

LEGISLATIVE COUNCIL

Wednesday, 2nd May, 1951.

The Council met at 2 p.m., His Excellency the Officer Administering the Government, Mr. J. Gutch, O.B.E., President, in the Chair.

PRESENT

The President, His Excellency the Officer Administering the Government, Mr. J. Gutch, O.B.E.

The Hon. the Colonial Secretary, Mr. D. J. Parkinson, O.B.E. (Acting).

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. C. V. Wight, C.B.E. (Western Essequibo).

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

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

The Hon. V. Roth (Nominated).

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

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

The Hon. John Fernandes (Georgetown Central).

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. F. E. Morrish (Nominated).

The Hon. L. A. Luckhoo (Nominated).

The Clerk read prayers.

The minutes of the meeting of the Council held on the 27th of April, 1951, as printed and circulated, were taken as read and confirmed.

ANNOUNCEMENTS.

COLONY'S GIFT TO NEW HOUSE OF COMMONS.

The PRESIDENT: As hon. Members are aware, the gift of the Government of British Guiana to the new House of Commons in London is a set of four silver-gilt inkstands—two for each lobby. A fifth identical inkstand was ordered at the same time for this Council Chamber, to commemorate the gift locally. This replica has now arrived, and hon. Members will see it on the Council table here today. But before it takes its permanent place in the Chamber it is proposed to exhibit it in the Museum so that members of the public may have an opportunity to see it there.

GOVERNMENT NOTICES.

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 General Loan and Stock Ordinance by making provision for the creation of registered stock and the exchange or conversion of inscribed stock into registered stock.

An Ordinance to amend the Music and Dancing Licences Ordinance with respect to the granting of licences.

The ATTORNEY-GENERAL: I further beg to give notice of my intention to move the suspension of the relevant Standing Rule and Order to enable me, at a later stage, to proceed with item 8 on the Order Paper—the Income Tax (Amendment) Bill, 1951.

UNOFFICIAL NOTICES.

INVESTIGATION INTO MEDICAL DEPARTMENT & INSTITUTIONS.

Mr. FERNANDES gave notice of the following motion:—

BE IT RESOLVED that this Council recommend to Government an immediate investigation into the Administration of the Medical Department and the Institutions under its control.

X-RAY PLANT FOR SUDDIE HOSPITAL.

Mr. ROTH, on behalf of Mr. WIGHT, gave notice of the following motion:—

WHEREAS there is dire necessity for the installation of an X-Ray plant at the Suddie Hospital;

BE IT RESOLVED that this Council recommends to Government that an X-ray plant be installed at the Public Hospital, Suddie, Essequibo, immediately.

CONTRIBUTORY PENSION SCHEME.

Dr. NICHOLSON gave notice of the following motion:—

WHEREAS it is equitable that the worker should share in the profits of industry;

AND WHEREAS it is incumbent upon Government among its other functions to provide social security by way of a system of monthly insurance benefits

for the worker and his family when the wage-earner is old and stops work or dies;

AND WHEREAS in as much as there are in existence Unions capable of bargaining for the worker with his employer there are thousands of employees who are as yet unorganised, and whose sole protection is still Government;

BE IT RESOLVED that this Honourable Council recommends to Government the appointment of a Select Committee to examine the question of the institution of a Contributory Pension Scheme for the workers of this Country and to make recommendations.

TRANSFER OF RESIDENT SURGEON, P.H.B.

Mr. KENDALL: Sir, before the Order of the Day is proceeded with, I would like to crave your indulgence to bring to the notice of this Council a matter which I have discussed on two occasions with the Medical Advisory Committee and you, Sir,—a matter of vital importance to the inhabitants of the County of Berbice, which deserves immediate attention. I refer to the transfer of the Resident Surgeon at the Public Hospital, New Amsterdam. You must have noticed, Sir, in today's *Daily Chronicle* — Berbice Section — a comment by the writer of an article under the caption "New Standards". I would like it to be known that I have discussed this matter, and I am satisfied that the County of Berbice is not being fairly treated in this respect.

There was a very striking case brought to my notice this morning while travelling on the train from New Amsterdam, in which a woman in a very delicate condition was being brought to the City by her husband for treatment that could have been given in the New Amsterdam Hospital if an experienced surgeon was there. I hope, Sir, that you will see to it that this matter is remedied immediately, because I have been confronted by all sections of the community in Berbice who wanted to know what effort I was making in this matter. I want to tell

you, Sir, it is rumoured that the officer who is acting now has indicated to the Director of Medical Services that he is unable to perform the duties demanded of him and, I understand, he has been told that he would either have to do it or terminate his contract. I do not think that is good enough.

I know that in Georgetown at present there are Government Medical Officers who have the necessary experience and can be sent to New Amsterdam. This practice of bringing people from Berbice to Georgetown for medical treatment should stop. For over 50 years the New Amsterdam Hospital has been able to carry out its operations, and I do not see why this present state of affairs should exist. I sincerely hope you, Sir, will take this matter in hand and see that immediate relief is given.

The PRESIDENT: I take note of what the hon. Member has said.

The COLONIAL SECRETARY: The hon. Member's representation will be given consideration but I hope that in the meanwhile hon. Members will not take too much notice of rumours until the facts are known and placed before them.

INCOME TAX (AMENDMENT) BILL

The ATTORNEY-GENERAL: I beg to move the suspension of the relevant Standing Rule and Order to enable me to take the Bill to which I have referred earlier.

The COLONIAL SECRETARY seconded.

Question put, and agreed to.

Relevant Standing Rules and Orders suspended.

The ATTORNEY-GENERAL: I beg to move the second reading of a Bill intitled—

“An Ordinance further to amend the Income Tax Ordinance with respect to the imposition and evasion of Income Tax.”

I am sure it is within the recollection of hon. Members that during the debate on the Budget proposals great stress was laid upon the desirability of seeking to obtain from income tax all the revenue that can possibly be obtained, having regard to the present position. As will be seen from the memorandum of Objects and Reasons, this Bill is necessary to clarify certain ambiguities in the Income Tax Ordinance (Cap. 38) and to facilitate the proper administration of the Ordinance.

Clause 2 (a) provides for the substitution of the words “gains or profits from any office or employment” for the words “gains or profits from any employment” in paragraph (b) of section 5 of the Principal Ordinance, and clause 2 (b) seeks to enlarge the scope of taxable income by rendering liable to tax the value of “owner occupied” property which would be assessed as if such property had been rented. I know there has been a considerable amount of argument with regard to this particular provision, and I daresay the views of hon. Members will be very fully expressed on it when we come to the Committee stage. At the present time it will be appreciated that we are only dealing with the principle of the Bill. I daresay there are many features and provisions of the Bill which will commend themselves to hon. Members.

Clause 3 clarifies the position that gains or profits from employment exercised in the Colony are to be held as income derived from the Colony. Clause 4 (a) extends the exemption from tax to all gratuities granted to Members of His Majesty's Forces in respect of services rendered in any war, so as not to have any limitation as to the last war. Clause 5 seeks to limit the deduction for interest on capital employed in acquiring the income to amounts actually paid. Clause 6 provides for the repeal and re-enactment

of section 11 of the Principal Ordinance. If hon. Members refer to it they will see what is proposed under this clause. Section 11 of the Ordinance, as worded, is ambiguous, and this clause now seeks to clarify the conditions under which allowances for wear and tear may be granted by the Commissioners of Income Tax.

Clause 7 seeks to repeal section 11A of the Principal Ordinance, No. 13 of 1941, and clause 8 provides that section 12 of the Ordinance be amended by the substitution in paragraph (g) of the words "sections forty-eight and forty-nine" for the words "sections forty-seven and forty-eight". Paragraph (g) reads:

"Any amounts paid or payable in respect of the United Kingdom income tax, or super-tax, or Empire income tax as defined in sections forty-seven and forty-eight of this Ordinance."

Clause 9 seeks to relate eligibility for personal deduction to residence in the year during which the income is earned, instead of at present to the year in which the income is taxed. Clause 10 seeks to grant relief to an individual who is required by law to pay alimony or maintenance to a wife from whom he has been legally separated, by allowing the person to deduct a sum up to \$500 from his income and to relate his eligibility to the deduction to residence in the year of income instead of in the taxation year. Similarly, clauses 11 and 12 seek to relate residence to the year of income.

Clause 13 is necessary to provide for the deduction of premiums for deferred annuities in addition to premiums for life insurance. This clause also seeks to limit the deduction to seven per cent. of the capital sum insured, and to retain the present limit of the amount deductible to one-sixth of the chargeable income of the individual. Clause 14 seeks to clarify the position that non-resident persons (except for the provisions of section 19) are not entitled to personal, wife,

children, dependant relative and life insurance deductions. Clause 15 seeks to enable the Commissioner to make an additional assessment in respect of any person who dies and is afterwards found to have possessed undisclosed income. In other words, if a person managed to conceal his income during his lifetime the Commissioner of Income Tax is being empowered to make an additional assessment in regard to that person's undisclosed income.

Clause 16 seeks to clarify the position that "allowances in money" as well as "allowances in kind" in respect of employment are to be included in the return by employers of persons employed by them. It is appreciated, I am sure, that there are cases where persons in employment are paid not only in money but otherwise, and this clause seeks to make the position clear. Clause 17 empowers the Commissioner to—(a) obtain from anyone such information as would enable him to make a correct assessment; (b) enter business premises for the purpose of obtaining information required for the purposes of making a correct assessment; (c) require persons to keep such records and books of accounts as the Commissioner may consider requisite to enable him to make a correct assessment. I think all Members will agree that this is a very essential provision if the Income Tax Commissioner is to get at the source, and be in a position to check the information which is given. This is obviously necessary because, in many cases, people are in a position to conceal what they possess and the true position of their income.

Under the Regulations, income tax returns must be submitted on or before 30th April in each year. There are, however, many persons who habitually send in their returns late in the year to avoid assessment and payment of tax early. Clause 18 seeks to impose a penalty on persons whose returns are received after the time prescribed by the Commissioner, and who are found

to be taxable. The procedure is that after the prescribed date, if a person fails to send in his returns the Income Tax Commissioners give some sort of notification of a last date, and even after that some persons have been found to be habitually late. This clause seeks to make provision in regard to that position.

Clause 19 is required to enable income tax to be levied on the undistributed profits of private companies. At present persons controlling such companies are able to avoid the higher personal tax rates by not taking dividends when such dividends could have been declared and paid without detriment to the cash resources of the company.

Clause 20 seeks to provide against the transfer of property or income to minors and relatives, and the creation of trusts for the purpose of avoiding tax. In other words, that is not a true position, but it is done with the idea of avoiding having to pay in the higher bracket.

Clause 21 seeks to effect the amendment of section 49 consequential upon the proposed amendment to section 14, provided for in clause 9. Clause 22 requires no comment. In some cases taxpayers have unreasonably delayed to proceed with their objections. They put in an objection against the assessment as a whole, and take no further steps, with the result that the tax cannot be collected. Clause 23 seeks to empower the Commissioner, in cases where a taxpayer is unreasonably delaying the examination of his case, to claim payment of the tax held in abeyance. I think that is the proper course. I am sure hon. Members will appreciate the reasonableness of such a provision.

Clause 24 gives the Commissioner power to remit the whole or any part of a penalty, if a reasonable excuse has been given, and if he is satisfied that the failure to comply with the provi-

sions of the Ordinance was due to causes beyond the taxpayer's control. I think it is desirable that those who are constantly failing to send in their income tax returns at the proper time should be penalised. This is a reasonable provision, because there may be cases where, due to no fault on the part of an individual, there is a failure to comply with the provisions of the Ordinance, and the Income Tax Commissioner is therefore empowered to exercise his discretion in cases where it is established to his satisfaction that the individual has failed to comply with the provisions on reasonable grounds.

The proportion of incorrect returns is unduly large, and this results in greatly increased office work for enquiries, etc. Under section 35 it may not always be possible to take proceedings successfully against a person for not making a "true and correct" return. Clause 25 seeks to make provision for such cases. The other clauses are self-explanatory. Clause 28 provides for the coming into operation of the Ordinance with respect to the year of assessment, 1951.

This Bill was published on the 24th March of this year and there was, as hon. Members are aware, considerable discussion with regard to some of these provisions. I believe hon. Members have received representations made in the form of a suggestion from the Chamber of Commerce, and I may mention that, as a result, some of the representatives of the Chamber of Commerce met the hon. the Financial Secretary and Treasurer, the Deputy Income Tax Commissioner and myself on Thursday, 19th April, and discussed the provisions of the Bill and the representations which were put forward in the memorandum sent to Members of this Council. As a result of our discussion certain recommendations have been made, and it is proposed in regard to these recommendations that amendments be made in the course of the discussions in the Committee stage.

First of all, with regard to clause 2(b) the question was raised that in a large number of cases the rental value of property in Georgetown, as assessed under the Georgetown Town Council Ordinance, was higher than the income derived from the property, especially where the rent is determined by the Rent Assessor. After consideration it was agreed to recommend that the provision of this clause be modified so as to permit of 75 per cent. being taken off the annual value for income tax purposes. That percentage would even up and make it equitable by way of assessment. Then, with regard to clause 5, it is considered that the proviso may have the effect of excluding from deduction interest legitimately paid to a non-resident not chargeable in respect of income tax in this Colony. Accordingly, it was agreed to recommend that it be deleted so as to remove any possible hardship in this respect. It was also agreed, in respect of clause 6, to substitute the word "equipment" in place of the word "fixtures," wherever that expression appears in paragraphs (a) and (b) of the proviso to sub-clause (1) of this clause.

A question was further raised with regard to sub-clause (2) of clause 6 in respect of the words "timber grant." It was suggested that instead of the words "timber grant" the words should be "forest grant," which would express the point raised in the course of the discussion.

In regard to clause 13 it was suggested that the deduction allowable for life insurance premiums was unduly restrictive, more particularly in respect of the average 10-year endowment policies. It was accordingly agreed that the percentage allowable for deduction should be increased from 7 to 10 per cent., since the object of the provision is not to restrict normal life insurance but to obviate loss of revenue through the practice adopted by some people,

particularly those of the more wealthy class, of taking out expensive single premium policies in order to reduce the amount of their chargeable income.

In clause 17 it is proposed to move an amendment for the insertion of the words "shall, within the time fixed by the Commissioner" after the words "so required by the Commissioner."

Those are the salient points with regard to the Bill, and I think hon. Members will agree that provisions, such as are contained in this Bill, are essential, and in fact vital, if the collection of income tax is to bring in the amounts which hon. Members emphasize can be brought in if the provisions of the Ordinance are enforced, and people are not allowed any opportunity to evade taxation which others have to pay. I formally move that the Bill be now read a second time.

The COLONIAL SECRETARY
seconded.

Mr. SMELLIE: In moving the second reading of this Bill the hon. the Attorney-General has intimated that several amendments will be moved in the Committee stage. May I say that I do not think that is a very good practice. I remember that soon after the Budget Statement was presented we had a Bill dealing with income tax and a graduated tax on associated companies. The general public had plenty of time to study the provisions of that Bill, but suddenly, in the middle of the debate, an amendment was introduced without any warning, which resulted in the rate of income tax on companies being increased from 40 to 45 per cent. Now, in the case of the Bill before us, we are going to have several amendments moved in without proper time to consider them, and I am submitting, with respect, that when Government decides to introduce amendments on the representations of interested parties, Mem-

bers of the Legislative Council should be provided with printed or typewritten copies of those amendments before the Bill comes before them.

I understand that there is more than one purpose in income tax. Of course the primary object of income tax is to raise revenue. I am all in favour of the Income Tax Ordinance being tightened up so as to prevent evasion, but I am not quite satisfied, with the budget having been balanced, that this is the time to impose additional burdens on the taxpayers. We are going to come to several rather controversial clauses in the Committee stage, in which I hope to be able to express my opinions more specifically than I am doing now. I said that the chief object of income tax was to increase revenue or provide revenue, but of course there is another object, and that is to restrict spending. I have just been reading an interesting book entitled: "Prospects for the Free Economy in 1951," by James Muir, President of the Royal Bank of Canada, and with your permission, Sir, I should like to quote a passage from it. The author writes:

"The most powerful weapon in the fight against inflation is generally supposed to be a stiff increase in the income tax. But the test of efficiency must be that any income tax increases shall penalize spending and reward saving.

"Such a criterion would rule out drastic increases in corporate taxes, including an excess profits tax. Extremely high corporate taxes, especially excess profits taxes, tend to encourage waste in management; and, in addition, excess profits taxes are arbitrary in their impact and inflationary in their final effect.

"The personal income tax is itself a blunt instrument that may hit spenders and savers alike; nevertheless it may prove to be the only weapon with sufficient power to check spending, even though in the process some saving is hit as well.

"To minimize these faults, and to ensure fairness, I would suggest that any increase in income tax burdens should recognize: (1) that an effective attack

upon inflationary spending can only be made by broadening the tax base through lower personal exemptions; (2) that equity demands the vigorous reduction of income tax evasion, now all too apparent outside the fixed wage and salary group; (3) that equity and efficiency alike demand the exemption from income tax, wherever possible, of the bona fide saving of the public. In its simplest form, this might include the limited exemption of insurance premiums and of net purchases of savings bonds over the year."

As I said before, I am reserving most of my remarks for the Committee stage, but I cannot help drawing Government's attention to the connection between what I have just read and what is provided in clause 13 of the Bill. I regard clause 13 as a very strong attempt to discourage savings by reducing the allowance in respect of insurance, and I am quite convinced that it is a very retrograde move. Of course I do not think the hon. the Attorney-General said so, but I have heard it expressed that the provisions of this Bill are nothing new, either in the United Kingdom or in other parts of the Commonwealth, but I do not think that that is any reason why all the provisions of this Bill should be introduced here wholesale. We have our own big problems, and I do not think we should follow blindly what is done in other parts of the world.

You will recollect, Sir, that in the quotation which I have read, the last remark referred to "the limited exemption of insurance premiums and of net purchases of savings bonds over the year." I recollect that during the debate on the \$3 million loan the hon. Member for New Amsterdam (Mr. Kendall) advocated that the general public should be given an opportunity to participate in the loan by investing in savings bonds. I think it was a very good suggestion. It has been made before, but I do not think Government saw its way to adopt it. I therefore suggest that it be given further consideration. May I say that I

have now received copies of the proposed amendments to the Bill.

Mr. FERNANDES: I would just like to ask one question with regard to clause 2 (a). Why is it sought to substitute the words "gains or profits from any office or employment" for the words in the Ordinance "gains or profits from any employment"? Would the allowances to Members of this Council fall within the meaning of the word "office"? If the answer is "Yes" it would mean that the earnings of Members of this Council would be liable to income tax which they are not subject to at present under the income tax law. I can ask the question because it does not arise in my case.

The FINANCIAL SECRETARY & TREASURER: As it appears that no other Member of the Unofficial side wishes to speak I would like to say a few words in answer to the hon. Mr. Smellie in regard to the question of amendments. I do submit that in this instance at least, those amendments have been presented to Council, as the hon. the Attorney-General has said, as a result of a composite recommendation or suggestion put forward by an authoritative body like the Chamber of Commerce, after discussion with its representatives, and they represent concessions and not "imposition of further burdens," to use the hon. Member's own words. So I do think it is quite proper that the Council might consider them without any very special notice.

The hon. Member used the phrase "This is not the time to impose additional burdens," but, of course, the object of this Bill is not to impose additional burdens at all. As far as I recall there is only one clause which seeks to bring into the charge a category of income which is not now chargeable. I refer to clause 2, and whatever Members may feel about that, I do submit that it is not an attempt *per se* to secure additional revenue by that means,

but an attempt to put right something that has always been wrong in our income tax legislation, and not designed to secure further revenue. All the other clauses are in fact directed at one or other of two things. The first thing is the prevention of evasion, or to assist in the prevention of evasion, and the second is the clarification of certain difficult points which have arisen in the course of the administration of income tax. So I do submit that this is not, strictly speaking, a tax measure at all. It is purely an administrative Bill in connection with the administration of income tax.

As the hon. Member himself has said, these provisions are not novel. They are all adopted from existing legislation in other parts of the Commonwealth. It is a strange coincidence that only yesterday there arrived in the Colony a despatch from the Secretary of State for the Colonies in which he draws our attention to the necessity to take the utmost care to ensure that our legislation in regard to income tax and income tax evasion is up to date. The Secretary of State sent a memorandum which has been prepared in the Inland Revenue Department on the subject, and in which attention is drawn to two points. One is the provision of proper machinery in the legislation to provide against evasion, and the other is the provision of proper penalties. The Secretary of State has asked that this Government should review the question of the penalties as they exist in the Ordinance.

I think Members may be interested also to learn that this particular despatch deals with the question of the training of the income tax staff. Income tax is becoming an extremely difficult and technical subject. It can only be handled by qualified accountants trained along income tax lines, and the Secretary of State has indicated in his despatch the means by which local officials may go to England and receive periods of training in a special branch of the

Colonial Income Tax Department in London. It is very welcome news because, up to now, the only way in which a member of the local staff could get training was to attach himself to the Inland Revenue Department and spend a period of something like two or three years, and we could not afford to send our best men away for such a long period. This despatch is coincidental, and provides in some respects welcome news.

The hon. Member ended his remarks by referring to the suggestion made in some quarter that money invested in savings bonds by taxpayers might be allowed as a deduction from chargeable income. That is completely new to me. It seems quite a novel proposal, and in some respects to outrage income tax principles, because—

Mr. SMELLIE: To a point of explanation! It was a proposal by the President of the Royal Bank of Canada.

The FINANCIAL SECRETARY & TREASURER: I still think it is slightly outside income tax principle. It seems to me, if taken to extreme, to enable any taxpayer to evade paying income tax at all by the expedient of investing in savings bonds to the extent that they are available for sale to the public, and I am sure that would not be equitable to others who have to pay income tax and do not have savings to invest. I suppose that the controversial items will come up in the Committee stage and I shall then answer the questions raised.

As regards the point made by the hon. Member for Georgetown Central (Mr. Fernandes) I am not so sure that my oath of secrecy does not preclude me from answering his question directly, but I do know that the Income Tax Administration does consider at the moment that the emoluments received

by Members of this Council are liable to tax. If, of course, any hon. Member chooses to invoke the provisions of the law as it now exists, and claim that his emoluments are not taxable it would be a very interesting case for the Courts.

Mr. ROTH: I have paid tax on mine.

The FINANCIAL SECRETARY & TREASURER: The suggestion of the hon. Member is that, seeing that we are now introducing a clause which specifically charges income tax on the emoluments of an office, for reasons which I am not sure we have explained fully, the hon. Member implies that that means that the emoluments of a Member of this Council are not now, strictly speaking, legally liable to taxation. I am saying that I am sure hon. Members have been taxed on those allowances, and that if anyone claimed that they were not I am also sure the Income Tax Department would appeal to the Court for a decision.

Mr. CARTER: I wonder whether the hon. the Financial Secretary can tell me under which sub-section of section 5 of the Ordinance the Income Tax Administration has a claim on these allowances? It is clear that those deductions have been regularly made under the existing legislation.

The FINANCIAL SECRETARY & TREASURER: I do submit that it is for the Courts to test that point.

The PRESIDENT: It is for the hon. Member to test it in the Courts.

Dr. NICHOLSON: I am not at all in entire agreement with the Financial Secretary when he says that this is not a tax Bill but merely an administrative measure, because clause 2 seeks to impose new taxation.

The FINANCIAL SECRETARY & TREASURER: To a point of correction! I was quite careful in my

remarks to say that clause 2 was the only clause which sought to bring into charge a category of income which is not now taxable.

Dr. NICHOLSON: I am sorry. I will deal with the matter 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.—*Amendment of section 5 of the Principal Ordinance.*

Mr. FERNANDES: I am going to vote against paragraph (b) of clause 2 because I am against it in principle. But before I deal with paragraph (b) I wish to speak on the point I raised with respect to paragraph (a) a moment ago, because I have heard Members of this Council express the opinion on many occasions that their allowances as Members of this Council should not be subject to income tax. According to the law as I see it, those allowances are not taxable at the moment, but if Members pass paragraph (a) of this clause they would be voting to tax those emoluments. Speaking for myself I think they should be taxed, therefore I am going to support paragraph (a). As I am opposed to paragraph (b), I am asking that they be put to the vote separately, so as to obviate my having to move an amendment that paragraph (b) be deleted.

The CHAIRMAN: I quite agree with the hon. Member's suggestion. In fact I would have adopted that procedure myself. We will take clause 2 (a) first.

Mr. CARTER: I would like to know from the hon. the Attorney-

General what office he has in mind, to which reference is made in paragraph (a), because there is no point in passing legislation which is useless. When the hon. Member for Central Demerara (Dr. Jagan) moved his motion last week that the Rent Restriction Ordinance should be extended over the whole Colony, the Attorney-General pointed out that there were some areas in which the Ordinance would not be effective. I therefore would like to know from the Attorney-General which office the Income Tax Administration has in mind in regard to paragraph (a) before I speak on the matter.

The FINANCIAL SECRETARY & TREASURER: I can assure the hon. Member that the Income Tax Administration, in suggesting this particular amendment, did not have in mind the position of hon. Members of this Council. The reason was that in a certain case decided in the United Kingdom a ruling was made that a person holding the position of a director of a company holds an office. Such a person might escape taxation. It really, as I said, follows on rules which are now in force as a result of a decided case. It has nothing to do with the position of the Members of this Council. I hope that answers the hon. Member. I do not want to go into details as regards the point raised in this particular case.

Mr. FARNUM: I pay Income Tax on the emoluments I receive from Government, and so really it does not affect me whether it is considered an office or not.

Mr. FERNANDES: In view of the remark of the hon. the Financial Secretary that the position of a Director should be taken as an office and not employment, I am sure he will agree with me that a Member of the Legislative Council is even more in the position of an office than employment.

Paragraph (a) of clause 2 put, and agreed to.

Mr. FARNUM: I am going to move the deletion of paragraph (b). It seems to me it is penalizing thrift. A few days ago someone drew my attention to the fact that the man of small means who acquires the place in which he lives and calls his home is now to be taxed, while another man with the same means or even more, who invests his money in a motor car for pleasure is not taxed. Therefore it is penalizing the fellow who takes his savings, or whatever legitimate sum is in his possession, and invests it in a home for his family, whereas the other man who applies his money to pleasure is not taxed. I think it is very unfair.

I see great difficulty in arriving at the rental value of buildings, especially those in the country districts. Quite a large number of these buildings are owner-occupied, therefore I do not know how we will arrive at the rental value of those buildings. It seems that the District Commissioners will have to assist in going around and valuing them. The village tax is based on the assessed value of the property and not the rental value. It seems that if this clause is carried it will impose a great amount of difficulty in arriving at the rental valuation of those buildings. In Georgetown it is not difficult because taxation in Georgetown is based on the rental value, but in the country districts there is going to be tremendous difficulty.

Mr. FERNANDES: I am going to vote against paragraph (b) for several reasons. The first is that in Georgetown the rental values as fixed by the Mayor and Town Council are cockeyed. In some cases they are a good deal more than the property can be rented for, and in other cases they are just about what the property would fetch. It is not a fair valuation, and I cannot accept that as any basis whatever. The Georgetown Town Council have been in the habit of increasing

the rental value of the properties every time they want to increase their revenue. Instead of increasing the rates, all they do is to increase the rental value. I was highly amused to see in the "Daily Argosy" a big headline to the effect that Town taxes had been lowered, as when the taxation notice came in respect of the building in which I do business I found the amount in tax had gone up close on 30 per cent. It had gone up by way of increased valuation. There were no changes in the building to justify that increase, but that is the way in which the Town Council increase their tax collection. Outside of Georgetown it is going to be a source of worry. This provision is going to cause the Income Tax Commissioners plenty of headaches, and it is going to cost quite a bit of money to get these buildings out of Georgetown properly valued. I am sure that the amount to be collected is going to be so small that it is not going to be worth the amount of trouble and unpleasantness it will cause.

There is still another reason. It is something that Government should encourage. In the same way as the Income Tax Bill encourages saving through life insurance the situation should be allowed to remain as it is, because in doing so it does encourage persons to own their own homes. That is a principle every Government in every part of the world should always adopt, *i.e.*, the principle of encouraging persons to own their own homes by giving them a little facility as they have been given in British Guiana ever since the introduction of Income Tax. This Bill, I understand, has been here before and has been thrown out and I have no doubt it will be thrown out again. Perhaps, it will save Government the additional cost of printing by not having it brought back up in future, at least in this generation.

Dr. NICHOLSON: Government is encouraging persons to become home-

minded. The man who owns his own home certainly feels himself a more responsible citizen. He feels he has a stake in the country. But it is just here where a measure of this sort acts as a sort of deterrent to persons owning their own homes. One hears many persons say "I will not own a property; it has too much trouble—taxes, rates, repairs and fire insurance. I prefer to hire a house." That has resulted in considerable difficulty in persons finding somewhere to live decently. While we are on this drive to encourage persons to own their own homes, to have a little cottage somewhere with a little garden around it, to come along with this measure is like saying to them "If you do that we are going to tax you." From that point of view we cannot really sit here as representatives of the people and vote for a measure of this sort.

The FINANCIAL SECRETARY & TREASURER: I think this has gone far enough, and I ought to speak before Members get confused or commit themselves further. The last two speakers, by their remarks, imply that they think the inclusion of this section in our Income Tax laws is going to mean a separate tax on incomes from owner-occupied land and residence. The last speaker speaks about preventing the small man from owning his own home and planting his garden. Of course not; nothing is further from the truth. This only affects persons who are otherwise liable to be charged income tax. I wonder if hon. Members realize what the taxable income is in British Guiana? Let me give a few instances. A bachelor has got to have an income of \$1,000 per annum before he is taxable at all, before he begins to be liable to income tax. He only pays on the excess over \$1,000 a year; that means about \$83 per month or \$20 per week. If you take the case of a bachelor with a dependent relative, who has insured his life up to the maximum allowed, one-sixth, he must have an income of \$180

before he begins to be chargeable, and he is only chargeable on the excess over that figure. When we come to the average case of a married man with, say, one child, he has got to have an income of \$2,100 a year (including the allowance of one-sixth for insurance) before he begins to be taxable and, if he is a taxpayer, he is taxed only on the excess over that amount. If we take the case of a married man with three children, he must have an income of \$2,700 a year before he attracts the attention of the Income Tax Administration.

What this particular clause will do is to add to his chargeable income that measure of net income which can be said to be derived from owning and living in his own house on his own land. That is all it would do. I do not think it would add, in so far as the rural areas are concerned, one person more to the number of taxpayers, and it may add nothing whatever to the chargeable income. In point of fact this provision, which we are now seeking to introduce for the third time, is a most logical and equitable charge in Income Tax. Of course it appears in England in the famous Schedule A taxation, but when the Colonies were about to adopt Income Tax away back in 1920, the Colonial Office set up what was called an Inter-departmental Committee on Income Tax, and attached to that Committee all the official experts in England. That Committee produced a report and a model Income Tax Ordinance. That Ordinance had this particular principle included in this form, and I may quote from the report:

"The annual value of land and improvements thereon used by or on behalf of the owner, or used rent free by the occupier for the purpose of residence or enjoyment and not for the purpose of paying profit, such annual value being ten per cent. of the aggregate value of such land improvements."

That particular clause has been included in practically every Income

Tax Act or Ordinance in all the Commonwealth countries that I know of. British Guiana is unique in having exempted it. The history of that exemption runs back to the beginning of Income Tax in this Colony. It was in 1929 when I helped to prepare the original Income Tax Bill and the clause was included. It was brought before the then Legislative Council, and after certain private discussions had taken place it was found that before the Bill would be welcome at all Government would be well advised to remove that particular clause. The Government of the day did authorize its omission. I do not want to mention names, but the name of a well-known legislator, not now in the Colony, was to the forefront in trying to get that clause omitted from the Bill. The argument was that we would find it difficult to assess; it would take a lot of time and would cost much more money than it is worth, and also that it would not encourage home-owning. Government gave way and this clause was omitted.

Shortly after the law went to His Majesty's Secretary of State for the Colonies we received his representation as to why it was omitted. The Secretary of State was sure that its omission would produce inequity, and I think at the time we must have undertaken to reintroduce the clause in another Bill. It was reintroduced in 1931, included in a draft amendment Bill which was being considered, and again in similar circumstances it was deleted.

If Mr. A. has \$1,000 and he puts it in the Government Savings Bank, or invests in Government bonds or some other form of security, he gets interest or dividends on that investment. Of course he has to pay income tax on it. He may not own a house but he pays rent, and he is not allowed to deduct that rent from his taxable income. If some other individual puts his in land and building and he lives

in it, the logical thing is that he himself is using the income from his investment by occupying the residence and the land on which it stands in which he has invested his capital. It is obviously equitable and logical that the excess income from living in his property should be brought into account in some way in his income tax. That is purely and simply what it is. It is an investment which he is using in a certain way. It is not going to impose any serious charge on him. If this were accepted, in Georgetown, if the income is 75 per cent. of the assessed value for the town rates and if all the claims which can be made for deduction are allowed,—that is to say, claims for taxes, rates, repairs and ordinary maintenance—it is conceivable that in some cases there would be a loss and, what is more, that loss if it occurs, can be deducted from the taxpayer's income. I feel sure that in some cases, if this clause is passed, it would be shown that by living in their own houses the taxpayers suffer a loss which under this law would be allowable as a deduction. That would not happen in all, but in some cases.

The reason for putting this clause in is that it is logical and equitable. I have said all this because I would like hon. Members to be quite careful and to be fully conscious of what they are doing and why they are doing it. The people who will be affected are not in the lower income groups or the middle income groups, but only in the very highest income group, and the rates of increase in their tax would be so small as to be almost insignificant. I repeat that this is not a special tax but part of the Income Tax, and it is not going to mean any great worry to the Income Tax Administration at all. I think it is very desirable that this clause should come into force, and that British Guiana should get away from the unique position it occupies for reasons which cannot stand water in omitting this particular section from its Income Tax laws.

Mr. FERNANDES: I am going to join issue with the hon. the Financial Secretary and Treasurer on this point, because he does not realize that a person in the middle income group who just barely falls into the category where he either has to pay income tax in the lower income group, or has to submit a return because he is very close to the border line, and who owns a small home with a mortgage on it, will now have to be put to the inconvenience of keeping books, if he is out of Georgetown, because the profits on the house is the thing he will have to pay the tax on. After he has paid taxes and has done repairs, I can quite see the tremendous amount of argument arising between the Income Tax Department and this individual as to whether the repairs are justifiable; whether they are allowable and all sorts of trouble of that kind. It is going to be very much more irritating than the tax is worth. This is one of the few cases in which I entirely agree with the opinion of the past Council. If they were correct in the first case in persuading Government to remove this clause, and it was brought again and thrown out, I am going to appeal to Members to throw it out again.

The arguments put forward by the hon. the Financial Secretary may look sound. He has made the point that the people in the top bracket will be the people to fall within this tax category, and possibly they will get an allowance for owning their own houses. I know that is not possible. The man who buys his own house today at an enhanced valuation, and has not got all the money but acquires it on a hire-purchase scheme, pays 6 per cent. interest, and it is more than likely if he is paying Income Tax he would get an allowance. I am absolutely sure, regardless of what the hon. the Financial Secretary says, that this clause, if accepted today, would cause a lot of

trouble and entail a tremendous amount of work. The Bill says the Commissioner of Income Tax would have to decide what is reasonable rent for a man's premises if he lives outside of Georgetown. It does not even give anybody the right of appeal. He is the last word as to what the rent of a man's house should be. I have the greatest respect for the Income Tax Commissioners. I have no doubt that they are men of experience, but I am going to make a strong appeal to Members for once to follow in the footsteps of the past Legislative Council and throw this clause out.

The FINANCIAL SECRETARY & TREASURER: Answer for answer I am going to repeat that this clause, if it is in the Bill, would not bring into charge the majority of the people in the rural areas, which is the implication coming out of the hon. Member's speech. It is not going to make chargeable people who are not chargeable now. It is true there may be some brighter alleged cases where the conditions of sale may bring them into line to be charged under this particular section. As regards the sanctity of the Income Tax provisions, I think hon. Members may be assured that so many things are left to the discretion and judgment of the Income Tax Commissioner that this little one would make no difference. He must exercise his discretion and judgment in a reasonable way; he must not be capricious. Even though it is said in the clause that the particular point is to be at his discretion or judgment, it is still open to a higher authority to remove or reverse the Income Tax Commissioner's decision notwithstanding what the particular section says.

Mr. FERNANDES: I just want to ask the hon. the Financial Secretary and Treasurer, if he has visited the various districts of the Colony recently. I live outside of Georgetown and there

are dozens of others in my area and in others who are going to come into the picture. I do not think he is correct in saying that the rural areas will not come into it. New Amsterdam has no rent laws in force but has lots of large buildings, and I am sure many of those buildings are owned by people who are already paying income tax. It is not fair to say this is going to be confined to the City. If that is so, it is because of the fact that the rentals are fixed by the Town Council by dubious rules, and bear no relation to the actual rental value of the houses at all.

The FINANCIAL SECRETARY & TREASURER: I am not going to let the hon. Member have the last word. Again he has implied that because the Income Tax Commissioners see new buildings are going up on new lands they are bringing in this measure. That is not true. It must be an individual who is otherwise liable to the tax. He is imagining that the Income Tax people are going to make trips through the districts, see the houses and value them in order to see if they can get the tax. That is not so.

As regards the Georgetown Town Council valuation, I am very distressed to hear remarks about the very scientific scheme put into operation by the Town Council on the advice of Mr. Crane who is now Chief Justice of British Honduras. The valuations by the Town Council are made by reference to items of a formula—reference to site values, reference to space area of the house and also some reference to actual rental values. Those are the three factors in the formula which the Town Council uses. Although one may complain about the results, yet relatively speaking the whole formula does work sufficiently smoothly and equitably in so far as the levy of taxes between one person and another in Georgetown is concerned. I would not like it to go on record that we in this Council accept as a matter of fact the statement that the

whole Town Council valuation scheme is topsy-turvy and not worth carrying out.

Mr. WIGHT: I agree with what the hon. the Financial Secretary and Treasurer has said, and I go a little further. If one looks through the assessments it would be seen that about 85 per cent. of the assessments in the City have not increased; the burden of the other 15 per cent. falls on the Water Street properties.

As the hon. the Financial Secretary desires the last word I would ask him to favour this Council with the information as to how many times Government has attempted to—I would not say railroad, but attempted to get this particular clause through this Council. If the attempt has been made on more than one occasion, or if this is not the first occasion, I would ask him to enlighten us as to the reason why the Council has refused to pass this clause.

The FINANCIAL SECRETARY & TREASURER: I am sorry I cannot make another speech. The hon. Member was not here when I spoke. On two occasions in the past this particular matter has come forward, and I give hon. Members the assurance that it will undoubtedly come forward, if not in this Fourth Legislative Council, in the Fifth Legislative Council, when I can assume that it will have a better chance of success.

Mr. WIGHT: I do not know why the hon. the Financial Secretary should assume that, except he thinks that on the third occasion he will be lucky. I would not like to suggest that he expects such a violent change in the constitution of this Council that those who succeed us, or a few of us, will be less rational or reasonable — unless he is looking forward to a condition whereby the State would later on own all the houses in the community,

Mr. LUCKHOO: The hon. the Financial Secretary is undoubtedly a very persuasive debator, and he has added considerably to the bald facts in the Bill before us to make it more palatable. However, I feel I must support the rejection of this clause. It seems to me that this is one of the few occasions on which British Guiana would do well to remain unique. I feel that the Financial Secretary's analogy between individuals "A" and "B" is an excellent one, but I think that individuals like "B" should be encouraged. Why shouldn't a man be encouraged to build his own home? Isn't that something at which we should aim? Would the application of this provision encourage a man, leave him in the same position in which he is at present, or would it discourage him? I think the only answer is that it would naturally discourage him to own his own home, or act as a forbidding agent. Maybe the time is not yet ripe for such an amendment as this. It may take another decade or so before the time is ripe. Presumably, at that time we will still have this recurrent clause making its presence felt.

With respect to the criticisms levelled at the Town Council valuation I think I should be permitted one rejoinder at my friend, the hon. Member for Georgetown Central (Mr. Fernandes)—that if the scheme were as non-scientific as he wishes to make out, it is passing strange that people do not take recourse to the several avenues and opportunities afforded them to take their matters to appeal. It is not just an arbitrary finding—something which is left in the hands of the Town Council, but recourse can be had even to the Courts of Law. The fact that people are satisfied in the sense that we have a diminishing number of cases taken to appeal every year, shows that the people are satisfied that their rental valuations are in conformity with the scientific principles upon which their valuations are determined.

Mr. FERNANDES: In view of the remarks of the last speaker in reply to my criticism of the Town Council's rental valuation scheme as being topsy-turvy, I will say that for the purpose of taxation it does not matter whether every house in Georgetown which is worth \$50 is valued \$100 or \$200, so long as the relationship between one house and another remains the same. As long as the other fellow's house is valued proportionately there is no cause for complaint. I was at pains to explain that when the Town Council needed money they increased the rental values of properties and reduced the rate of tax, but nobody could kick against that because everybody paid the same proportion. The high taxation made no difference, but for the purposes of this Bill I maintain that the rental valuations are all cockeyed, because they are much too high, except of course the properties were placed on the market. But if they have a standard rent I am absolutely sure that my statement can stand any test. Any house in Georgetown which was built prior to 1939 and has a standard rent fixed, in 99 out of 100 cases that rent is fixed at a rate well below the Town Council's valuation for that building, which proves that the valuation is cockeyed.

Dr. JAGAN: I have listened very carefully to the arguments which have been put forward on this issue and on this occasion I find myself in agreement in principle with the hon. the Financial Secretary, which is rather a rare occurrence. He made a point which I am glad he did, because it cleared up certain things which were not very clear to me at the beginning. I heard Members saying all the good things about owning a house. One appreciates the joy of owning a house with flowers around it and possibly a little child playing about, but I can assure hon. Members that it is not because people do not realize the value of owning a house that they do not build houses. It is because, in many cases, there are circumstances which

prevent them from doing so. The hon. the Financial Secretary referred to the fact that there may be an individual with money on the Savings Bank with the interest accruing on that deposit being subject to income tax if that person was liable to pay income tax. He compared that individual with another who did not put his money into the Savings Bank but spent it in acquiring a house. I can fully understand why on previous occasions this measure did not receive the approval of the Legislature.

It may be strange to say that herein is an example of class legislation, and possibly, because of class opposition in the past, this clause was not accepted by the Legislature. As the Financial Secretary has said, this clause seeks to impose—if I may use the word—a penalty on the upper income group, and when we consider that Members of this Council who are subject to income tax are generally in the upper income bracket, we can see why there has been strenuous opposition to this measure in the past, and why there is still strenuous opposition to it. I can also see why the Financial Secretary remarked that, possibly in the new Legislature, this provision will be made law, because I can see that he is anticipating that the composition of the next Legislature will be such that there will be many workers sitting in these chairs who will not own houses and would not object to the taxation of homes owned by the wealthy or upper income groups.

In view of those remarks it may appear that I am in agreement with the clause as it stands, and with Government's proposition. As I have said, I agree with the proposition in principle, but I would like to add a proviso at the end of the clause to read: "Provided that such value is over ten thousand dollars." I suggest that proviso because I feel that there may be borderline cases. A bachelor may be earning say an income of \$90 per month. Let us assume that he owns a home,

the rental value of which is approximately \$25 per month. If the rental value is \$25 per month then his income would be \$115 per month, consequently he would be liable to income tax because his personal deduction would be \$1,200 per annum or \$100 per month.

Mr. FERNANDES: That is not correct. What would be added to his income would be the profits on the property based on the rent to be fixed by the Commissioner.

Dr. JAGAN: I do not know if I have read it wrongly. Possibly the hon. the Financial Secretary can explain. I understood that the rent would be considered in assessing his income.

The FINANCIAL SECRETARY & TREASURER: That is so, but the hon. Member will remember that that would be subject to the ordinary deductions which are allowed in the case of a house which is rented, for taxes, rates, repairs and other expenses which are properly chargeable as maintenance, and in a case like that there would be very little to add to his income.

Dr. JAGAN: In the case of the Bill granting exemption from taxation on workers' houses, which was passed by this Council not very long ago, a limit of \$4,000 was placed on individual cottages and \$2,000 on composite dwellings. In the same way I feel that there should be some distinction in this case. If we are to give relief to those people who are on the borderline I feel that some provision should be made to determine the value of the property, and whether or not they would come within the lower or middle income group. Having assessed the value of the property, those who fall within the lower and middle income groups should be left out, and only those in the upper income group should be taxed. I therefore suggest that there should be a limit fixed above which this provision should apply, so that the income of an indi-

vidual, taken as a whole, would be subject to income tax. That is the only condition on which I would support this measure, because I do not want those people in the middle income group, or on the borderline, to be put to the trouble of making out income tax returns merely for the sake of paying a few dollars to the Income tax Department. I do not think that would be to the advantage of this Colony in any way, because it would mean a lot of extra work for the Department.

Comparison was made between an individual who spent money on a motor car and another who spent money in acquiring a house, but it must be remembered that a person who purchases a motor car has to pay a licence and indirectly pays a tax on the gasoline he uses. On the other hand a person may own a house in which he does not live. In Jamaica, for instance, there are persons who live abroad but own houses on the island to which they return from time to time. I do not think that people like those should not be taxed.

The FINANCIAL SECRETARY & TREASURER: I do not think the hon. Member has been listening to himself. He spoke so eloquently in the first portion of his speech. He so emphatically pointed to the errors of our ways in the past; criticized the practice of discrimination and class legislation by his predecessors in this Council, and ended by inviting the Government to do the same thing, but on the other side. He has told us that this legislature in the past wickedly omitted this clause from the law because they wanted to benefit the high income group; they did not want them to pay. That may or may not be true. But he ended up by saying that even though he agreed with it in principle, and that it is quite logical, let us for goodness sake put in some proviso which would exempt a class of people below a certain line. That is not income tax. We

are trying to make it equitable for everybody. The Income Tax Ordinance has its own provisions to safeguard the small income earner—provisions for personal allowances and allowances for wives and children. That is where the safeguards are, and we should not try to impose some other very artificial relief in the clause which is designed purely for equity. I submit that the hon. Member is quite wrong. Having made a speech in which he condemned class legislation he ended by asking for the same thing.

Dr. JAGAN: I am not advocating class legislation, but in the interest of the working class income tax is always imposed on the principle that it must be graduated according to the income of the individual. That is why I am suggesting that certain exemptions should be made in this clause. I am not suggesting class legislation but merely following the principle of income tax by suggesting provisions to suit the various levels of income.

Mr. WIGHT: I do not think the hon. Member was correct in suggesting that Members of this Council would be influenced in their voting because of the fact that they are in the higher income group. I think that if he reflected he would see that it is not proper, and that reflection should not be made on Members of this Council in that way. I would suggest that, having listened to the hon. Member, one can only conjecture that he owns three motor cars but does not own a house.

Dr. JAGAN: I do not own three motor cars; the hon. Member is quite wrong. Three motor cars are owned within my family; they have use for three motor cars.

Mr. WIGHT: Anyway, because of the three motor cars surrounding the hon. Member he speaks about the payment of taxation with regard to the

purchasing of a car, gasolene and so on. Has the hon. Member considered that the owner of a house has to repair and paint, pay transport expenses and mortgage interest, unless he is one of the wealthy class? It is very easy to see how one's argument can be clouded if one just looked at one side of the picture.

The hon. Member has also suggested that he and the hon. the Financial Secretary see eye-to-eye in this matter, but not, perhaps, because the Financial Secretary will endeavour to obtain through this clause, if it goes through, a certain amount of revenue to pay our successors in the new Council—workers, as he calls them—double the amount we are receiving at present as remuneration. I should like to see those Members who think like the hon. Member, intimating to the electorate on the occasion of the next election exactly how much they propose to vote for themselves, and informing the public that that would be one of the first motions to be moved when the Council assembles after the General Election. So that his argument about being placed in the higher income group is devoid of logic, because those who will come after will no doubt enjoy greater emoluments than we do at the present time.

Mr. CARTER: I remember that some time ago a retiring officer of Government remarked that the ways of Government were very strange, and I think the introduction of this amendment is further support for that remark, because only recently we were told that it was Government's policy to encourage the building of dwellings. So much so that there was introduced in this Council a Bill proposing that certain dwellings built recently should be exempt from taxation. On that occasion the officers of the Administration in this Council tried to impress upon us the value of that legislation, in that it would encourage people to build houses. Has Government considered the psychological effect of this amendment? Has Gov-

ernment considered that the introduction of this amendment would discourage people from building their own dwellings? I fail to see the equity and logic of this amendment, as the hon. the Financial Secretary has been trying to impress us. The arguments have been very plausible, but more plausible than sound, in my opinion. If we were to carry those arguments to their logical conclusion and borrow the example given us by the hon. Nominated Member, Mr. Farnum, of the case where one individual buys a motor car and another acquires a house, why should we not also tax the man who buys a motor car? A man who has a car does not have to hire one. Then let us calculate the mileage he does per year, see how much he has saved by not having to hire a car, and tax him on that. We would then find that he should also pay income tax. Not all the devils in hell will make me support this amendment. I am thoroughly opposed to it. I think people should be encouraged to own their own homes, and nothing should be done by this Council to prevent them, or to stifle any desire by persons to own their own homes.

The FINANCIAL SECRETARY & TREASURER: The hon. Member said "devils in hell," but I think he meant angels in heaven.

Mr. CARTER: No reflection on the Financial Secretary.

Dr. JAGAN: I have often heard hon. Members speak about encouraging people to build houses, and I agree that Government should encourage the building of houses. It is not that people do not desire to build their own homes, but the fact that they have not sufficient capital and are faced with the payment of 6 per cent. interest on mortgages prevents them from building their own homes. That is the reason why I personally will not build a house. I prefer to rent one rather than pay 6 per cent. interest on a mortgage. If we are to encourage the masses of the people to own their own homes Government must

find ways and means of assisting them with loans at a low rate of interest—2 or 3 per cent.—and not taxing them.

The hon. Member for Western Esse-
quibo (Mr. Wight), who likes to draw
red herrings across the trail, referred
to my having three motor cars. If I
reckoned how many cars are within his
family I may find that there are more
than three. The point is that there are
certain individuals in our community
who have liquid assets and money at
their disposal in the Post Office Savings
Bank, or in the commercial Banks, earn-
ing 2½ per cent. interest. They are not
faced with the same problem as the
smaller people who have to obtain loans
on mortgages at 6 per cent. if they want
to build houses. I see no reason why
Government should not get some share
of the money deposited with the Banks
by means of taxation. It is very diffi-
cult for the small man to own his home;
his wages do not permit him to save
enough. That is why I suggest that
there should be some demarcation if
this clause is to be passed.

Mr. PETERS: Addressing my mind
to this amendment I too must register
my disapproval of it. It seems to me
that however well meaning Government
might be in endeavouring to have this
idea as law in this community, there is
the danger of giving folk the feeling
that we are disposed, perhaps in an
implicit manner, to drive them back to
the pastoral or nomadic state of life,
that it is a mistake for them to seek to
establish themselves comfortably in a
home, as though they would enjoy all the
rights and privileges of free citizenship
under their own vine and fig tree. A
man buys a home to house his family
and hopes that he may enjoy perfect
freedom and peace of mind in respect
of the rearing of his family in the
community, and then in some sort of
way the idea gets into our heads to
have that freedom limited, and that
peace of mind curtailed by introducing
a tax on the holding of that homestead.
For my part it is a disgraceful inno-

vation and I intend to register my vote
as hard as ever against it.

Paragraph (b) of clause 2 put, and
the Committee divided and voted as
follows:—

For—The Financial Secretary and
Treasurer, the Attorney-General and
the Colonial Secretary—3.

Against—Messrs. Luckhoo, Mor-
rish, Carter, Smellie, Phang, Peters,
Kendall, Fernandes, Farnum, and
Wight, Dr. Jagan, Dr. Nicholson and
Dr. Singh—13.

Motion negatived and paragraph
deleted.

The CHAIRMAN: I think there
are some consequential amendments.

The ATTORNEY-GENERAL: It
is necessary to delete the “hyphen” after
the word “amended,” the letter “a” and
brackets and all the words after the
word “employment” in the fifth line,
and to substitute a full stop for the semi-
colon after the word “employment,” and
also to delete the word “and” and the
rest of the clause.

Clause 2 as amended put, and agreed
to.

Clause 4—*Amendment of section 8 of
the Principal Ordinance.*

Mr. WIGHT: I think I am going
to repeat again what I have said before,
as this seems to be the more appropriate
clause. I hope that in future, when
we have these Bills, we will have the
consolidating Bills so that we will have
the comparative legislation. If we are
going to continue this form of legisla-
tion or introduction of Bills I am going
to suggest, it would be much more
helpful to hon. Members if we
had the Bills annotated and the
various amendments placed before us.
It is very difficult for hon. Members to
have to wade through the amending
Ordinances or the Principal Ordinance

that is being amended. As regards the Principal Ordinance I do not know whether that is being amended or not. It is rather burdensome, at least to me, to have to go through these comparative forms of legislation when we have amendments of this nature.

Mr. FERNANDES: I would like to support the remarks of the hon. Member for Western Essequibo. In this case it is difficult to find what is the Principal Ordinance because it is not here on the table. In such cases where later Ordinances are involved, when we want to get the original Ordinance which is being amended it cannot be found in the volumes at our disposal in the Council Chamber, and therefore it is made difficult for Members to follow exactly what the change of one or two words may mean in the Ordinance.

The ATTORNEY-GENERAL: It means that the later volumes should be placed at the disposal of hon. Members. I do not quite follow what the hon. Member for Western Essequibo means by amending Ordinances. That would entail a considerable amount of labour. In other words, we have the consolidating Ordinances, and there have been amendments going on for years. I think hon. Members should appreciate the amount of labour that would be involved in preparing and printing all the amendments made from time to time.

Dr. JAGAN: I know the hon. Member for Western Essequibo (Mr. Wight) has raised this point on several occasions. He should know that the matter of consolidation of the Ordinances is being done by Government. He should also realize, that to have the Ordinances annotated and circulated to Members would cost a lot of money. Possibly he would be willing to give his \$150 a month towards it.

Mr. WIGHT: I am trying to put the labour on some more unfortunate animal than myself. I am not thinking

of money at all. The amended Ordinances are already printed and are supposed to be on the Statute Book. Sometimes they are just little sheets. These can be gathered and put before us when we are considering related Bills.

The ATTORNEY-GENERAL: We would have to bind them and put them together.

The CHAIRMAN: We all find it difficult. The consolidation of the Laws will be undertaken as soon as we can find someone to do it.

Clause 4 put, and agreed to.

Clause 5—*Amendment of sub-section (1) of section 10 of the Principal Ordinance.*

The ATTORNEY-GENERAL: It will be seen from the printed sheet that it is proposed to delete the proviso and to substitute a full stop in place of the colon after the words "acquiring the income." I move that amendment for the reasons which I have already given.

DR. JAGAN: It seems to me that if we take clause 5 as amended, *i.e.*, if we delete the proviso, I think it would be of a similar nature as it is in the original Ordinance. In the first place I would like to know what are the reasons for seeking the deletion of the proviso. I wonder if the hon. the Attorney-General would give us the reason for that.

THE FINANCIAL SECRETARY & TREASURER: The proviso will work a hardship if strictly applied. In point of fact all the proviso means is that the interest and not the income is chargeable for the tax under the Ordinance. It was sought, as the Bill was printed, to disallow a deduction from the income of the taxpayer who has actually paid interest for a person abroad. To disallow that interest merely because the interest in the hands of the recipient could not be taxed, would cause hard-

ship and be very unjust in some businesses. The Income Tax Administration should not bring into the chargeable income interest merely received for some other person. So it was considered it should be deleted from the point of view that the hardship was unnecessary.

Dr. JAGAN: I do not follow that. If there is a local individual who is receiving interest he would have to account for that in his income tax returns. It is being sought now to exempt from that condition a similar person who is resident abroad. It seems to me that the proposition now is that once he is resident abroad he would not have to account for that interest earned in the Colony.

THE FINANCIAL SECRETARY & TREASURER: The hon. Member is quite wrong. I do not think he understands it. The section which is being dealt with by clause 5 allows interest when paid as deduction. The difference between what is in the Bill and what is in the law is that there is no exemption; all was paid and was payable. What this Bill seeks to enact is to continue to allow interest paid in the course of business or trade to be a deduction from income tax before the income comes to tax. But the proviso sought to say that that should not be allowed, or should only be allowed where the interest in the recipient's hands can be brought to tax. The hon. Member can see that in many cases the interest may be payable to a citizen resident in the U.S.A. and by law the administration cannot tax that person outside its jurisdiction. If there is that proviso then that person would not be able to get that interest.

MR. FERNANDES: Is it possible for interest to be earned in this Colony and taken out of the Colony without being taxed? I can see that people leaving British Guiana to live abroad may not leave their money invested in shares, in which case it would be liable to income tax, but lend it out on

mortgage so as not to be taxable. That is how I see it, if the hon. the Financial Secretary's point is correct. That is a very difficult thing. I do not want to be misunderstood. I quite agree that the person paying interest should be permitted the allowance and, therefore, I will have to support the clause as it is. But I was just enquiring as to what the position would be in the case I mentioned. I can see that a business may have an overdue account with a firm in England or the U.S.A. and would have to pay that interest. I maintain that interest is an expense chargeable to your business, and I agree that the allowance should be made, but I was just wondering whether there is the possibility of someone here owing an individual who resides, for instance, in the U.S.A. and paying interest to that individual who collects that money free of tax. Where a man earns money in the shape of interest on money lent in the Colony, or if he invests money in shares instead, he should be taxable. Perhaps our law has a weak spot.

The FINANCIAL SECRETARY & TREASURER: There is provision in the law for reduction of the interest from the income when issued to a non-resident. Under the law of Income Tax the Commissioners disallow that interest because they cannot collect the tax or the law is not flexible to allow them to do that. I am not going to be drawn into any argument. Income tax is one of practicability; if it cannot be assessed it cannot be collected. You should not put any deterrent in the Bill which would prevent the Income Tax Commissioners from allowing legitimate income charges.

The ATTORNEY-GENERAL: The proviso only applies to (a) Clause 5 as amended to read—

"Subsection (1) of section ten of the Principal Ordinance is hereby amended by the substitution for the word "payable" in paragraphs (a) and (b) of the word "paid."

Clause 5 put, and agreed to.

Clause 6—*Allowance for Wear and Tear.* (Repeal and re-enactment of Section 11 of the *Principal Ordinance*).

The ATTORNEY-GENERAL: With regard to this clause I ask that in sub-clause (1) the word "equipment" be substituted for the word "fixtures" appearing in paragraphs (a), (b) and (c), and in sub-clause (2) the words "forest grant" be substituted for the words "timber grant."

Mr. FERNANDES: The word "grant" is a very difficult word. Some of these places are held on a lease and some on a licence. I want to be sure the word "grant" covers all.

The ATTORNEY-GENERAL: The word "grant" is used in the Crown Lands Ordinance, Chapter 71. It is a general term. In the Crown Lands Ordinance it speaks of grants of Crown Lands or forest lands of the Colony. In this clause the word "grant" is a sort of general term embracing all the particular degrees of propounding the right which has been transferred either by letters of occupancy or otherwise. I think the hon. Member appreciates that the words "timber grant" are used in respect of particular lands held by licence or permission.

Mr. FERNANDES: I accept that, as long as it is recorded in Hansard.

The ATTORNEY-GENERAL: The word suggests a concession. It has not the same legal interpretation as in the Crown Lands Ordinance.

Mr. FERNANDES: What I was considering was the addition of the words "lease or licence."

The FINANCIAL SECRETARY & TREASURER: I will not worry with it.

Clause as amended put, and agreed to.

Clause 10—*Deductions for wife, maintenance or alimony* (Repeal and re-enactment of section 15 of the *Principal Ordinance*).

Dr. JAGAN: I notice that the proviso states:

"Provided that the total deductions allowed to any individual under paragraphs (a), (b) and (c) of this section shall not exceed five hundred dollars."

I am wondering whether this is correct in principle, because there may be cases where an individual may be divorced from his former wife and he may have to pay alimony in the sum of \$500, and he may also have living with him another wife. I think in such cases the number of wives should be added together and the total allowances allowed. It seems that a maximum of \$500 should be allowed in each case, and not that for all.

The ATTORNEY-GENERAL: Only one wife is allowed.

The FINANCIAL SECRETARY & TREASURER: Would that be an encouragement for the building of more homes?

Mr. FERNANDES: I do not see why, if a man wants to have a change of wives, he should enjoy more benefits than the other fellow who wants to keep his home properly and decent and wants to have one wife in his lifetime.

Mr. CARTER: It is very questionable, Sir, as I see it. I do not know if I am misreading the clause. The allowance of \$500 is in respect of paragraphs (a), (b) and (c). That is, if he has a divorced wife and an active wife, it means he would be allowed \$1,000.

The ATTORNEY-GENERAL: It does not matter to the Income Tax Commissioners how many wives a man may have; he is only allowed a total of \$500.

Mr. FERNANDES: The real point, as I see it, is that a man may not be maintaining his wife, or she may have an order against him for \$300 a year. In that case he is not allowed to claim the usual \$500 that will be allowed otherwise, but if he has her and another wife he can claim only up to \$500. That is how I see it.

Dr. JAGAN: The proviso provides the total allowance for any wife under paragraphs (a), (b) and (c), which seems to indicate lumping them together. I am suggesting that it should be written this way—"in each of paragraphs (a), (b) and (c) of this section not exceeding \$500." My point of view is that if the individual has an obligation which may be enforced by the Courts, there is no reason why he should not be allowed a deduction from income tax. If he is only earning \$1,500 per annum that would entitle him to a deduction for himself and wife and, therefore, he would not have to pay income tax. If we do not allow a husband a further deduction in respect of an estranged wife to whom he has to pay an allowance by order of the Court, it seems to me that we would be charging him twice. I therefore suggest that the proviso be amended by the insertion of the words "each of the" between the words "under" and "paragraphs" in the second line.

The ATTORNEY-GENERAL: Hon. Members must realize that section 15 of the Income Tax Ordinance provides:

"15. In ascertaining the chargeable income of an individual who is resident in the Colony and who proves to the satisfaction of the Commissioner that during the year immediately preceding the year of assessment he had his wife living with him or wholly maintained by him there shall be allowed a deduction of seven hundred and twenty dollars."

Now it is split up, and this clause makes provision that if a man has a wife living with him or wholly maintained by him, or if he makes payment in accordance with an order of the Court,

of alimony to a previous wife, the total allowance he can receive is \$500 under paragraphs (a), (b) and (c) of this clause. In other words we are not providing for his ex-wife but the wife with whom he is living as a result of his second marriage.

Dr. JAGAN: If a man has more than one child he gets an allowance for each. The same principle should be followed in this case. If a man has obligations in respect of a divorced wife he should be allowed an additional deduction.

The FINANCIAL SECRETARY & TREASURER: At present the law allows a deduction of \$500 for a wife living with or wholly maintained by her husband, and nothing else. It is suggested that a man who has to pay alimony as a result of divorce or separation from his wife gets no allowance at all. This is an attempt to allow him a little freedom so that if he does find himself in those circumstances he could claim a deduction for alimony in respect of a divorced wife up to \$500, or in respect of payments under a separation order up to \$500. If he has another wife he only gets a deduction of \$500. This clause does afford some relief as a concession. Now the hon. Member is putting up the extraordinary proposition that a man should be granted an allowance for as many divorced wives as he has.

Mr. FERNANDES: I entirely disagree with the hon. Member for Central Demerara (Dr. Jagan) that we should do anything in this Council which would encourage the destruction of the sanctity of the home and encourage men to throw their wives aside and take on new wives because they would get extra income tax allowances. I am supporting the amendment as it stands because, if I accepted what the hon. Member suggests, I would be encouraging people to build their own homes and at the same time encouraging them to break them up.

Mr. WIGHT: If a gentleman happens to find himself in the fortunate or

unfortunate position of coming under paragraphs (a), (b) and (c) of this clause he can only claim a total deduction of \$500. Such people are found in Hollywood today, and the effect of this provision would be to restrict polygamy. A man has to pay for the luxury of having more than one wife by not being granted any extra relief from income tax. I do not see why a man should get the benefit of separate deductions because he has to support three "wives."

Mr. FERNANDES: I have heard Members speak about a man coming under paragraphs (a), (b) and (c), but he can only come under (a) and (c) or (b) and (c), because in one case he would be divorced, and in the other case he would be married a second time.

Dr. JAGAN: The hon. the Deputy President has raised an important point, and I see that my amendment as originally proposed would be out of order. I am not in any way advocating the cause of polygamy in this Council, nor am I advocating the breaking up of homes, but I feel that if a responsibility is placed upon a man by a Court of law this Council should recognize that responsibility or obligation. I therefore ask that my amendment for the deletion of the proviso to clause 10 be put.

Mr. WIGHT: That would not necessarily mean that a man would be relieved. Under (b) or (c) he may be the guilty party because of his misdeeds, and he must pay for his pleasures or his luxuries. This is one of the luxurious forms of living. If a man can support three establishments why should he be given extra relief from income tax? We would be encouraging a minor industry.

Dr. JAGAN: If a man is compelled by an order of the Court to contribute towards the support of his divorced wife I do not think he should be further penalized by income tax. I ask that my amendment be put first.

Mr. WIGHT: Under the Rules the procedure in Committee is to put an amendment first. It is the only time when an amendment is put before the original motion.

Dr. Jagan's amendment for the deletion of the proviso put, and the Committee divided and voted:

For—Messrs. Carter, Phang, Kendall and Dr. Jagan.—4.

Against—Messrs. Morrish, Smellie, Peters, Fernandes, Farnum, Thompson, Wight, Dr. Singh, the Financial Secretary and Treasurer, the Attorney-General and the Colonial Secretary—11.

Amendment lost.

Clause 10 put, and agreed to.

Clause 11.—*Substitution of new sub-section (1) in section 16 of the Principal Ordinance.*

Mr. WIGHT: It does seem rather an achronism that in this case a deduction will be allowed with respect to a child to the extent of \$250 for each child, and while the *per capita* expenditure on primary education is \$30, we are only prepared to grant relief in respect of higher education to the extent of about \$20 per month.

The FINANCIAL SECRETARY & TREASURER: Nobody pretends that, or that \$250 is the cost of maintaining a child. It is merely the extent of the relief allowed. The maintenance of a child costs much more. As a matter of fact the degree of the relief depends upon the taxpayer's scale of tax. Where the tax is at a very high level the value of \$250 to the taxpayer is very high indeed. In some territories they allow only a fixed rate in relation to the tax. I do not think argument should be brought into this Council as to whether or not it costs so much today to maintain a wife or a child.

Mr. WIGHT: In Trinidad \$100 per month is allowed in respect of a

child receiving education outside the Colony.

The FINANCIAL SECRETARY & TREASURER: I know that, but I humbly submit that that particular kind of legislation does not suit us. I think I would be guilty of introducing class legislation if I recommended it. A man who can afford to send his child out of the Colony to be educated should not be given any specific relief from income tax. The rate of tax does not come into it at all. This is a Bill dealing with income tax administration, and I hope we will not become involved in rates and scales.

Mr. CARTER: In view of the fact that this Council has been generous enough to pass clause 10 one would have thought that similar provision would have been made in clause 11 in respect of children living with an estranged wife under a deed of separation which includes maintenance of the children. One would have expected that to follow as a necessary corollary to clause 10. Children may be living with their mother, and I think similar provision should be made in respect of them as in clause 10.

Mr. FERNANDES: The word "living" in this clause means "alive." As long as a child is alive on the first day of the year its father is entitled to claim an allowance regardless of where the child is.

The FINANCIAL SECRETARY & TREASURER: Many fathers claim and are allowed deductions in respect of their illegitimate children.

Mr. CARTER: I understand that that only happens in cases where the children are under the same roof with their father.

Clause 11 put, and agreed to.

Clause 13.—*Deductions in respect of life insurance etc.*

The ATTORNEY-GENERAL: I move that the words "ten per centum" be substituted for the words "seven per centum" in proviso (a).

Mr. SMELLIE: I am not in favour of this clause even with the amendment proposed by the hon. the Attorney-General. The result of this clause would be that people who have contracted for years in the matter of insurance and know exactly to what extent they could have afforded it in view of the Income Tax Ordinance, are going to be penalized. It would be unfair not only to them but to the insurance companies. If a man took out a policy for \$1,000 before this amendment was introduced by the hon. the Attorney-General he could not get relief from the premiums he paid above the sum of \$70. Now he cannot get it above \$100. The older a man is the worse off he is, because the rates of insurance are cheaper when a man is young. The young man is going to benefit by these limits on the amount, and the older man who, perhaps, was not able to insure until he had reached the age of 35, 40 or 45 years will be badly penalized in comparison with a young man.

I think Government should say definitely that it is not going to allow single premium policies because, if the idea behind this clause is to stop insurance which is taken out merely for the purpose of avoiding income tax, Government should say so. But to penalize a whole class of persons who have for years past based their savings on what they would be required to pay in income tax is, I think, most unfair. I do not know whether it is possible for this amendment to be brought into force in respect of policies taken out after a certain date, but that would seem fair because, as I have said, people have entered into contracts with insurance companies with the full knowledge and calculation of their income tax liabilities.

The FINANCIAL SECRETARY & TREASURER: Do I understand the

hon. Member to say that an allowance of 10 per cent. on the capital value of a policy would put a hardship on a number of people who have taken out policies in the past? I did not conceive that to be so. I should imagine that 10 per cent. is sufficiently generous to admit almost any kind of normal policy that would be taken out by an individual. The governing factor is one-sixth of the chargeable income. I would like to know whether there are a number of people paying insurance premiums within 10 per cent. of the capital sum.

Mr. SMELLIE: I went very carefully into this matter with regard to the 7 per cent. deduction, and my inability to give figures with regard to the new proposal is a very apt illustration of what I said at the beginning with regard to amendments which are made at a moment's notice, because it does not give the general public or people interested sufficient time to go into them. I should say further in answer to the hon. the Financial Secretary, that I should imagine that if a man is 54 or 55 years and takes out a policy he would be worse off with regard to the premium even with an allowance of 10 per cent., but I have not gone into it.

The FINANCIAL SECRETARY & TREASURER: I plead guilty, of course, to that, but I did assume that most of these matters were in the capable hands of representatives of the Chamber of Commerce, and at the conference we held, when the suggestion was put forward it seemed generally acceptable. I understand that the rate of the premiums in the 10-year group of policies is round about 10 per cent. of the capital sum. I have to assume that it is possible not to be affected, and that no particular hardship would be created.

Mr. FERNANDES: I think I can give the answer. In introducing this amendment Government is trying to stop the single premium policy idea. Of course information about Government's intention got around, and a 5-year

policy has been sold and issued. That is quite permissible under the law as it stands today, but in the proposed amendment a date could have been fixed after which no policy could be issued of a shorter duration than 10 years. That would have covered it and would have met the argument that a very young man taking out a 10-year policy would pay a premium of slightly less than 10 per cent., while a very old man would naturally pay a higher premium. I do not know if the clause could be amended to provide that no life policy shall be of a shorter duration than 10 years, and that any policy already in force would be exempt from the provision in this clause. If that can be done then I think everybody's objection would be met.

Speaking for myself I have not been fortunate enough to have a policy as short as 10 years, because I like to get the biggest cover for the smallest premium. Those who are fortunate in being able to pay a larger premium over a shorter period may be hard hit. There is no question that the great objection to this amendment is that a number of 5-year policies have been taken out, and it would mean that those people would only be allowed a deduction to the extent of half of their premiums on policies of that type.

The FINANCIAL SECRETARY & TREASURER: Is that necessarily unfair that they should only be allowed half? The object of the whole thing is to encourage thrift. It was not put in as a means by which a wealthy taxpayer may dispose of his income so as to escape income tax. A 5-year policy is a very expensive business. I do not know what is the value of limiting it to policies of a certain duration. I think it would require a lot of careful study. We followed the United Kingdom, and even in Barbados the allowance is 7 per cent. Now Members think 7 per cent. would create a hardship. I do not think we should accept the suggestion without further study.

Mr. FERNANDES: I am going to support the clause as it stands. I am

not in favour of short-term insurance. I was just thinking of other people's objections. I think 10 per cent. should cover very nearly the full amount of the premiums paid on any 10-year policy, but there is some argument on the other score, that in respect of policies taken out before the law was changed some hardship may be created. I agree that the original idea was to encourage

thrift over a long period, and not to encourage the putting of money up and getting it back at the end of five years. If I took shares in the Building Society I should be able to claim exemption, but that would be carrying it too far.

At this stage the Council resumed and adjourned until 2 p.m. the following day.