

**LEGISLATIVE COUNCIL****WEDNESDAY, 28th FEBRUARY, 1951.**

The Council met at 2.00 p.m., His Excellency the Governor, Sir Charles Woolley, K.C.M.G., O.B.E., M.C., President, in the Chair.

**PRESENT:**

The President, His Excellency the Governor, Sir Charles Campbell Woolley, K.C.M.G., O.B.E., M.C.

The Hon. the Colonial Secretary, Mr. J. Gutch, O.B.E.

The Hon. the Attorney-General, Mr. F. W. Holder, **K.C.**

The Hon. the Financial Secretary and Treasurer, Mr. E. F. McDavid C.M.G., C.B.E.

The Hon. Dr. J. B. Singh, O.B.E. (Demerara-Essequibo).

The Hon. Dr. J. A. Nicholson (Georgetown North).

The Hon. T. Lee (Essequibo River).

The Hon. W. J. Raatgever (Nominated).

The Hon. V. Roth, (Nominated).

The Hon. C. P. Ferreira (Berbice River).

The Hon. T.T. Thompson (Nominated).

The Hon. G. A. C. Farnum, O.B.E. (Nominated).

The Hon. Capt J. P. Coghlan (Demerara River).

The Hon. D. P. Debáidin (Eastern Demerara).

The Hon. J. Fernandes (Georgetown Central).

The Hon. Dr. G. M. Gonsalves (Eastern Berbice).

The Hon. Dr. C. Jagan (Central Demerara).

The Hon. W. O. R. Kendall (New Amsterdam).

The Hon. A. T. Peters (Western Berbice).

The Hon. W. A. Phang (North Western District).

The Hon. G. H. Smellie (Nominated).

The Hon. J. Carter (Georgetown South)

The Hon. L. A. Luckhoo (Nominated)

The Clerk read prayers.

**PRESENTATION**

**M.B.E. FOR MRS. J. B. SINGH.**

Mrs. Singh, supported by Mr. M. B. Laing, C.M.G., O.B.E. (Commissioner of Local Government and Social Welfare Officer) and Miss Josephine Selman M.B.E., (Chief Municipal Health Visitor) was presented.

The **PRESIDENT**: I ask the Colonial Secretary to read the Royal Warrant conferring on Mrs. Singh the dignity of a Member of the Most Excellent Order of the British Empire.

The **COLONIAL SECRETARY** read the Royal Warrant.

The **PRESIDENT**: Mrs. Singh, by command of the King, conveyed to me through His Majesty's Principal Secretary of State for the Colonies, I present to you the Insignia of a Member of the Most Excellent Order of the British Empire.

You have, Mrs. Singh, closely identified yourself with social welfare work for very many years and rendered highly meritorious service as a member of women's social service organizations. You have set a fine example to the women of British Guiana, and it gives us all much

pleasure to see your good work recognized by His Majesty.

The PRESIDENT pinned the Insignia on Mrs. Singh's dress and shook her hands.

Mrs. Singh bowed in acknowledgment and retired.

#### MINUTES

The minutes of the meeting of the Council held on Wednesday, 10th January, 1951, as printed and circulated, were taken as read and confirmed.

#### ANNOUNCEMENT

##### COLONY'S GIFT TO OXFORD UNIVERSITY

The PRESIDENT: Hon. Members I have one announcement to make. You will recollect that in September, 1949, the Finance Committee approved of a gift of 3,000 feet of selected Mora, Crabwood and Cedar to the new building of the Imperial Forestry Institute at Oxford University. The gift was duly despatched and I have now received a letter from the Vice-Chancellor of the University telling me that the construction and furnishing of the new Institute have been completed and that the opening ceremony was performed by Her Royal Highness, the Princess Margaret.

The Vice-Chancellor asks me to convey to you the thanks of the University for the generous and useful gift of timber which British Guiana has made, and he adds that appropriate labels have been put up in the buildings giving the names of the timbers used and by whom they were donated.

##### RUPUNUNI CATTLE TO BE BRANDED ON NECK.

The COLONIAL SECRETARY communicated the following Messages:—

##### MESSAGE No. 8

Honourable Members of Legislative Council,

You will recall that the Cattle Stealing Prevention (Amendment) Bill,

1950, which was passed last September, while providing *inter alia* for cattle to be branded on the neck and lower limbs, contained a proviso permitting cattle in the Rupununi District to be branded on the hip as heretofore; it was explained that the method of branding sought to be introduced by the Bill was considered impracticable in the Rupununi Area.

However, in the light of the comments of certain Members of Council during the course of the debate, I directed that the matter should be further investigated, and it has now been reported that experimental branding on the neck of 200 calves in the Rupununi District has proved satisfactory. In view of this, the grounds previously advanced for exempting cattle in the Rupununi District no longer hold good and an amending Bill has accordingly been prepared to repeal the proviso containing this exemption.

The amending Bill will be introduced in Council and read the first time today.

C. C. WOOLLEY,  
Governor.

GOVERNMENT HOUSE,  
British Guiana,  
13th January, 1951.

##### FARMERS GUARANTEED MINIMUM PRICES.

Honourable Members of the Legislative Council.

In a message to Council on the 8th of August, 1950, I invited approval of a six-months extension of the three-year minimum price guarantee for ground provisions which expired on the 31st of August, 1950, in order to allow the *ad hoc* Marketing Committee additional time to formulate further proposals regarding price guarantees generally and the operations of the Government Produce Depot. This proposal was sanctioned by Resolution No. X passed on the 31st of August, 1950.

2. Having carefully considered the matter the *ad hoc* Marketing Committee has recommended that the minimum price guarantee for ground provisions should be renewed for a further period of three years, i.e. from the 1st of March, 1951, to the 28th of February, 1954, with some slight adjustments in the prices of the present guarantee as shown in the following comparative list of prices.

Item	Present guaranteed price		Proposed new guaranteed price		Difference
	c. per lb.		c. per lb.		
Cassava (sweet) .. .. .	1.25		1.25		—
Eddoes .. .. .	1.75		1.75		—
Dasheen .. .. .	—		1.50		—
Tannias .. .. .	2.50		2.50		—
Sweet Potatoes .. .. .	2.50		2.50		—
Yams .. .. .	3.50		3.00		- 0.50
Plantains .. .. .	1.50		1.50		—
Corn .. .. .	2.75		3.00		+ 0.25

3. At the same time a general increase in the retail price of ground provisions has been recommended as follows:-

Item	Georgetown		New Amsterdam		Wismar/ McKenzie	
	Present Price	Proposed Price	Present Price	Proposed Price	Present Price	Proposed Price
	c. per lb.	c. per lb.	c. per lb.	c. per lb.	c. per lb.	c. per lb.
Cassava (sweet) .. .. .	3	3½	3	4	4	5
Eddoes .. .. .	3	4	3	4	4	5
Dasheen .. .. .	3	3	3	3	—	4
Tannias .. .. .	5	5	5	5½	7	7
Sweet Potatoes .. .. .	3½	4	3½	4	5	5
Yams .. .. .	6	6	7	7	8	8
Plantains .. .. .	3½	4	3½	4	4	4½
Corn .. .. .	4	5	4	5	4¾	6

4. With regard to the question of the future policy of the Marketing Depot, the formulation of proposals has been deferred pending the report of a sub-Committee of the *ad hoc* Marketing Committee which is conducting an investigation into the operations of the Depot.

5. The foregoing recommendations have been accepted by the Legislative Council Advisory Committee for Agriculture and Fisheries on the understanding that the continuation of the guarantee would not prevent the reorganisation of the Produce Depot, should such action be found necessary as a result of the current investigations. Government is also in agreement with these proposals.

6. I accordingly invite Honourable Members to approve of the proposals in paragraphs 2 and 3 above.

C. C. WOOLLEY  
Governor.

GOVERNMENT HOUSE,  
British Guiana.  
22nd February, 1951.

#### PAPERS LAID

The COLONIAL SECRETARY laid on the table the following:-

The Report of the Director of Education for the year 1948 — 1949.

The Report of the Georgetown Planning Commissioners for the period 1st February to 31st July, 1950.

The Report on the Department of Lands and Mines for the year 1949.

The Report of the Legislative Council Advisory Committee for Communications and the Interior for the year 1950.

The Report on the Post Office Savings Bank for the year 1949.

The Factories (Fire Escape) Regulations, No. 1 of 1951.

The Factories (First Aid) Regulations, No. 2 of 1951.

The draft Hospital Fees (Amendment) Regulations, 1951.

Letter from the Rice Marketing Board dated the 9th of December,

1950, regarding Rice Contracts with West Indian Islands.

List of Articles not ordinarily exempt from duty which have been specially exempted by the Governor in Council under Item 2 of the Fourth Schedule to the Customs Duties Ordinance, 1935, as amended by Ordinance, No. 25 of 1944, during 1950.

The Report of the Commission on the Establishment of a Customs Union in the British Caribbean Area.

Despatch from the Secretary of State for the Colonies dated the 22nd of December, 1950, regarding the Report of the Commission on the Establishment of a Customs Union.

Reports and Accounts of the East Demerara Water Conservancy Board for the years 1949 and 1950.

The Report of the British Guiana Rice Marketing Board for the period 1st October, 1949, to 30th September, 1950.

The Report of the Registrar of Friendly Societies for the year 1950.

The Telephone (Amendment) Regulations, No. 4 of 1951.

The Report of the British Guiana Tourist Committee for the year 1949.

The Report of the Post Office Savings Bank for the year 1949.

The FINANCIAL SECRETARY & TREASURER laid on the table the following:-

Report of the Finance Committee of the Legislative Council on the motion introduced by the Honourable the Financial Secretary and Treasurer on the 21st of December, 1950 in connection with the 1951 draft Estimates.

Minutes of the meetings of Finance Committee of the Legislative Council held on the 11th, 12th, 17th, 18th, 19th, 24th, 25th, 26th and 31st of January, 1st, 2nd, 7th, 8th, 9th, 14th, 15th, 16th, 21st and 22nd of February, 1951.

Statement of Loans from voted expenditure written off during the year ended 31st December, 1950.

## GOVERNMENT NOTICES.

### HOSPITAL FEES REGULATIONS.

The COLONIAL SECRETARY gave notice of the following motions:-

That, this Council approves of the draft Hospital Fees Regulations, 1951, which have been laid on the table.

## FARMERS GUARANTEED MINIMUM PRICES.

That, with reference to His Excellency the Governor's Message No. 9 of the 22nd of February, 1951, this Council approves of the guaranteed minimum prices to farmers for ground provisions which expire on the 28th of February, 1951, being extended for a period of three years from that date.

## INTRODUCTION OF BILLS.

The ATTORNEY GENERAL gave notice of the introduction and first reading of the following Bills intituled --

An Ordinance further to amend the Cattle Stealing Prevention Ordinance with respect to the branding of cattle.

An Ordinance further to amend the Bakeries (hours of work) Ordinance, 1946

An Ordinance to promote the Establishment and Development of certain industries.

An Ordinance further to amend the Transport and Harbours Ordinance, 1931, with respect to the Revenue of the Department.

An Ordinance to amend the Pensions Ordinance, 1933, with respect to the Pensions of Public Officers who have service as teachers.

An Ordinance to encourage the Establishment or Development of industries in the Colony and to make provision for relief from Income Tax to persons establishing or developing such industries and for purposes incidental to or connected with any of the foregoing purposes; and to make provision for relief from Income Tax in aid of certain industries and the provision of workmen's homes.

## CORPORAL PUNISHMENT.

The ATTORNEY GENERAL gave notice of the following motions:-

Whereas it is considered desirable that the question of the application of corporal punishment in the penal system of the Colony should be reviewed and steps taken with a view to reduction of its use as a method of punishment.

Be It Resolved that this Council recommends to Government the appointment of a Committee to consider the law relating to the use of corporal punishment by the Courts and as a penalty for certain offences

committed by prisoners and to make recommendations as to the changes which are necessary or desirable.

#### CONTINUANCE OF RICE FARMERS

Whereas the Rice Farmers (Security of Tenure) Ordinance, 1945 (No. 10 of 1945), came into operation on the 14th of July, 1945;

And Whereas section 24, of the said Ordinance provides that the Ordinance shall continue in force until the last day of April, 1947, but that the Legislative Council may, prior to the expiration thereof, by Resolution declare that the said Ordinance shall continue in force for such further period as may be specified in the Resolution;

And Whereas by Resolution No. XXXIV of the Legislative Council passed on the 25th of April, 1947, the Rice Farmers (Security of Tenure) Ordinance, 1945 (No. 10 of 1945) continues in operation up to the 30th of April, 1951;

And Whereas it is desirable that the said Ordinance should continue in operation for a further period;

Now, Therefore, Be It Resolved that the Rice Farmers (Security of Tenure) Ordinance shall continue in force for a further period of three years from the 1st of May, 1951.

#### GOVERNMENT PENSIONERS' C.O.L. ALLOWANCES.

The FINANCIAL SECRETARY & TREASURER gave notice of the following motions:-

That, this Council approves of the payment of increased temporary cost of living allowances to Government pensioners (including Teachers) for the years 1950 and 1951 and for such further period thereafter as the necessary financial provision shall be made and approved by the Council in the annual estimates on the following scale:-

- 60% on the first \$360 per annum
- 40% on the next \$360 per annum
- 16 2/3% on the next \$720 per annum
- Flat rate of \$480 per annum on pensions of over \$1,440 per annum
- Minimum allowance \$5.00 per month.

This Council further approves, with respect to any officer or employee who retires after 31st December, 1948, and whose pension computation is based on an average of salary received over a period of years, of such portion of salary received during any year prior to 1949 brought into the calculation of the average being increased by the in-

clusion of cost of living allowance at the rates set out above; and that the pension computation of any such officer or employee who has already retired shall be revised accordingly;

This Council further approves of the gratuity paid to any non-pensionable employees who retired during the year 1948 being re-computed so as to include the cost of living allowance in force in 1948 with the substantive salary on which the calculation of the gratuity was based.

#### SUPPLEMENTARY ALLOWANCE TO OLD AGE PENSIONERS.

That, this Council approves of the payment to every pensioner in receipt of an old age pension under the Old Age Pensions Ordinance, 1944, of a supplementary allowance of 50 cents per month for the year 1951 and for such period thereafter as provision for this purpose shall be made and approved by the Council in the annual estimates.

#### CARIBBEAN FARM INSTITUTE.

That, this Council approves of the participation by this Colony in the scheme for the establishment (with financial assistance under the Colonial Development and Welfare Act) of a Farm Institute at Trinidad for the Eastern Caribbean territories and, of the payment of this Colony's contribution of \$41,241 towards the capital cost of the establishment of the Farm Institute such payment to be met by an allocation of available funds for Development Plan Services.

Note:- This proposal was considered at a meeting of the Finance Committee on 2nd February, 1951, and was not approved by a majority vote of the Members present at the meeting.

#### PETITIONS.

Mr. CARTER: I beg to present on behalf of 22,000 citizens of this country a petition in opposition to the proposed tax on aerated and artificial mineral waters.

#### POST AND TELEGRAPH REGULATIONS.

Mr. DEBIDIN: Before the Order of the Day is taken may I be permitted to raise a matter of importance to this Council.

The PRESIDENT: Is it a matter of urgency?

Mr. DEBIDIN: It is, Sir. It would vitally affect what we are met here to

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do under our business. It concerns the Regulations which have been laid over by the hon. the Financial Secretary and Treasurer. Under the Ordinance affecting them—the Post and Telegraph Ordinance, No. 6 of 1935—it is provided in section 4:—

“Regulations made under this section shall be laid before the Legislative Council within 14 days next after they are made if the Council is then sitting, or if not, within 14 days after the commencement of the next ensuing session, and if within the next subsequent 21 days a resolution is passed by the Legislative Council that the Regulations or any of them be annulled they shall be thereby annulled; and the Regulations so annulled shall thenceforth become void and of no effect but without prejudice to the validity of any action in the meantime taken under them.”

Sir, I had given notice in my speech on the Budget Statement that I was not in agreement with some of these Regulations. When these particular Regulations were laid over, I think I am right in saying, they had not yet been printed and not long after that the session adjourned. We are now in the commencement of another sitting, and it seems to me that as these Regulations had only been printed and circulated recently an opportunity should be given to us within 21 days of the commencement of this sitting to take the necessary steps to have whatever we are in disagreement with annulled by motion moved in this Council. It was no fault of Members of this Council that such a step had not been taken, as the Regulations had not been strictly laid over. They were only said to be laid over, as they were not yet printed and in hand. Therefore I feel

justified in asking you, Sir, to direct that these particular Regulations be laid over again so as to give Members of this Council an opportunity to take steps properly and legally within the 21 days allowed them to move the annulment of any part or the whole of those Regulations.

The PRESIDENT: I take a note of what the hon. Member has said. There is no desire on the part of Government to stifle discussion on that matter. I will look into it.

#### ORDER OF THE DAY.

#### GOVERNMENT ASSISTANCE TO SMALL TIMBER OPERATORS.

Mr. LEE asked and the COLONIAL SECRETARY replied to the following questions:—

Q. 1 —Will Government state to whom assistance has been given in the Government's policy of assisting small timber operators to purchase mechanical machinery, to what extent, and where such machinery is operating?

A. —Assistance to small timber operators is being given at present on a trial basis under a pilot scheme with a view to later implementation of Scheme No. F5 in the Forests Section of the Colony's Ten-Year Development Plan; Scheme F5 envisages the grant of assistance to the extent of \$75,000 during the period 1950--1956. \$10,000 has been provided under the pilot scheme for the purchase of three haulage units for sale to small timber operators under a hire-purchase agreement. Particulars of the assistance granted to date are as follows:—

Beneficiary	Type of Equipment and date supplied	Value	Place of operation
(i) Mr. Ewald Willems	One tractor winch (Fordson) — August, 1950	\$3,200.00	Kartabo Triangle, Maz.-Potaro District.
(ii) Mr. Benjamin Tung-Shun	One tractor winch (Fordson) — September, 1950	\$3,200.00	Berbice River, District.
(iii) Kabakaburi Co-operative Association	One Skid winch January, 1951	\$3,231.86	Pomeroon District.

The terms of the related Hire-Purchase Agreements include the following—

- (a) in the case of the individual beneficiaries: an initial instalment of \$800 on delivery of the equipment and the balance to be paid over a period of two years in equal monthly or quarterly instalments, with interest at the rate of 6% per annum;
- (b) in the case of the Co-operative organisation; an initial instalment of \$671.86 on delivery of the equipment and the balance to be paid over a period of 4 years in equal annual instalments, with interest at the rate of 4% per annum.

Q. 2 —Will Government state whether any assistance has been given to any person operating in the Essequibo River or its tributaries to whom, to what extent and what sort of machinery if any?

A. —See answer to Question 1.

Q. 3 —Will Government state how many more applications are awaiting attention, by whom, and what kind of machinery is applied for?

A. —Applications for assistance have been received from the following persons:—

Name	District	Type of Equipment
1. Allcock, Lloyd	.. Hyama Creek, Demerara River	.. Motor Lorry and Trailer
2. Baharally, Isaac	.. Aripiaiko River Pomeroon	.. Skid Winch
3. Jaikaran and Balgobin	.. Mahaicony River	.. Fordson Tractor with Winch
4. Devair, W. B.	.. Courantyne R.	.. Winch
*5. Ferreira, Hon. C. P.	.. Berbice River	.. One Unit
6. Greene, H.	.. L.B. Courantyne R.	.. Skid Winch
7. Hardeen, Naraine	.. L.B. Abary Creek	.. Fordson Tractor with Winch
8. Hope, T. A.	.. Francois Creek	
9. Jugdeo, A.	.. Mahaicony River	.. 30 H.P. Fordson Tractor
10. Kadir, Abdul	.. Mahaica Creek	.. Tractor (Caterpillar T.D. — 9).
11. Kamall, M. K.	.. L.B. Esseq. River	.. Fordson Tractor
12. Klautky, C. H.	.. Waracabra Creek	.. Truck and Trailer
13. Linder, A. N.	.. Berbice River	.. Fordson Tractor
14. Livingstone, J. A.	.. L.B. Berbice River	.. Fordson Tractor
15. Nandan, J.	.. Supenaam River	.. Skid Winch
16. Newark, Paul	.. Supenaam Creek	.. Fordson Tractor
17. Peters, J.	.. Mahaicony River	.. Fordson Tractor (wheel type)
18. Paraboo, T.	.. Berbice River	.. Fordson Tractor
19. Ramgobin	.. Demerara River	.. Skid Winch complete
20. Reece, L.	.. Corononni Creek, Demerara River	.. Skid Winch
21. Thorne, A. T.	.. L.B. Esseq. River	.. Fordson Tractor
22. Vah-Lewin, J. R.	.. Berbice River	.. Fordson Tractor complete
23. Vandenburg, C. W.	.. L.B. Berbice River	.. Fordson Tractor
24. Alphonso, H. C.	.. Tacama, Berbice River	

\*on behalf of Berbice River operators.

Q. 4 —Will Government speed up this assistance policy in order to obtain a greater output of timber?

A. —Government proposes to consider the question of granting assistance to small operators on the scale visualised in Scheme F5 as soon as sufficient experience has been gained from the pilot scheme.

#### RECONSTRUCTION OF COURANTYNE PUBLIC ROAD.

Mr. LUCKHOO asked and the COLONIAL SECRETARY replied to the following questions:—

Q. 1 —What is the total estimated cost of widening and reconstructing the New Amsterdam—Crawwood Creek Road?

A. —\$4,120,000.

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Q. 2 --What is the total estimated cost of widening the bridges on the road? And how many bridges are there?

A. --\$370,000; 22 bridges are to be widened and reconditioned and the building of 33 new bridges is involved.

Q. 3 --How much has been spent on the road up to the present? And how much has been spent on the bridges?

A. --The sum of \$365,000 has been expended up to 31st December, 1950, allocated as follows:-

The road proper	\$ 90,000	
The bridges	100,000	
Stock of materials in hand, including sand, stone and cement	\$175,000	\$365,000.

Q. 4 --Is Government satisfied with the progress of the work on this road project, in relation to the money already expended?

A. --Yes. All the operations have been carried out at below estimated costs.

Q. 5 --Have trenches been dug in error and had to be subsequently refilled? If so, at what cost?

A. --No.

Q. 6 --What price was paid for burnt earth prior to the road project? And what price is being paid now?

A. --The price paid prior to the road project was \$2.17 per cubic yard. The price being paid now is \$2.50 cubic yard, which was the best tender received after advertising throughout the Courantyne Coast.

Q. 7 --Is the work likely to be completed within the estimate?

A. --Yes, provided the cost of labour and materials does not increase.

#### BASTARDY (AMENDMENT) BILL.

The ATTORNEY-GENERAL: I beg to move the first reading of a Bill intituled --

"An Ordinance to amend the Bastardy Ordinance".

Dr. NICHOLSON seconded.

Question put, and agreed to.

Bill read a first time.

#### SUSPENSION OF STANDING RULES AND ORDERS

The FINANCIAL SECRETARY & TREASURER: I beg to move that the relevant Standing Rule and Order be suspended in order to enable me to take items 10 to 13 in that order in lieu of item 4 on the Order Paper. These items, Members would see, relate to the taxation measures which were introduced at the time of the Budget Statement. I think, Members would appreciate that, as the Estimates have been approved by the Finance Committee at a total which involved supplementary expenditure of nearly \$1½ million, it is desirable that we should first ensure that the necessary revenue is available to meet the expenditure which we propose to incur this year. I said as much to Members at the beginning of our meetings in Finance Committee that I proposed to move that these items be considered first instead of Item 4 and then to revert back to Item 4 dealing with the Annual Estimates.

The ATTORNEY-GENERAL seconded

Question put, and agreed to.

Standing Rule and Order suspended

#### TAX (AMENDMENT, No. 3) BILL, 1950

The FINANCIAL SECRETARY & TREASURER: I beg to move the second reading of a Bill intituled --

"An Ordinance further to amend the Tax Ordinance, 1939".

The first reading took place on the 21st December, 1950, immediately after the Budget Statement. The Bill, Members will realize, is quite simple. Its purpose is to increase the rate of duty chargeable on Rum from \$6.25 per gallon to \$7.25 per gallon. That duty is already in force effectively by means of the action taken by the Governor in Council under the Provisional Collection of Taxes Ordinance. The Order in Council was issued on the same day as the Bill was given first reading and brought the tax in force as provided for by that particular Ordin-



ance. If this Council rejects the measure then it is incumbent on the Government to refund any duty which it has collected under it.

The question of the tax on Gold was raised, and Members urged that the time had come for a repeal of that tax. I personally favour that course. Members would remember that the Gold tax was originally introduced not primarily as a revenue measure at all but mainly as a means of inducing or stimulating the export of Gold produced by the large operators using machinery in this country. I think, Sir, the time has come when that objective is no longer one of urgency and, what is more, the law as it is now operating is a hardship on the small producer because, although the tax as levied was intended to be paid by the gold trader, it is in fact being borne on the one hand by the small producer, the pork-knocker, and possibly on the other hand also by the goldsmiths, jewellers and dentists who may buy gold from the gold trader. Consequently when this Bill is in Committee I propose to move the inclusion of a short section which will repeal the provision in the Tax (Amendment) Ordinance of 1948 which provides for the amendment of the Gold tax.

To revert to Rum, I would like at this stage to say that Government has given consideration to the views which were expressed in regard to the omission of an increased tax on certain spirituous liquors other than Rum. As I said at the time when I made the Budget Statement, the reason for that omission was, we were aiming at a tax which would produce a substantial sum of money. It was appreciated that the increase on the Customs duty on imported spirits — whisky, gin, liqueurs, etc. — would not produce more revenue. It is feared, and rightly so, that any increase on those items would rather tend to reduce consumption and to drive those people who use those liquors away from using them and, perhaps, drive them to Rum instead. That is still the case, but there is a valid argument which has been produced by the rum dealers, and that is, the present gap between the rum duty and the duty on imported spirits should be maintained. There is also this

to be said, that psychologically the effect of putting the increase on whisky, even a small increase and even if no revenue is produced, is good. Consequently my announcement now at this stage is that when the third Bill is reached a motion for amendment will be included in the Customs Duties (Amendment) Bill which would provide for the levy of a duty on imported liquors — whisky, gin, liqueurs, etc. The rate of duty will be such as will impose a small increase on those articles. As I have said, it will not be a revenue measure but in the nature of a gesture — an evening up of the gap. I make this announcement now and, of course, it follows that when that Bill comes before the Council in, I hope, an hour or two it will either be passed with effect as from today, or an Order in Council will have to be made to bring it into force. An announcement of this nature really implies that the tax is imposed. I make that announcement at this stage because, quite obviously, it has some bearing on the measure which I am now about to move. I formally move the second reading of the Tax (Amendment) Bill

The COLONIAL SECRETARY seconded.

Question put, and agreed to.

Bill read a second time.

The Council resolved itself into Committee to consider the Bill clause by clause.

#### Clause 1 — Short Title

The FINANCIAL SECRETARY & TREASURER: I move that the figures "1951" be substituted for the figures "1950".

Agreed to

The FINANCIAL SECRETARY & TREASURER: I move the insertion of a new clause 3, which reads as follows:

"3 (1) Section seven A of the Principal Ordinance as inserted by Section three of the Tax (Amendment) Ordinance, 1948 is hereby repealed.

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(2) This Section shall have effect from the first day of March, nineteen hundred and fifty-one".

It will be observed that the effect of this section, if passed, will be to make the repeal operative as from tomorrow.

The COLONIAL SECRETARY  
conceded

Question put, and agreed to.

The Council resumed.

The FINANCIAL SECRETARY & TREASURER: I move that the Bill be now read a third time and passed.

The COLONIAL SECRETARY se-  
conded.

Question put, and agreed to.

Bill read a third time and passed.

#### TAX (AERATED AND ARTIFICIAL MINERAL WATERS) BILL

A Bill intituled "An Ordinance to impose a tax on aerated and artificial mineral waters manufactured and bottled in the Colony".

The FINANCIAL SECRETARY & TREASURER: With regard to the second Bill—the Tax (Aerated and Artificial Mineral Waters) Bill—I would like to say that this particular measure, ever since its introduction in Council immediately after the Budget Statement on the 21st of December, 1950, has been the subject of almost incredible misunderstanding, misrepresentation and controversy. It produced an amazing situation in which, shall I say, the capitalist manufacturers (or at least one element of them), influenced by none other than a powerful and, may I say at once, legitimate profit motive, posed as the unselfish friend, benefactor and ally of the poor of the community as opposed, of course, to a Government represented as seeking to exploit and depress those whom it should be its principal concern to protect. At the same time this measure has provided an opportunity for a fantastic and devastating advertising campaign which, in some respects, I should say, sank to a very low degree in

its avoidance of truth and its distortion of fact. The label of that campaign and its slogan was "The Truth About Soft Drinks", but it might well have been "The Fallacies About Soft Drinks." This farce which was perpetrated on the community had some rather serious aspects, but I am not going to dwell upon them, because I am quite sure that hon. Members of this Council are fully aware of the very grave consequences indeed which would follow if our democratic legislative process were to be, as a general rule, interfered with, or if that process were, as a general rule to take place in an atmosphere of artificially stimulated mass emotion, and even attempted intimidation. Whatever may be our form of Constitution—and the more liberal that form is I am quite sure we should have to take the utmost care that action such as took place during the first weeks of January should never take place again.

In my reply to the Budget debate gave something of the background which led up to this proposal to impose a duty on locally manufactured and bottled artificial mineral waters. I said then that I had been influenced in advising Government to introduce this measure by three things. I referred firstly to a letter which I had received from someone whom I characterized as a person of eminence and beneficence, and I went on to illustrate by reference to the fact that this tax had only recently been introduced in Canada by a supplementary budget in September 1950. Thirdly, I said that I had a very honest conviction that a rise in the retail price of those artificial drinks was inevitable, and I went on to explain that the main reason behind it was that Government should take a part of the proceeds of that rise and use it for public purposes. Those were the three main reasons which, as I said, induced me, as Financial Secretary, to advise Government to introduce such a measure in Council.

Dealing with the first item -- the statement that I had been influenced by a letter I had received produced a curious rejoinder by one of the chief protagonists (and I refer to him by name—Mr. Peter D'Aguiar) who, in an intemperate public speech at the Chamber of Commerce, re-

ferred to this statement and thought that it was most improper for any person in the position of a Chancellor of the Exchequer or a Financial Secretary to confess that he was induced or influenced by a private suggestion. Well, that is an astonishing comment, because I am sure that Chancellors of the Exchequer and even Financial Secretaries like myself are frequently inundated with correspondence and letters making suggestions of every kind as regards measures of taxation. During the last month I must have received about 50 letters from various people offering all kinds of suggestions as to what would be a proper measure of taxation, and it is no wrong thing to admit that in some cases a suggestion might be a very useful one.

But the remark that really struck me as being extraordinary was that made by Mr. Peter D'Aguiar that my correspondent appeared to him to be (I use his own words) "This phantom figure, this shadowy, sinister, and probably senile individual." Those are the words used about my correspondent. In another speech by the same gentleman, this time before his assembled work people, he is reported to have referred to a recent sermon by His Grace the Archbishop of the West Indies at Christ Church on the occasion when the members of the Constitution Commission and His Excellency the Governor were present. Mr. D'Aguiar is reported to have expressed the hope in his speech, that the Government would listen to the wise counsel of the Archbishop and would not attempt to steam-roller this Bill through the Legislative Council. "To steam-roller the Bill" were the words used. I am trying to evoke a smile from Members of this Council because I am permitted and, in fact, urged by my correspondent, the "sinister phantom," to disclose that the letter to which I referred was written to me in July, 1950, after his return from Surinam, and was signed "Alan Guiana, Archbishop of the West Indies." I am sure hon. Members will agree that he is neither sinister nor senile, and they will also agree with me that my description of him as being beneficent was correct.

Mr. FERREIRA: I rise to a point of correction. I think the words used were "benevolent old gentleman". I do not think the Archbishop is old.

The FINANCIAL SECRETARY & TREASURER: As to my second point, it is true that this tax has been introduced in Canada at as high a figure as 30 per cent. of the selling price. It is also true, as I understand it, that it is a war measure in fact a rearmament measure. Fortunately, in this Colony we have not got a rearmament programme, but we have a very heavy programme of social services, and we are justified in adopting such measures as we think fit to produce the necessary revenue to enable us to carry on.

Further, in the memorandum submitted to Members of the Legislative Council by one of the manufacturing firms, which was circulated to Members and published in the Press, Members will appreciate that this particular form of tax is far from being novel. It has been tried out in various States in the United States. A Federal tax has also been tried. It is still, of course, in one State. I have used the word "tried" advisedly, because I am perfectly sure that in that country the pressure from the powerful, the extremely powerful manufacturing interests, is even more intense than it could ever be in British Guiana, and when one member State has introduced this tax when it does not exist in the adjoining State it is quite obvious that the tax would be a little unjust, and consequently, that the pressure by the manufacturers would be even more intense and likely to succeed.

So much then for the illustrations. As to my third point about the price, I said I was convinced that a rise in price to the consumer by at least one cent per bottle was inevitable. I had several reasons for coming to that conclusion, and one was that I knew that it was being considered locally. Considered — that is the word. It is curious that just after I made the Budget Statement I had in my hands the issue of *Time* magazine for December 25 — the Christmas issue — and I underlined the words in an article in which the writer was bewailing the rise in prices in the United States. This is what he had to say about our old friend Coca Cola:

"Even the lunch toters were in for trouble at the soft-drink counter. In

New York City, bottled Coca Cola broke loose from its nickle moorings for the first time and went on to six cents per bottle. Other cities might have it worse: Half of the Nation's 6,000 Soft Drink bottlers had upped their wholesale case prices."

That was on December 25, just before I spoke in this Council in reply to the Budget debate. Since then I have had a communication from a correspondent in New York in which he has told me that the price of Coca Cola at the average street counter in New York is now seven cents per bottle. So I am submitting that I had reason for feeling that an increase here in British Guiana in the price level to the consumer was inevitable. Consequently, there was to my mind every justification for imposing the tax which would take part of the rise of 12 cents per dozen bottles, or one cent per bottle, away from the manufacturer for the benefit of the public till. Here I will make a confession. The rate of tax in the Bill is 10 cents per dozen bottles; that leaves a margin of only two cents. I am willing to admit that that was an error of judgment on my part in advising that rate — an error of judgment because I expected that the first reaction to this Bill would have been a prompt admission by the manufacturers that an increase in price was inevitable in order to cover their costs, and a demand on Government that the increase in price should be shared more equitably than ten to two. I had assumed a demand for half and half.

However, as Members know from our informal discussion at the conclusion of the meetings of the Finance Committee, the rate which we had arrived at was 7 cents per dozen bottles — that is 7 to 5 — which would allow the manufacturer five cents of the 12 cents per dozen increase. However, my judgment was at fault. That expected reaction did not take place but, instead, the manufacturers took up the position that no increase in the retail price was possible without ruining their business. That is the stand they have taken. So much so, that although the price was in fact increased by the equivalent of one cent per bottle immediately after the announcement of the tax, and

quite rightly too it has since been withdrawn, and one manufacturer, the same gentleman to whom I have referred, has taken the trouble to return all his increased receipts not to the consumer, as he cannot do that, but to the shopkeeper. What good that can do I do not know. He has said he does not want the money and has got rid of it as fast as he can. That is at least what I understand has happened. All the others have gone back to the price in force on the 21st December, 1950. The position, therefore, is that the manufacturers are determined to keep and maintain the price level which was in force before the announcement of this tax. I will come back to this point a little later.

I will now just mention one or two criticisms, which are less fundamental, on the Bill itself. It has been criticized that the machinery for the collection of this tax would not work; that only 75 per cent. of the manufacturers actually keep proper records, and that the other 25 per cent. would escape their fair share of the tax. That is not to my mind a valid criticism because, of course, those same manufacturers must keep some records, and they are liable for income tax. Consequently, it is quite a useful idea that they should be made to keep proper records for the purposes of both taxes. It has also been criticized that the tax, if levied at all, should be properly charged on the crown corks. Here again, of course, I think that would be dangerous, because no one could prevent the re-use of used crown corks.

It has also been suggested that the tax might have been levied on the gas cylinders used in the manufacturing process, or even an increased Customs duty on the flavouring essences which come in. I merely mention these suggestions because those ideas may be useful later on.

To come back to the manufacturer, I said just now that he has announced his determination to maintain the price level and perhaps to cover his increased costs by an increased volume of sales. One manufacturer has gone so far as to publicize and emphasize that he proposes to

expend no less a sum than \$300,000 on new capital equipment, and to provide new and additional equipment for the expansion of his business. Well, here again I would like to ask Members to consider whether they really think that it is desirable, in the interest of this Colony, that, in order that this soft drink commodity should be a paying one the producers should, shall I say deluge us with volumes of carbonated water? Is it really desirable that anyone should spend \$300,000 in providing additional machinery for the re-equipment and modernizing or making more modern, because the equipment there is already modern, a plant to provide more carbonated water? Think of how much more good can be achieved by the expenditure of \$300,000 on, let us say, a citrus farm, with a canning plant, something which is dear to the mind of the hon. Nominated Member, Mr. Roth; or a dairy farm with modern mechanical equipment to provide more and better milk. Think of how much more value to this community.

I feel sure that an orange in the hands of a child, or a glass of milk is infinitely superior to a glass of carbonated water, whether of the imported or the local variety, and I am quite sure that hon. Members will agree with me when I referred to the advertizing campaign and said that it had sunk very low. In point of fact it had sunk to a degrading level. I have seen, and I think hon. Members have seen, a pamphlet which was circulated in this Council and reprinted in the newspapers, which, for example, attempts to compare the calorific value of carbonated water with butter milk. It attempted to hoodwink people into believing that because milk contains a greater percentage of water than carbonated beverages they are on the same plane. That, Sir, is a form of advertisement which is to be deplored. If the manufacturers — maintain their price level by increased trade. Let us wish them luck. I for one think they ought not to do it for the benefit of the community. I must before I leave that particular aspect of the subject, in order to make quite sure and have it put on record, quote what has been said in the memorandum submitted to Members of

this Council. They say on page 3, and I quote:

"The success obtained by these long years of real hard work and careful planning will be nullified if Government does what we did not dare to do, and that is to force an increase in the selling price. We are certain that had we increased the general selling price of our soft drinks our volume of sales would have shrunk and that we would have found ourselves in a precarious position. Our considered view is that the life of our business is entirely dependent upon the sales volume and upon a fixed selling price."

They then go on to make that even more emphatic by saying on page 5 of that memorandum in regard to this proposal:

"The tax originally suggested was at the rate of 10 cents on each 12 drinks manufactured. The idea was to leave the bottler a margin of two cents per dozen to cushion him against loss. We were quick to point out that this margin was inadequate, and our reasons were readily accepted by the Financial Secretary. All our costs have risen in the past few months and are certain to rise still higher. Nevertheless despite the hope given us that the tax might be reduced from the high figure of 10 cents per dozen, we submit that any tax alone is likely to strike a vital blow at our industry."

So I come to the conclusion. After the most careful consideration along the lines which I have, perhaps, wearied Members in dealing with this matter, Government has decided not to pursue the proposal to impose this tax, so long as the price to the consumer is maintained at its present level. I repeat those words "so long as the price to the consumer is maintained at its present level." I am going to ask, therefore, that this Bill be not proceeded with, and that it be put down on the Order Paper and remain there until the end of the session. But before I do that, I want to say again that what has now happened is, there is now an implied contract between the Government, the manufacturer and the consumer — a contract that the price will remain at its present level. A breach of that contract will of course provide an immediate opportunity for a revival of this Bill, if not in this form in some other form which might find general

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acceptance. I now ask that this Bill be put down and remain on the Order Paper

The PRESIDENT: In other words, you do not propose to proceed with the Bill

Mr. FERREIRA: I just want to make one remark on what I maintain is a threat to the industry. We have heard reference made to two bottlers and no reference to the other 35. It appears as if the Sword of Damocles is hanging over their heads when there is that threat in speaking of the industry. In Finance Committee I pointed out clearly that 99 per cent. of the bottlers sell their drinks at 48 cents per dozen and are not making money, but if they increase the price by four cents per dozen they may make \$100 or \$200 more. It does not mean any increase to the consumer. Having made it in Finance Committee I would like to know — and the majority of bottlers too whether the Bill would be introduced if the smaller bottlers find it necessary to increase their prices without necessarily increasing the price to the consumer?

THE FINANCIAL SECRETARY & TREASURER: I admit that I was referring to the principal or major manufacturers and more especially to the imported type of drinks which has come into this country — Pepsi Cola and Coca Cola — and not generally to all bottlers and soft drinks. Let me say at once that any revival of the proposal would have to be carefully considered by this Council and obviously it would not be acceptable if it was inequitable to the smaller bottlers. I now beg to move that the Bill be put down and remain on the Order Paper until the end of the present session.

The PRESIDENT: I had hoped that some Members in this Council would have taken up the question of the relationship of this matter to the development of our citrus industry. Are we right in allowing these foreign essences to come in here, and from hard currency countries and to an extent which would affect our own citrus industry? I would have been much happier to think that in

these millions of bottled aerated waters sold in the Colony — and then I would have no objection whatever — were essences of our own oranges, grapefruit and limes, and that our own fruit was used in the making of them. We have had motions in this Council time and again in support of the citrus industry. We have one at the moment by the hon. the First Nominated Member. I could hope that the bottlers instead of coming to us to talk about the difficulties in making their industry pay if there is any increase in the price would consider setting up machinery here to develop the use of our own juices and essences from which these drinks could be made. No one can tell me there is more nutrition, more thirst-satisfying qualities in a bottle of these drinks than there are in a British Guiana orange, or a British Guiana grapefruit or a British Guiana lime.

Here we talk in this Council and outside about developing our citrus industry and of doing what we can to establish a fruit canning industry, but nevertheless it seems that the opinion of all people here is that we should have these foreign essences in these bottled drinks to satisfy our daily thirst. I say again that I do hope that these bottlers and big manufacturers will consider not only establishing some form of factory through which these essences can be made from our own fruits, and would also go into fruit production themselves. From what the hon. the Financial Secretary and Treasurer has told us, they seem to have a fair amount of capital for the further development of their industry and, I do hope, after all this discussion on this matter that this aspect of it is one to which the bottlers will pay some attention.

Question put, and agreed.

Bill put down and to remain on the Order Paper until the end of the present session.

#### CUSTOMS DUTIES (AMENDMENT) BILL, 1950

THE FINANCIAL SECRETARY & TREASURER: I ask the Council's consideration of item 12 on the Order Paper

the second reading of a Bill intituled

“An Ordinance further to amend the Customs Duties Ordinance, 1935.”

The object of this Bill is to provide for an increase in the export duty on Bauxite from 30 cents to 45 cents a ton on ordinary bauxite and where such ore is calcined a duty of one dollar (\$.00) per ton. I think I have dealt reasonably fully with this particular matter in the review of the Budget Debate. Consequently I would do no more than merely state the object of the Bill. But here, Sir, is the point at which I propose to move in a new clause 3 to provide for the increase of duty which I announced earlier on; that is, the increase of the Customs Duties on imported spirituous liquors -- brandy, whisky, gin, and other minor items. I propose to circulate this amendment.

The increases proposed in this clause will amount to not more than 22 cents per bottle and, consequently, I expect that the increase in the retail price of those articles will not exceed one shilling (24c.) a bottle. The clause provides in its last two paragraphs for these increased duties to come into effect from today. As I said, Sir, I do not anticipate any increase in revenue arising from these increases. I hope that the estimated revenue from the present duties will be maintained. I beg to move that the Bill be now read a second time.

The ATTORNEY-GENERAL seconded.

Question put, and agreed to.

Bill read a second time.

On a motion by the FINANCIAL SECRETARY & TREASURER seconded by the ATTORNEY-GENERAL the Council resolved itself into Committee to consider the Bill clause by clause.

#### COUNCIL IN COMMITTEE

##### *Clause 1 — Short Title*

The FINANCIAL SECRETARY & TREASURER: I beg to move that the figure “1950” be made to read “1951”.

Question put, and agreed to.

Clause passed as amended.

##### *Clause 3 — Repeal and replacement of item 44 in the First Schedule to the Principal Ordinance*

The FINANCIAL SECRETARY & TREASURER: I beg to move the insertion of a new clause 3, a copy of which I have circulated to Members.

Mr. FERNANDES: I have just had the copy of this amendment, and it does not give the previous rates of duty so as to show if there is a general increase and how much. There is one item on page 2 — “Flavouring essences of a strength exceeding 40 per cent. of proof spirit — \$6.65 per liquid gallon British Preferential Tariff and \$7.28 per liquid gallon General Tariff.” Is not that an increase on the very article we have just been discussing? Would it in any way increase the cost of production?

The FINANCIAL SECRETARY & TREASURER: I was assured by the Comptroller of Customs that it is not so. This refers to essences.

Dr. GONSALVES: I notice from the amendment there is no reference to Beer. In other countries Beer is considered the poor man’s drink, and we would like to know whether that is included here in these large increases. Also the hon. Member for Georgetown Central has just asked about the increase on the liquid gallon of concentrated essences. Please elucidate it somewhat for my benefit? It is not quite clear. I have always contended that we never get these Bills in sufficient time for us to know what they are about before they are discussed in Council.

The CHAIRMAN: This is a taxation measure and you cannot have notice of it earlier. But the hon. Member is quite entitled to ask for information.

Dr. GONSALVES: I am saying I would like to know what I am voting on. I would like the point to be elucidated, the question of the concentrated essences because if, as Your Excellency has just

mentioned, some deterrent should be placed on the importation of concentration essences and those are the very ingredients used in the manufacture of our drinks, then it looks to me it is just the other way of doing it. The manufacturer is bound to reduce the quality of his stuff or to increase his price, which is only natural. So I would like to know whether Beer is included here, and whether these are essences used in the manufacture of the very same articles of which we have just spoken.

THE FINANCIAL SECRETARY & TREASURER: In the first place, Beer is not in this Bill. That is to say, there is no change in the duty on Beer. I spoke of increases on Whisky, Gin, Brandy spirituous liquors. I am sorry I have not had the copy of the existing schedule circulated to Members. Hon. Members are right in demanding information about the comparison between the of today and the rates which this Bill seeks to impose. In so far as Flavoured essences are concerned item (c) on the schedule — the amount \$6.65 British Preferential and \$7.22 General Tariff per liquid gallon of a strength exceeding 40 per centum of proof spirit, which is the same as in the old list. There is no increase.

Mr. FERNANDES: We do not know whether the other items are increased. It is not possible for Members to carry entire list of tariffs in their heads. The hon. the Financial Secretary said the increases were on Brandy, Gin, Whisky and then went on to say "some other

Dr. GONSALVES: When it speaks of spirituous preparations, Beer and Ale are spirituous preparations, though I am glad for my own benefit that they are not included. It is according to the percentage of alcohol found in them that they are so classified.

The CHAIRMAN: Technically speaking Beer and Ale are not spirituous liquors

Mr. RAATGEVER: They are included under the Tariffs for Malt.

The FINANCIAL SECRETARY &

TREASURER: I had used the words "other items" as said by the hon. Member for Georgetown Central. What was referring to was item 2 — Other Spirituous Preparations in the Schedule. I do not have the Tariff in my head. I am notified that item at present is \$10.50 per liquid gallon British Preferential and \$11.00 General Tariff. It now becomes \$11.50 British Preferential and \$12.00 General Tariff.

Dr. GONSALVES: If the hon. the Financial Secretary had told me there was no increase in respect of flavouring essences I would have kept quiet.

Dr. JAGAN: I notice that the Rates of Duty under the General Tariff are in some cases twice as much as those under the British Preferential Tariff, whereas in other cases there is only a very small increase or difference. I would like to know the reason for that

The CHAIRMAN: It would be very difficult to give the hon. Member that information. It is done under the Canada-West Indies Trade Agreement and there were some special reasons for the differences between the General and British Preferential Tariffs. I am afraid I cannot, and no one in the Council can tell the hon. Member offhand the reasons. We have to preserve these differences as long as this agreement obtains

The Council resumed

The FINANCIAL SECRETARY & TREASURER: I move that the Bill be now read a third time and passed

The ATTORNEY-GENERAL second-

Question put, and agreed to.

Bill read a third time and passed.

#### INCOME TAX (AMENDMENT) BILL, 1950

The FINANCIAL SECRETARY & TREASURER: I beg to move that the following Bill intituled,

"An Ordinance further to amend the Income Tax Ordinance by increasing in certain respects the rate of Tax



on Companies and for purposes connected therewith."

be read a second time. The object is to increase the Companies rate of tax from 40 per cent. to 45 per cent. with a concession that the original rate shall continue where the chargeable income is under \$50,000 per annum, and also to increase the rate of tax on Life Insurance companies from 5 per cent. to 15 per cent. I have dealt very fully with this matter in the Budget Statement itself and have given the reasons. I explained the hesitancy which Government has to take the Companies' tax so high, even though that is the rate now existing in the United Kingdom and has been so for some time. I may say, Sir, a certain amount of anxious consideration was given to this part of clause 2 of this Bill which deals with the allowance or concession to companies whose chargeable income does not exceed \$50,000 per annum. Quite obviously the tax on a company has always been in this Colony and in other Colonies a flat rate, but Government felt anxious that there should be some concession of this sort particularly to meet the case of the small company, the small family company, to give them a measure of support in retaining part of their income untaxed — a substantial part — for development, etc.

I know, Sir, that particular part of this Bill has been criticized. Representations have been made to Government about it. Certain views have been expressed of one sort or another. One hon. Member felt very strongly about it and wished to put to the Council that the concession be abrogated altogether. Outside this Council certain representations were made to the effect that it is unjust that we should have this provision whereby a concession in the case of a group of related companies should apply to one company. I do not wish to argue that in this Council unless it is brought up here, but I do wish to say that representations such as I have heard are not valid. When we get in Committee, if views on this particular clause are expressed which appear to me that the majority view of the Council is that this particular concession should be abrogated, I shall be willing to provide the

necessary amendment, but first of all we should hear the views of Members about it.

With regard to the tax on Life Insurance companies, I think, I dealt with the matter fully in my reply to the Budget Debate. It is certainly a very curious situation that in our neighbouring Colonies the tax on Life Insurance companies should be 15 per cent. and here it is only 5 per cent; and it is certainly very curious that the Insurance companies operating in all three Colonies — British Guiana, Trinidad and Barbados should be willing to pay that tax in Barbados and Trinidad, but suggest it is too high here. I have no doubt whatever that 15 per cent. on Life Insurance companies is not too high, and I have no hesitation in saying that the imposition of a 15 per cent. tax on our local Life Insurance companies would make no difference to their profit-earning capacity and ability. I have had the pleasure of seeing quite recently a document given by an Actuary which supports entirely what we have known to be true for a long time and that is, there has been a substantial decrease in mortality rates and insurance business would grow more and more profitable as time goes on. I beg to move that the Bill be read a second time.

The ATTORNEY-GENERAL seconded.

Mr. SMELLIE: I do not wish to take up very much time. What I think about this Bill is that, like the Curate's egg, it is good in parts. The part I do not like is this: that if a parent company has one, two or more associated companies and the total profit made in a year exceeds \$50,000, it means that however small the amount of profit one of the associated companies makes it would be mulcted at the increased rate if the combined total profit exceeds \$50,000. In the Chamber of Commerce some weeks ago one of the members there said that in his opinion, if the profits were going to be added together and any excess over \$50,000 would be charged at the rate of 45 per cent., it was only fair that if a parent company or a subsidiary company suffered a loss, that loss should be de-

ducted. The point was mentioned in Finance Committee where the Financial Secretary said he attached no merit whatever to it. I find myself unable to agree with him. I think it is only fair that if one of the associated companies suffers a loss that loss should be deducted for the purpose of deciding what rate of income tax should be paid.

The FINANCIAL SECRETARY & TREASURER: Do I understand the hon. Member to suggest that there should be some provision by which profits are added together for the purpose of income tax?

Mr. SMELLIE: Yes.

The FINANCIAL SECRETARY & TREASURER: I think the hon. Member implied that there is a provision which enables the profits of two or more related companies to be added together for the purpose of income tax. Did the hon. Member say that?

Mr. SMELLIE: Yes. Is it intended that if there are two or more associated companies and one company makes a profit of \$45,000 and another makes a profit of \$10,000, the company that makes a profit of \$10,000 would be charged income tax at the rate of 45 per cent?

The FINANCIAL SECRETARY & TREASURER: No. I do not understand that at all. In that case both companies would be charged at the rate of 40 per cent.

Mr. SMELLIE: I am glad to have that explanation.

Dr. JAGAN: Following upon what has been said, I was wondering whether I understood the Bill wrongly, or whether the Financial Secretary is interpreting it in a different way. I think the hon. Member who has just spoken referred to two associated companies, the parent company making a profit of \$45,000 and the subsidiary company making a profit of \$10,000, in which case the total profit would be \$55,000 and therefore above the limit of \$50,000. Does it not follow that in that case there would be an excess of \$5,000, and consequently the company

would have to pay a tax of 40 per cent. on \$50,000 and 45 per cent. on the \$5,000? I believe the hon. Member wanted to find out which of the companies would have to pay at the rate of 40 per cent. and which at the rate of 45 per cent. I can see that it would create a great deal of difficulty, because there is the possibility that in the associated companies there might be different shareholders, and naturally every shareholder would want to get as large a dividend as possible, and if in the case of one company the rate of tax is 45 per cent. and in the other 40 per cent. it seems to me that a shareholder in one company would be given an advantage over a shareholder in the other company. I can see that this matter is going to lead to a lot of difficulties, and perhaps the simplest way would be to increase taxation generally to 45 per cent.

I have strong reasons for advocating such a course, because I know that in this country taxation has been increasing over a long period of time, and most of it has been indirect taxation. I remember reading Col. Spencer's report in which he compared taxation figures in this country with those in Great Britain, and he said that we were paying as much indirect taxation as the people in Great Britain, but that as regards direct taxation our percentage is very much lower. In view of the fact that on the last occasion taxation was increased in this country — 1947-48 — most of it was indirect taxation, and we find at this time that there is to be a further increase in indirect taxation by way of increased stamp duties and other charges, I feel that the rate of income tax on companies should be increased from 40 to 45 per cent. generally. That would obviate the difficulty which would be experienced in allowing companies of an earning capacity of \$50,000 to be exempt from the additional 5 per cent. income tax. There is also the other argument that there are many companies which this Bill seeks to encourage, and which are not earning as much as \$50,000 per annum, therefore this Bill would not encourage them to any great extent. I feel that Government would be wise in levying a general rate of 45 per cent. because only companies which are owned by a parent company would be earning as

much as \$50,000 per annum, and when it is considered that there would be difficulty in determining which of the associated companies should be charged income tax at the rate of 40 per cent. and which should be charged at the rate of 45 per cent. I can see that it would be wiser to levy a straight tax of 45 per cent.

There is one other point which I think Government should look into, and that is whether there should not be some distinction between profits earned by companies which may be considered as trading concerns, that is buying and selling, and those engaged in business which is considered productive. I know that a great deal of money is being spent on trading ventures. As soon as a person accumulates a certain sum of money he opens a shop or a wholesale grocery or hardware store, or a retail grocery or hardware store, and it seems to me that it would do the Colony much more good if some of that money could be channelled along productive lines such as Your Excellency mentioned a few minutes ago. The only way that can be done is to impose some sort of preferential rate on productive companies as against trading companies. I think if Government does that it would in the long run help this country's development, because some of the capital which is now being invested on speculative lines, buying and selling, would be channelled in the right direction, and this country would benefit in that respect.

The FINANCIAL SECRETARY & TREASURER: In view of his argument I take it that the hon. Member would have been in favour of the tax on aerated waters.

Mr. RAATGEVER: It is my duty to correct the statement made by the hon. Member for Central Demerara (Dr. Jagan) that direct taxation has not increased by the same percentage as indirect taxation.

Dr. JAGAN: I did not say that. I merely said that compared with Great Britain the rates of indirect taxation were more or less the same, whereas in the case of direct taxation they were much lower.

Mr. RAATGEVER: Comparisons are odious. You cannot compare Great Britain with this country. Great Britain is a highly industrialized country. Where

are our industries? The few industries we have certain destructive elements in the community are seeking to destroy. When income tax was introduced here in 1929 the tax on businesses was 12½ per cent. Today it is 40 per cent. That is direct taxation on the shareholders of companies, and indirect taxation has not risen to the same extent during the war years. There is no doubt about that. So when the hon. Member speaks he must be careful. He is always giving wrong information in this Council.

Dr. JAGAN: I object to that statement. The hon. Member must quote facts and figures to show where I am always giving wrong information.

Mr. RAATGEVER: The statement which you have just made is incorrect, — that indirect taxation has increased.

Mr. FERNANDES: Before I say anything on the Bill I would like to ask the hon. the Financial Secretary, in view of his reply to the hon. Nominated Member, Mr. Smellie, to explain for me sub-clause, (2) and (3) of clause 2.

The FINANCIAL SECRETARY & TREASURER: I must admit that I made a mistake in my categorical reply to the hon. Nominated Member, Mr. Smellie. I think he gave the illustration of two related companies, and in reply I said that both companies, so long as their profits were under \$50,000, would be charged at the rate of 40 per cent. That is wrong. What I should have said was that one would be taxed at 40 per cent. and the other would have to pay the additional 5 per cent. tax.

Mr. SMELLIE: I have already spoken and I am not entitled to speak again, but if you would be good enough to allow me to elaborate the point —

The PRESIDENT: I think the hon. Member will be able to do that in Committee when we are discussing the particular clause.

Mr. FERNANDES: Having got that reply I will say that this would mean that if there were 3, 4 or 5 associated companies all except one would have to pay a tax of 45 per cent. I feel that it would create a lot of difficulty in establishing how much related one company has to

be to another before it could be termed a related company — whether having 90 per cent. of the same shareholders would make it related, or whether the capital of one has to be invested in the other exclusively to make it a related company. I would like to avoid such unnecessary argument. The great point which was made as regards the smaller or family companies is not as strong as it was before, because the extra 5 per cent. tax would only affect the undistributed profits. According to the income tax law the tax on distributed profits is levied at the rate applicable to the persons to whom the profits are paid — not at the rate applicable to the company that makes the profit.

Let me explain my point. If a family company made a profit of \$10,000 and there were five members of a family in the company who received \$2,000 each of that profit, the Income Tax Office would collect 45 per cent. on the company's profit of \$10,000, but those five persons who would have to account to the Income Tax Department for their dividends of \$2,000 would be entitled to a refund from the Income Tax Department of the difference between the rate of tax on their income, which may be 12 or 20 per cent., and the 45 per cent. charged on the \$10,000. So that it would not affect the family company. There is nothing to prevent those persons from taking out all of the profit made by the company, and after paying income tax, lending the money back to the company, or increasing the company's capital. The extra 5 per cent. tax would not hurt them at all. Where it would hurt is where those shareholders add that profit to their incomes and bring their incomes up to the point where they would not only have to pay 45 per cent., but in some cases 60 per cent., because in that case they would have to leave everything in the business which would carry their incomes beyond the 40 per cent. limit, and be satisfied to pay 45 per cent. That is the only way in which a family company or persons with money invested in family companies would be hurt by making this tax general at 45 per cent.

As regards the small companies the extra 5 per cent. would only come into

play in respect of undistributed profits, and I think it is too small a matter for us to allow it to cause any amount of argument and trouble in the Income Tax Department, and any amount of dissatisfaction as to the treatment of one company as against another. If it is desirable to make the tax 45 per cent. I think it should be made general, and I am sure the hon. the Financial Secretary will agree with me that it would not hurt the small companies if they paid all their profits out to their shareholders. I strongly recommend that if we have to impose this extra 5 per cent. at all we should make it general, because I do not think it would create any hardship on the small concerns.

The PRESIDENT: I do not know if the hon. Member's interpretation of the income tax law is correct.

The FINANCIAL SECRETARY & TREASURER: Generally speaking, the hon. Member is perfectly correct, but there is not a shadow of doubt that there are a number of companies which will fall within the \$50,000 a year bracket, and there are a few of them which would welcome the possibility of being able to retain another 5 per cent. in reserve. I must say that when I suggested this rather novel provision I thought it would have been particularly attractive to a certain section of our commercial community. However, I must admit now that it has been attractive in the reverse; that they are much more concerned about the interpretation of the machinery and the possible inequality which might arise in giving effect to this particular clause. Consequently, if it is the general feeling — I believe it is the majority feeling — I would in Committee suggest a means by which a flat rate might be imposed. If that is done then I believe the question which was raised by the hon. Nominated Member, Mr. Smellie, which, of course, also has to do with the machinery, should stand. No Member has touched on the question of life assurance companies, and I presume that if they wish to raise it they will do so in Committee.

Question put, and agreed to.

Bill read a second time.

## COUNCIL IN COMMITTEE

The Council resolved itself into Committee to consider the Bill clause by clause.

Clause 2. — *Repeal and re-enactment of section 23 of the Principal Ordinance No. 1 of 1949.*

The FINANCIAL SECRETARY & TREASURER: I take it that perhaps the best course would be for me to suggest an amendment to this clause and move it. Members may not be in a position to move such an amendment because it is really an imposition of a tax on a certain section. I have prepared an amendment in anticipation, and I will circulate it. I move the insertion of a new clause 2 which reads :

2. Section twenty-three of the Principal Ordinance, as enacted by Section six of the Income Tax (Amendment) Ordinance, 1949, is hereby repealed and the following is substituted therefor :—

"Flat rate of tax on companies. 23 (1) The tax upon the chargeable income of a company other than a Life Insurance Company shall be charged at the rate of forty-five per centum of the amount of the chargeable income.

(2) The tax upon the chargeable income of any Life Insurance Company shall be charged at the rate of fifteen per centum of the amount of the chargeable income".

The CHAIRMAN: I agree that if we kept it at 40 per cent. it could not be maintained at that rate very long, for the reason that our public services are expanding rapidly.

Mr. RAATGEVER: I am not in agreement with any change being made in the Bill as printed. I think the clause should be put as printed because, if it is removed, it will certainly affect the small family concerns. There is no doubt about that.

Mr. FERNANDES: Your Excellency mentioned about companies coming to this Colony. I happen to know of three American companies which have gone to the West Indies to establish factories.

They came to the conclusion that British Guiana had nothing attractive to offer. One company went to Bermuda because there is no income tax there at all, and two have gone to Grenada because they had the products on the spot there. If we are to attract capital from abroad we must have something attractive to offer.

The FINANCIAL SECRETARY & TREASURER: There are two Bills which will come before this Council. One is the Aid to Industries Bill which seeks to remove Customs duties and other taxation in respect of development companies, and there is the Income Tax Aid to Industries Bill which has just been published and which seeks to give all sorts of concessions. We are about to do all we can to encourage development companies, and I think it is a little unjust for Americans to come down here and speak in that way, if the hon. Member's impression is correct. At present it is proposed to levy income tax in America at the rate of 55 per cent., although it is true that it is a war-time or rearmament measure.

Mr. FERNANDES: In the minutes of the Finance Committee laid today there is an estimate of a revenue of \$500,000 from this tax as proposed in the Bill. Is that correct? It would mean that the extra 5 per cent. tax would yield \$500,000 on the undistributed profits of companies making over \$50,000 profit.

The FINANCIAL SECRETARY & TREASURER: The hon. Member could not possibly calculate it in that way. If he is trying to ascertain what the result would be if the amendment is carried I could give him the figures.

Mr. FERNANDES: If the tax is not to be on the undistributed profits but on the whole profits it is obvious that the hon. the Financial Secretary has miscalculated what it would yield, because the tax on that portion of the profits which is going to be distributed would have to be refunded, for the reason that we are not increasing the rates on those persons who are already paying income tax on those profits. The smaller firms are going to fall just below the \$50,000 limit, and I have a presentiment that quite a number of them will fall within

the 40 per cent. category. I do not think we are being very fair in relieving them of the extra 5 per cent. on their undistributed profits. I don't like the tax. I think the hon. the Financial Secretary said the companies would like to see the tax a little less. I would like to see it a little less. If we are to have taxation it must fall on the shoulders of those able to bear it. As this only affects the undistributed profits, I do not think I have any qualms of conscience in supporting the amendment.

Mr. DEBIDIN: I am supporting the printed clause. In other words, I am against this amendment and I will just give two reasons why. There has been within the past few years within my knowledge a scramble on the part of those doing business to convert their business into companies. There must be some reason for that. I feel, too, that something might have been done by those who claim to be Labour Members of this Council to prevent much of our income leaving the shores of this Colony, and I feel that if anything other than what is proposed by the Bill is done it may lead someone to move a motion to make this lower than 40 per cent. I am certainly in favour of any increase of Income tax. This taxation proposal is an extremely reasonable one. It seems to pre-suppose that the company is a healthy one capable of making above \$50,000 profits a year. I cannot see any reason for any specious argument about distributed and undistributed profits affecting this Bill.

Mr. FARNUM: I quite agree with what the hon. Member for Georgetown Central (Mr. Fernandes) has said. If the company makes over \$50,000 the tax would be levied at 45 per cent., but the shareholder who receives his dividend from that company would have to be given a refund if he is not liable to the tax. Therefore you give with one hand and take back with the other. The Government will collect 45 per cent. from the company and refund it to the shareholder. It seems to me that in the balance you will not get very much by way of the tax.

The CHAIRMAN: Then the hon. Member supports the amendment!

Mr. FARNUM: I support the amendment, but I am just pointing out that I do not think the hon. the Financial Secretary would realize the amount of money he hopes from these companies. I think the amount of \$500,000 is put down, but I doubt that you will get that. You charge the company with 45 per cent., but if the shareholder is not liable to taxation you have to refund that 45 per cent. to the shareholder. I think I am correct. There is one point I would like to ask the hon. the Financial Secretary—if he is satisfied that the machinery of Income tax is such that the tax which is being levied will be collected from all such persons who are eligible to pay taxation? I do not think so, because one has only to go out of the City and see the very palatial buildings which are being erected, and yet one hears that those persons who are putting them up are paying very little Income tax.

The CHAIRMAN: I might tell the hon. Member that one hon. Member has referred to that and that is receiving the attention of Government at the moment. I hope, if Government asks for an increase of staff for the purpose of catching these evaders of Income tax, that this Council would support the proposal when it comes forward. No one is more anxious than I am to see that the tax is not evaded. I have heard a lot about it, that so and so is a very rich man and does not pay Income tax. I can assure the hon. Member that Government is very anxious, as anxious as he is, to get every cent we can by the tax.

Mr. FARNUM: It is very annoying to hear certain of these people boast that they pay very little Income tax and others who have to pay are referred to as "sitting ducks". It is certainly very annoying.

The CHAIRMAN: The Income Tax Department will be very glad for any information about any particular person who is evading the tax. You need not disclose your name.

Mr. FARNUM: It seems to me, Sir, that enquirers attached to the District Commissioner's office in the rural dis-

tricts will be able to give all the information.

The CHAIRMAN: I discussed the matter the other day with one District Commissioner and I shall discuss it with all the others. It is part of the functions of the District Commissioners to assist the Income Tax Commissioners and to try and find out evaders of the tax.

Mr. FARNUM: Then, Sir, there is this question of Charity. Charity is not exempted from taxation, and I know quite a number of well-to-do people will be willing to contribute to Charity but for that. I quite understand that certain persons may use that in a way they should not but, I think, Government with its Officers ought to be able to find out whether a case of charity is a genuine one or not. I know a man, who came into a certain amount of money, was prepared to give it to an orphanage, but he has to pass it through his books and so has to pay Income Tax on it. I do ask that consideration be given to this matter.

The CHAIRMAN: He would have to pay Death Dues on it, if he does not give it away and he dies!

Mr. FARNUM: In this case, Sir, it seems that he had put through some business and got a windfall. He had to pass it through his books as a businessman, but he is quite willing to give it to charity. I would ask that some consideration be given to it. As regards Life Insurance companies the hon. the Financial Secretary has told us that the tax in Barbados is 15 per cent., but unlike in British Guiana I do not think in addition to that they pay a licence duty of \$1,000 a year. I do feel that by increasing the tax here you are penalizing the man, who is willing to be thrifty, as you are reducing his bonus.

The FINANCIAL SECRETARY & TREASURER: I rise to emphasize that there is not the slightest doubt about it. The tax does not interfere with the rate of bonus of any of our companies. I think the companies would object to such a statement being publicized. The tax involved is insignificant and would have not the slightest effect on it.

Mr. FARNUM: I believe the hon. the Financial Secretary is a Director of a local company, and it is strange to see a circular which has been sent to every Member of this Council was signed by the Directors of various companies protesting against that tax.

The FINANCIAL SECRETARY & TREASURER: Everybody had a try at the taxation proposals, without any exception.

Mr. FARNUM: Another point, Sir. Is it a fact that only local companies are taxed and not the foreign companies operating in this Colony? If that is so, it does seem rather unjust.

Mr. LEE: With respect to Income tax I would like to throw out a suggestion to the Government. It is within my knowledge that the Income Tax Commissioners sent to the District Commissioners asking for the names of persons who should be taxed and whose returns should be demanded from them and are to be sent back to the District Commissioners. From my knowledge and information received, the District Commissioners are not consulted in respect of those returns. If the District Commissioners are made to take the Oath of Confidence and are consulted over those returns, they would be able to give very valuable information to the Government. I know of certain cases where the District Commissioner sent in the name of a particular proprietor and that proprietor sent in a return wherein he charged for different things done, such as digging of trenches, to his estate, whereas in truth and in fact those things were not done by him, because the District Commissioner could have given information to the Income Tax Commissioners that the tenants on the estate had to do the work for their own protection. I would certainly suggest—

The FINANCIAL SECRETARY & TREASURER: We are really at clause 2 of a specific Bill.

The CHAIRMAN: The hon. Member is really not in order!

much as \$50,000 per annum, and when it is considered that there would be difficulty in determining which of the associated companies should be charged income tax at the rate of 40 per cent. and which should be charged at the rate of 45 per cent. I can see that it would be wiser to levy a straight tax of 45 per cent.

There is one other point which I think Government should look into, and that is whether there should not be some distinction between profits earned by companies which may be considered as trading concerns, that is buying and selling, and those engaged in business which is considered productive. I know that a great deal of money is being spent on trading ventures. As soon as a person accumulates a certain sum of money he opens a shop or a wholesale grocery or hardware store, or a retail grocery or hardware store, and it seems to me that it would do the Colony much more good if some of that money could be channelled along productive lines such as Your Excellency mentioned a few minutes ago. The only way that can be done is to impose some sort of preferential rate on productive companies as against trading companies. I think if Government does that it would in the long run help this country's development, because some of the capital which is now being invested on speculative lines, buying and selling, would be channelled in the right direction, and this country would benefit in that respect.

The FINANCIAL SECRETARY & TREASURER: In view of his argument I take it that the hon. Member would have been in favour of the tax on aerated waters.

Mr. RAATGEVER: It is my duty to correct the statement made by the hon. Member for Central Demerara (Dr. Jagan) that direct taxation has not increased by the same percentage as indirect taxation.

Dr. JAGAN: I did not say that. I merely said that compared with Great Britain the rates of indirect taxation were more or less the same, whereas in the case of direct taxation they were much lower.

Mr. RAATGEVER: Comparisons are odious. You cannot compare Great Britain with this country. Great Britain is a highly industrialized country. Where

are our industries? The few industries we have certain destructive elements in the community are seeking to destroy. When income tax was introduced here in 1929 the tax on businesses was 12½ per cent. Today it is 40 per cent. That is direct taxation on the shareholders of companies, and indirect taxation has not risen to the same extent during the war years. There is no doubt about that. So when the hon. Member speaks he must be careful. He is always giving wrong information in this Council.

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Mr. RAATGEVER: The statement which you have just made is incorrect, — that indirect taxation has increased.

Mr. FERNANDES: Before I say anything on the Bill I would like to ask the hon. the Financial Secretary, in view of his reply to the hon. Nominated Member, Mr. Smellie, to explain for me sub-clause, (2) and (3) of clause 2.

The FINANCIAL SECRETARY & TREASURER: I must admit that I made a mistake in my categorical reply to the hon. Nominated Member, Mr. Smellie. I think he gave the illustration of two related companies, and in reply I said that both companies, so long as their profits were under \$50,000, would be charged at the rate of 40 per cent. That is wrong. What I should have said was that one would be taxed at 40 per cent. and the other would have to pay the additional 5 per cent. tax.

Mr. SMELLIE: I have already spoken and I am not entitled to speak again, but if you would be good enough to allow me to elaborate the point —

The PRESIDENT: I think the hon. Member will be able to do that in Committee when we are discussing the particular clause.

Mr. FERNANDES: Having got that reply I will say that this would mean that if there were 3, 4 or 5 associated companies all except one would have to pay a tax of 45 per cent. I feel that it would create a lot of difficulty in establishing how much related one company has to



Bauxite Company by reason of the fact that it is a subsidiary of a principal company abroad has to pay tax on the whole of its profits. There is no question of a set-off or relief through dividends. Consequently the impact of the increased tax falls on the whole of the profits. For those reasons it is difficult for the hon. Member to understand how that figure of \$500,000 is arrived at. He would now appreciate where most of this money would come from. That is as regards the computation itself. I can also tell him that if the concession of \$50,000 is removed we would get a fairly substantial increase in the yield of the tax, which makes it attractive to me officially at the present time.

Generally speaking, I was astonished to hear there was so much misunderstanding as to what it is all about—this proposal to increase the Companies tax from 40 to 45 per cent.—but with the concession which is put down in this Bill that companies with an income of \$50,000 and under shall pay only 40 per cent. and those with an income over \$50,000 shall pay 40 per cent. on the first \$50,000 and 45 per cent. on the remainder. This proposal is an unusual thing as the tax on companies is always a flat rate. The amendment as circulated is what would have to be put before the Council. Anxiety to provide some sort of concession or relief to a certain section of traders in this community is what induced me to advise Government to allow this particular clause to be introduced in this form. This form has no parallel in Colonial legislation anywhere. We have taken it from the Canadian Income Tax legislation. It is completely new. The form of the amendment should be as in the draft normally.

To go back to the hon. Nominated Member (Mr. Smellie), I think he is correct in the proposition he has put except that he, perhaps repeating the words of some person in the Chamber of Commerce, talks about adding the profits together. In no case is the income of one company added to that of another company. If two companies are related one would pay 45 per cent. and the other 40 per cent. on the income, below \$50,000.

If there are three companies related together, one has to be selected to pay 40 per cent. and the others 45 per cent. I think the section allows the taxpayer to select which one he likes or, if not, the arrangement is that the Income Tax Commissioners select for him. But never is the income of one company added to the income of another for this or any other purpose. That is why I cannot understand the argument of the Chamber of Commerce that because of this so-called addition of profits we should allow losses to be deducted. I repeat there is no case where the profits of one company are added to the profits of another company. If there are two related companies only one can get the concession of the 40 per cent. tax. That is the Bill as it now stands. The form of the amendment is the normal method of applying the taxation of companies. This concession business has been criticised in some quarters not only because they say, as the Hon. Member for Georgetown Central (Mr. Fernandes) has said, it does not give any real relief to the individual shareholder, but because of the difficulty of applying it or interpreting it.

Mr. FERNANDES: The hon. the Financial Secretary is right. I did make a slip up, and he did not correct me. When I used the amount of \$500,000 I completely forgot Insurance. I rise to correct that. A good deal of that \$500,000 will come from the Insurance companies.

The FINANCIAL SECRETARY & TREASURER: Let me at once say that this increase from 5 to 15 per cent. on the Insurance companies would probably produce \$15,000 from the whole lot.

Mr. FERNANDES: I am glad to hear that. Then my figures are not very far out—only by a small figure. I quite understand the Bill. If it is the only intention of Government to place an additional 5 per cent. and take 5 per cent. off Bauxite, I would not be too strong on the amendment. I still feel it is going to cause a lot of difficulty in collecting it. With the present set up it will be far easier to collect on the amendment, and for that reason I will support it.

Mr. DEBIDIN: The hon. the Financial Secretary mentioned the point about misunderstanding. I am trying to redeem myself for having misunderstood this matter. I think the three Members in a line here had the idea that the 40 per cent. was intended to be a general charge.

The CHAIRMAN: That is the law at the moment!

Mr. DEBIDIN: Following on the discussion that went before, my reason for speaking again is to refer to a point I made that Social Services will require a great deal of money. Because of what I know from the various Committees and Boards on which I serve it is a fact that within the next six months probably the Government will be called upon, or this Council, to vote a considerable supplementary amount. From what I see indicated, I feel that the increase would be very justified if we were to take into account the need for extra money and the fact that our Budget stands very strained to be balanced, especially in view of the suspension of a portion of the proposed taxation.

The FINANCIAL SECRETARY & TREASURER: I fully appreciate that point. Hon. Members must realize that the suspension or putting down of the Aerated and Artificial Mineral Waters Tax Bill means a reduction of the yield of that tax which I announced with a reduced vote would produce \$140,000. That amount has to be made good. Therefore this amendment would go a great deal to meet a portion of that shortfall. In view of the remarks made I formally move that clause 2 as printed be deleted and that which has been circulated be substituted therefor.

Mr. LEE: I second that.

Mr. SMELLIE: I would like to say that not only my friend in the Chamber of Commerce and myself but very many other people in the community were of the opinion that this Bill means that the chargeable income of subsidiary companies will be added together and any excess over \$50,000 will be charged at the higher rate. I think I ought to empha-

size that point so as to be fair to my friend in the Chamber of Commerce, because I do think that probably had he the assurance of the hon. the Financial Secretary and Treasurer that that was not the intention of the Bill he would not have brought in this question of losses which seemed to upset the hon. the Financial Secretary and Treasurer so much.

Dr. JAGAN: There is one comment I would like to make. The hon. Member for Eastern Demerara made the point that there was a rush for registration of companies, and from the explanation which had been given by the hon. Member for Georgetown Central it seems to indicate the reasons why there was this great rush to form these companies. Apparently if an individual owning a private business concern has to pay Income tax and he has to pay a very high percentage, it being on a graduated scale he prefers to start a company and thereby retain the profits in the company at a lower rate. I believe we have to conclude that most of this shuffling from one place to another is merely to dodge Income tax. I can foresee that possibly in the future there will be the same rate of tax levied on undistributed profits as on distributed profits or dividends. That is the only way to my mind we will be able to prevent either this putting of profits in the company as undistributed profits, or distributing it to the shareholders when it suits them, or the organizing of a company from a private concern in order to keep the profits in the company and pay the lower rate of Income tax.

The FINANCIAL SECRETARY & TREASURER: I think the hon. Member is unduly suspicious and complimentary to the possibility of companies being successful, but I would tell him in the amending Bill to which I have already referred there is going to be a provision which would enable the Income Tax Commissioners to take some control over the unnecessary retention of profits in a company—unnecessary, that is to say having regard to its development, progress, etc., and merely with the object of defeating the higher level of tax on the income of an individual shareholder. I

## LEGISLATIVE COUNCIL.

can say no more than that. It is a very complicated subject. I will remind the hon. Member that the reason why individuals wish to form themselves into companies is not to defeat Income tax but to defeat legitimately their creditors. This wonderful word "Limited" means that liability is limited to what the company has, and not to what those who form the company themselves possess. That is the obvious reason why individuals form themselves into companies.

Mr. RAATGEVER: The hon. the Financial Secretary has omitted to inform the hon. Member for Central Demerara that a company pays Income Tax on its net profits and not on a portion of it — not on what is distributed to members of the company.

Mr. SMELLIE: May I draw attention to the part of the hon. the Financial Secretary's Budget Statement in which he said the imposition of this tax will act as a brake on the accumulation of reserves.

Motion for the substitution of the new clause 2 put, and the Committee divided and voted as follows:—

For—Messrs. Luckhoo, Fernandes, Debidin, Thompson, Roth, Lee, Dr. Jagan, Capt. Coghlan, Dr. Nicholson, Dr. Singh, the Financial Secretary and Treasurer, the Attorney-General and the Colonial Secretary — 13.

Against—Messrs. Smellie, Phang, Peters, Farnum, Ferreira and Raatgever — 6.

The motion having been affirmed the printed clause 2 was deleted and the new clause substituted.

Council resumed.

The FINANCIAL SECRETARY & TREASURER: I move that the Bill be now read a third time and passed.

The COLONIAL SECRETARY seconded.

Question put, and agreed to.

Bill read a third time and passed.

## ESTIMATES, 1951

The FINANCIAL SECRETARY & TREASURER: Having passed all the taxation measures required to meet our deficiency I think Council should now proceed to the consideration of the motion standing in my name which reads:

That, this Council approves of the Estimates of Expenditure for the service of the Civil Government of the Colony for the year ending 31st December, 1951, to be defrayed from the annual revenue of the year and other resources of the Colony and from loan funds.

The report of the Finance Committee on its consideration of the Estimates has been circulated to Members, and I shall ask Council to move into Committee to enable the Estimates to be passed, but before doing so I wish again to call the attention of Members to the summary of the financial position which is on the paper circulated to them at the last meeting of the Finance Committee. In Finance Committee we made net additions to the Estimates which, in the result, make the total deficiency to be provided for \$1,409,196. I may say at once, before we go into Committee, that the position at the moment is not unsatisfactory, because of the taxation measures which have just been passed, omitting the suspended tax on aerated waters, which Members will see was estimated to yield \$140,000. The amount that will be provided by these measures, after taking into consideration the possible reduction of gasoline duty used for industry by the Bill to be introduced shortly, will be \$1,357,000, but we want \$1,409,000.

I have had some pleasant news yesterday from the Public Works Department in regard to sea defence matters. They have reported that the conditions at the Mahaica river mouth are not as serious as they had anticipated, and that the works there have been substantially curtailed. They are therefore willing that the estimate under that head should be reduced by no less than \$50,000.

Secondly, the amendment to the income tax measure just passed, which makes a flat rate applicable to all com-

panies will, I am informed by the acting Income Tax Commissioner, produce an increase of not less than \$90,000. It follows, therefore, that these two sums added together will replace the short fall which has resulted from the omission of the proposed tax on aerated waters.

Mr. DEBIDIN: I would like to point out that one should not be too optimistic about the position at Mahaica, because at a very recent meeting it was disclosed that whatever sum may be saved with respect to the project in hand there will have to be spent upon the Mosquito Hall project.

The FINANCIAL SECRETARY & TREASURER: I know that there is extra work to be done at Mosquito Hall but I am informed that the existing provision will take care of that.

To return to the analysis I was endeavouring to make, we find ourselves now in precisely the same position as when we ended the sittings of the Finance Committee. That is to say that if the Estimate of Expenditure as approved by Finance Committee is adopted by this Council at \$23,239,430 we shall have revenue, with our new taxes which have been passed, to cover that sum and leave a small surplus of \$87,804. I think it is important that Members should know that before we go into Committee, because it might influence their consideration of particular items.

I would like to hope that, having regard to the fact that we spent from the

11th of January to the 22nd of February, meeting three days a week, on a very careful consideration, not necessarily of the estimates themselves but of policy, function and the activities of the various Departments, and we had before us all the Heads of important Departments and Members availed themselves of the opportunity to question and to call for information on a variety of points in Finance Committee, I venture to hope that in this Council we shall expedite our proceedings. I trust that Members will avoid any unnecessary speeches on heads, except to make some important point which they feel it is essential that they should make or cannot be avoided. I know that in another country where the Finance Committee procedure prevails, after the Committee has reported (and it is not a Committee of the full Council as in our case) sometimes the full Council has been able to pass the estimates in a day or two days.

Mr. DEBIDIN: Three days.

The FINANCIAL SECRETARY & TREASURER: I do hope we will be very expeditious in adopting the report of the Finance Committee. I move that the Council resolve itself into Committee to consider the estimates.

Mr. DEBIDIN: As it is near 5 o'clock I move an adjournment at this stage.

The PRESIDENT: We will start with Head I tomorrow. The Council is adjourned until 2 o'clock tomorrow.