckles of approval on the other side of the House, and I have to commend them for that, because finally they recognised ... It took the draft of the Value-Added Tax Act to come to this House to get the approval of my colleagues on the other side House on this matter. *[Applause]*

Mr Speaker, may I also recall that during the Budget debate ... unfortunately Honourable Member Mr Murray was not with us during the Budget debate, and I think his presence was missed tremendously by the other side, so I do not know if Mr Murray is not there what will really happen on the other side of the House. But what I wish to say, Mr Speaker, is that I recall, during the Budget debate, that there was a hue and cry. Many of the speakers of the other side of the House spoke about the need for vision, that the Government seems to have run out of ideas, that we need to introduce new and innovative measures to give impetuosity to the economy, to boost the economy, and we were regaled about what is being done in the Far East - we must do like Singapore, we must do like Malaysia, we must do like Thailand. The Honourable Mr Bernard, whom is apparently dozing off, emphasized this point.

I have some information here which gives an indication about the application of VAT in Asia, in Indonesia, in the Republic of Korea, in Singapore and Thailand - which are called the Eastern Tigers. They have all seen the wisdom ... and I take the point they have made, that they do not need to be convinced about the efficacy, or the validity, of going in the VAT direction; but I want to make the point, simply with the purpose of reinforcing the point that we made during the Debate, that the Government has vision, and were it not for this vision, we obviously would not have brought VAT to this Honourable House. So, when we look at what the Eastern Tigers are doing, in relation to the applicability

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of VAT ... Malaysia, interestingly enough, is probably one of the few Asian Tigers who have not seen it necessary to apply a VAT in their country. So the point I want to make is that - not that we are following the Eastern Tigers, but that the whole question of vision, and the need to put in place measures, or reforms, to drive the economy is precisely what we are seeking to do vis-à-vis VAT, and the draft Bill which we have before us this afternoon.

Mr Speaker, I want to restrict my contribution to the benefits which VAT will bring to the manufacturing sector, because this is important, in terms of the benefits that will come to the economy, and the country as a whole, insofar as our exports of goods and services are concerned. I want to suggest that one of the more positive features, among others, of course, of VAT, is that it will make our products which we are exporting, or which have the potential to be exported on the global market, more competitive. I am sure that all in this House would agree that, in today's globalized economy ... and here again the question of vision comes, and the need to be pragmatic in responding to the vagaries of the global economy. If your exports are not competitive ... you might as well close-up shop and go home. Your products have to be competitive and here we are not only speaking about the cost of labour, we are also speaking about the cost of inputs. This brings me to the whole concept of value-added, but I want to close on this point - that unless our exports are competitive, and unless we put measures in place - domestically, to facilitate our manufacturers, step-by-step, in order to make our goods and services competitive, the economy is not going anywhere, and the dialectic of this is to sell our products and to create more jobs, not only to compete on the global market, but to sell your products, expand your niches, improve your market access, sell more goods in terms of volume, create more jobs from the domestic point of view, put more monies in circulation, people will then have greater purchasing power and therefore, in terms of the spread of the VAT, or the catchments, those in the net of the VAT would be able to bring a greater degree - not only of equity, but quantitatively as well.

Mr Speaker, in our dealings within the Caribbean Community

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(CARICOM), we have, regularly, a plethora of applications for derogation of the CET (waivers), which I am sure that Honourable Members knows about, and this is a constant issue, or this is an issue which we are consciously fighting, from a Guyana perspective, because the manufacturers in the community make the specifications so rigid that it makes it onerous, or almost impossible, for manufacturers in the Region, who either have the capacity, or the potential, to produce a similar product to comply with those specifications. That is what is used to bring in products from outside of the Region after they have gotten their waivers. Then, in addition to that, when this input for this product comes in, these countries already enjoy a VAT, thus making their products more competitive. That is how Trinidad and Tobago, as far as I am concerned, apart from the fact that they have a lot of petroleum, are able to make their products much more competitive. The VAT has been of great benefit to manufacturers in Trinidad and Tobago, thus making their products more competitive. Mr Speaker, the whole concept of value-added ... I am sure that many people in the public at large, and here in this Honourable House, would have heard the Honourable Member, Mr Jerome Khan, speak about *jargons*, certain clichés that are bandied around by people who probably ... well, I would not want to sound as though I am denigrating them, but they use terms, because it seems to be the fashion of the day to use that term, and here we refer to the question of value-added.

Mr Speaker, the Oxford Dictionary, in the terms of what value-added means, says,

a tax on the amount by which the value of an article has being increased at each stage of its production.

This is what we are concerned about here in Guyana, in the terms of the manufacturing sector. Now this means that our manufacturer will be put at great advantage and not disadvantage, because, when they use the various inputs at various stages of the production process, they will be able to get a rebate on those inputs, thus making the product not only competitive, but by adding value to that product under the rules estab-

lished within the community. They are now able to export that product, as a regional product, and thus improve Guyana's capacity to export more products within the Region, and beyond.

So, Mr Speaker, I think that this is one of the more advantageous aspects of this piece of legislation. So I would also like to join with my colleagues in quoting from the presentation that was made by Mr Christopher Ram at the GMA - the activity that was held, and he himself admitted that the VAT would be welcomed by manufacturers who, hopefully, would find the likely reduced rate as a spur to the sector. While this will extend to the bottling of juices, aerated and alcoholic drinks, it is a fair bet that excise, and higher taxes, on alcoholic beverages, cigarettes and luxury items will remain. This is quite logical.

Mr Speaker, the point I want to make is that it is no longer a hope the manufacturers will be benefit from the value-added tax, but the legislation itself makes it imperative that they benefit.

I feel that there are two aspects we need to look at in the proposed legislation that is before this Honourable House in a positive framework.

- I have already spoken about the fact that our manufacturers stand to benefit tremendously, thus making our goods more competitive.
- The other one would be that it would make, on the domestic side of things, our goods and services less expensive.

I think enough studies have being done to prove this, so we do not need, necessarily, to make a case in this respect.

Mr Speaker, the question, in respect of the consultations, was raised, and Honourable Member Mr Murray went at length to quote the Private Sector Commission's statement. I think, if we are to be even-handed, we also need to visit what the Commissioner General of the Guyana Revenue Authority had to say, for the records, because the Honourable

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Member, Mr Murray, quoted what the GMA said for the records of the Honourable House, and those would eventually be read in the Hansard. It is only fair that the Commissioner General, who is at the centre of this entire process, have a statement to be read for the benefit of the records. I am not going to read out the statement, because it was given wide publicity, but what he said, in relation to the consultations, and the consultative process, was that it is not accurate for people to say that they were not adequately consulted. The point was made, very clearly, that the GRA has always seen consultation as a priority, with respect to the VAT. Then they went into the brief history of consultations they had with the private sector, which I am not going to belabour.

The Commissioner General said that the GRA has always been receptive to the views of the of the private sector, and to other bodies, on VAT implementation – not only the framework – the notion, or the guidelines, with respect to the VAT, but in respect to the implementation, which gives me the impression that this consultative process is ongoing, and it will not only be done extra-Parliamentary, in respect of what the GRA has to do, but it will also be done internally within this House, vis-à-vis what Honourable Member Mr Nadir has disclosed, in respect of the Special Select Committee. So the process goes on, and I do not think that we need to make a storm in a teacup on this issue.

I do not need to compare what went on in the past with what goes on now, because it is like mixing apples and oranges. If we want a political debate on what went on in Guyana, in respect of consultation on matters that came before the National Assembly in the days of yore – prior to 1992 and after 1992, we can have a political debate on that, but I would not wish to abuse my privilege in this Honourable House to engage in such a debate. I simply want to say that we need to be cognisant of certain realities, and certain historical antecedents, in respect of consultation on matters of this nature, given our country's political history.

Finally, with respect to the question of the powers of the Commis-

sioner General, there will always be a debate - polemic, on the powers of those who have the authority to implement, and to determine what is to be done if the laws are breached. That will be an ongoing debate. As long as you have a democracy, that debate and that polemic will go on.

Again, from a political perspective, the Opposition has always argued against the politicians having this discretionary power. Now when the Government seeks to vest that authority in the hands of what Honourable Member Mr Murray himself said, *he is a man who has clean hands* - and that is very important in today's world, unlike some who do not, he admitted that the Commissioner General is a man of integrity ... has not been found with taking anything out of the kitty as yet ... What is the big brouhaha about? So, I think we need to take the congratulations, or the commendations, to its logical conclusion, in not only congratulating the Commissioner General and his staff for doing this work, which I agree with the Honourable Member, is a very complex undertaking which, in terms of its administrative apparatus, will obviously call for tremendous amount of managerial skills; but we need to take that commendation by saying that, apart from congratulating them for doing such yeoman service to the country, we wish them well in the task that lies ahead. [*Applause*] We should not cast a cloud over the intentions of these people whom the State has vested with certain authority to fulfil. As we say, everyone must be given a fair chance to see how best they can run with the ball. So far, the Commissioner General and his staff have proven themselves very competent in that respect.

Mr Speaker, in closing, we need to agree, as we have done in respect of this piece of legislation, and in the direction in which it will go in terms of the Parliamentary process, that the country has a lot to gain in this regard. No doubt the introduction of this new tax system, which I am advised is ... the Honourable Member, Mr Khan, used the word *fundamental*. I think, in a historical context, this is the most revolutionary reform of our tax system that we would have experienced since 1929.

Introduction of this new tax will involve, as we all agree, retraining,

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and some new attitudes in particular. I wish to join with my colleagues who have spoken before me to say that the Government is prepared to work with the various sectors to ensure that the transition period ... because obviously there is going to be a transition from one tax system to the other, is smooth, that it is seamless, and that it works in the interest of the entire nation, because we have the nation at heart, contrary to what some may think, and we have proven this by dint of example, so we do not need to beat our chests in this respect.

Mr Speaker, in the final analysis, success will depend on the cooperation of all the stakeholders, who, like their counterparts worldwide, are being called upon to adjust to the growth of service economies, as well as the long-run trends in tariff reduction, or elimination, which many of our countries are facing in the context of the global trade negotiations that are currently taking place at the World Trade Organisation. In these negotiations, in which Guyana is actively involved, we believe that we can achieve adjustment periods, but over the long term. But to buttress that we have to ensure that we carry out fiscal and taxation reforms, in anticipation of these changes which are coming at the global levels. I therefore close by saying, *let us work and begin the task*. Thank you, Mr Speaker. *[Applause]*

The Speaker: Honourable Minister Mr Nadir.

Hon Manzoor Nadir: Mr Speaker, first let me thank those Members who spoke in support of the Bill having its Second reading. I was happy to note that we have in the Assembly many *yes-butters* and no *not-yetters*, with respect to the implementation of the Value-Added Tax.

Mr Speaker, not wanting to say everything, and leaving some things for other Members to chew on, the Government recognises that the implementation process is going to be key, and in fact we have identified four particular areas. They are: *Consultation and enactment* of VAT which has already started, and which, as Minister Rohee just said, will continue and is ongoing;

Publicity and education - We have moved to a position where three sets of public information have already had a run-through some focus groups, because we would want to do this the right way, so that there is no misunderstanding. So professional companies are looking at the PR campaign, and focus groups have been established, and three sets of focus groups have already been dealt with.

Registration of taxpayers will start but, as Minister Baksh said, it will be fifteen months before we arrive at the target date for implementation.

Training, a very critical area which we are looking at, not only of the technical staff, but also of the registered taxpayers, because those who are going to have to collect and remit the tax, they, too, will be the recipients of some intense training.

So, Mr Speaker, just quickly to touch on a couple of issues. I want to commend the Honourable Member, Mr Murray, for his presentation. *[Applause]* I know it is a lot of work - having to do his professional practice and also serve the people of Guyana. But he missed the issue with respect to us being balanced. Charging interest on taxes owed by Section 35 of SCHEDULE V deals with the Government putting the onus on itself to pay interest on tax it has to refund. It is already captured in the law - just to draw his attention to that.

I need to also deal with the issue of consultation in good faith, in breach, and adequacy. The Government has been reaching out to the stakeholders for consultation. In December, we said to the private sector groupings - the consumers ... *this is the principle of the VAT implementation*. We only had the Bill six weeks in its technical format, so we presented what we had to them. They have not come back to us after four months. Yet we were willing to wait on Mr Murray to delay the Second reading for two weeks, and still go to Special Select Committee, and the Government is willing to accept the Honourable Member's position to invite the Private Sector to the Special Select Committee. Mr Speaker, I think Standing Orders 73(3) allows the Committee to have the evidence presented before it to be recorded, and we are

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willing to do that.

Mr Speaker, he also touched a bit upon the issue of neutrality, and whether we will get more money. The evidence of Value-Added Tax points to more money being collected, but remember, the issue we are addressing is not the quantity we are collecting now. It is collecting more of the tax due. So, tax payable is tax collected, plus some of the tax leaked, and that is why we can explain why, like in many jurisdictions, there is more money collected from lower rates of VAT, because the VAT has a way of reducing some of the leakage. So, it is not because of more taxation, but it is the issue of broadening the net and capturing more taxpayers in the system at a lower rate that is giving revenue.

So, Mr Speaker, we are very willing and, as I said, we are going to Special Select Committee and many of these issues are being addressed, but I am very pleased that we have had consensus within the House, with respect to the principle of introducing Value-Added Tax. I also want to recognise the magnanimity of the two Members - the Honourable Member, Mr Ravi Dev, and the Honourable Member, Mrs Sheila Holder, who gladly declined to make a contribution, because we are going to a Special Select Committee, and they readily stepped down so that, while we have consensus on the principle, we will have further discussion on the details of the Value-Added Tax to the House. Thank you. *[Applause]*

Question that -

The Bill be read a Second time

Put and carried

Bill read a Second time

Hon Reepu Daman Persaud: Mr Speaker, I move that the Bill stands committed to a Special Select Committee.

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Question that -

The Bill stands committed to a Special Select Committee

Put and agreed to

Bill committed to a Special Select Committee

Hon Reepu Daman Persaud: I move that the National Assembly stands adjourned to next Thursday, 21 April.

The Speaker: Honourable Members, the National Assembly shall stand adjourned to next Thursday. Thank you very much.

Adjourned accordingly at 17:45H

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