

LEGISLATIVE COUNCIL.

Wednesday, 19th February, 1941.

The Council met at 10.30 a.m., pursuant to adjournment, His Excellency the Governor, SIR WILFRID JACKSON, K.C.M.G., President, in the Chair.

PRESENT.

The Hon. the Colonial Secretary, Mr. G. D. Owen, C.M.G.

The Hon. the Attorney-General, Mr. E. O. Pretheroe, M.C.

The Hon. F. Dias, O.B.E., (Nominated Unofficial Member).

The Hon. J. S. Dash, Director of Agriculture.

The Hon. E. G. Woolford, K.C., (New Amsterdam).

The Hon. E. F. McDavid, M.B.E., Colonial Treasurer.

The Hon. F. J. Seaford, O.B.E., (Georgetown North).

The Hon. M. B. G. Austin, O.B.E. (Nominated Unofficial Member).

The Hon. W. A. D'Andrade, O.B.E., Comptroller of Customs.

The Hon. N. M. MacLennan, Director of Medical Services.

The Hon. M. B. Laing, O.B.E., Commissioner of Labour and Local Government.

The Hon. G. O. Case, Director of Public Works and Sea Defences.

The Hon. L. G. Crease, Director of Education.

The Hon. B. R. Wood, Conservator of Forests.

The Hon. Percy C. Wight, O.B.E. (Georgetown Central).

The Hon. J. Gonsalves, O.B.E., (Georgetown South).

The Hon. J. I. De Aguiar (Central Demerara).

The Hon. Jung Bahadur Singh (Demerara-Essequibo).

The Hon. Peer Bacchus (Western Berbice).

The Hon. E. M. Walcott (Nominated Unofficial Member).

The Hon. C. R. Jacob (North Western District).

The Hon. A. G. King (Demerara River).

The Hon. J. W. Jackson (Nominated Unofficial Member).

The Hon. F. A. Mackey (Nominated Unofficial Member).

MINUTES.

The minutes of the meeting of the Council held on the 18th February, 1941, as printed and circulated, were confirmed.

PAPERS LAID.

THE COLONIAL SECRETARY (Mr. G. D. Owen, C.M.G.) laid on the table the following report:—

Report of the Colonial Forest Resources Development Department for the period 1st April, 1939 to 31st March, 1940.

ORDER OF THE DAY.

LIVESTOCK AND MILK.

Mr. JACOB, on behalf of Mr. LEE, asked and the Colonial Secretary laid over replies to the following questions:—

Q. 1. Will Government state what livestock were bought during the current year, from whom, and the amount paid per head?

A. 1 One grade Holstein bull, from T. A. W. Davis, late of Forest Department for \$50.

Q. 2. Will Government state what quantity of milk was obtained from the cows in the Botanic Gardens, Georgetown, and the Experimental Station, Georgetown, from January 1st to November 30th, 1940, each month separately?

A. 2. Milk produced at Government Stock Farm, Botanic Gardens, Georgetown:—

1940.		
January	990	pints milk
February	1,737	
March	2,048	
April	1,741	
May	1,215	
June	767	
July	1,172	
August	1,053	
September	819	
October	386	
November	330	
Total	12,258	

Q. 3. To what use was the milk applied?

A. 3. The milk was fed to the following live-stock:—

Calves	7,813	pints
Pigs	1,983	
Poultry	2,177	
Aviary	285	

12,258

Q. 4 and 5. Is Government aware that the several charitable institutions and the Children's Breakfast Centres would welcome a supply of milk obtained from the cows belonging to the Colony?

Will Government apply this principle of free distribution to these institutions in future?

A. 4 and 5. The cattle kept are mostly for breeding purposes and the supply of milk varies considerably. Milk is an important feed in the successful rearing of all pure-bred young stock; it is not feasible, therefore, to dispose of existing supplies, which in any case are not sufficiently large to permit of supplying institutions.

EXCESS PROFITS TAX BILL, 1941.

Mr. McDAVID (Colonial Treasurer): I move that "A Bill intituled an Ordinance to impose an excess profits tax on the profits of business carried on in the Colony" be read a second time. Before dealing with the Bill itself I think it would be helpful if I stated very briefly the facts leading up to its introduction. The proposal to introduce an excess profits tax in this Colony was first announced by the hon. Colonial Secretary on the 15th November, 1939, in the course of his budget statement for the year 1940. The tax formed part of the increased taxation proposals which were included in that budget as war measures. It was proposed to assess and levy the tax in 1940 on profits arising after the 1st September, 1939, and a sum of \$40,000 was included in the revenue estimates for the year 1940, as approved by this Council, under the head Excess Profits Tax. That estimate was necessarily

low because very few assessments could, in fact, have been made in 1940, and any that were made could only relate to the profits of the four months period, 1st September, 1939 to 31st December, 1939.

Unfortunately, the enabling legislation with regard to this tax suffered many vicissitudes and it was not possible to introduce a Bill in Council, with the result that no tax was levied in 1940. What really happened was that early in 1940 a draft Bill was prepared on the lines of the 1916 excess profits duty as imposed by the United Kingdom Finance Act of 1916, but when the Finance (No. 2) Act of 1939, which was passed late in 1939, was received in this Colony it was realized that the new excess profits tax differed in many important respects from the former excess profits duty, and as it was considered desirable that the principles of the local tax should conform as closely as possible, having regard to local conditions, to the measure in force in the United Kingdom the original draft Bill had to be entirely abandoned and a new Bill prepared. That Bill was ready in April, 1940, and after local consideration it was sent in May, 1940, to the Colonial Office who in turn submitted it to the Board of Inland Revenue for their criticisms and comments. The Board's comments were not received in the Colony until October, 1940, far too late for any action to be taken to enable the tax to be collected in 1940.

In the meantime, a new situation had arisen here. This Council had by resolution expressed its determination not to accept any further financial assistance from the Imperial Government, and it became necessary to find yet further additional sources of revenue. In preparing his budget for 1941 the Colonial Secretary accordingly announced Government's decision to impose a surtax of 50 per cent. on individual income tax rates and not to proceed with the excess profits tax. Subsequently, however, I announced Government's decision, after reconsideration, to postpone for the present any surtax levy on individual income tax rates and to proceed with the excess profits tax as originally contemplated. Accordingly, the revenue estimates for 1941, as approved by the Council, includes under the head "Excess Profits Tax" a sum of \$150,000 as the

yield from this source. The Bill now before the Council therefore embodies provisions for imposing a tax on excess profits arising from the 1st September, 1939, as originally contemplated. The Bill was first published on the 30th December, 1940, and was later republished on the 3rd February, 1941, with certain amendments which were introduced after consideration of representations which were made to Government by and on behalf of the local commercial community.

The basic principles of an excess profits tax are simple, but it is only in the application of those principles that complexities and difficulties arise. Broadly speaking, the theory of the tax is that businesses are allowed to select a standard profit on the basis of their best pre-war experience with certain limitations and subject to a certain minimum, and the difference between the standard profit so arrived at and the actual profits of the chargeable year represents the excess on which the tax is levied. And as excess profits may be taken to be derived, generally speaking, as a result of war conditions it is fitting that the State should take a substantial part of those excess profits as public revenue. But here I would like to repeat what I said some time ago in this Council. It represents at least my personal view; and that is that the making of excess profits in the very limited sense indicated is not necessarily an inherently vicious proceeding, and I do not think that an argument can, on that ground alone, be sustained that the State is morally entitled to take the whole of those profits. As a matter of fact, excess profits may arise from greater personal effort, improved management, better use of capital or other legitimate cause. It may indeed be very dangerous to take 100 per cent. of the excess profits of a business and so prevent that business from accumulating an adequate reserve to meet any possible post-war slump. We all know that in England the tax is 100 per cent., but there, of course, conditions are different from what they are here. Excess profits there are derived mainly from the war expenditure by the Government which flows directly into trade channels. Hon. Members may be interested to know that the tax in Canada is 75 per cent. In Trinidad it is 33½ per cent., and in this Colony it is proposed that

the rate should be 60 per cent. which is considered to be quite reasonable in our particular circumstances.

The principles of the tax have been fairly comprehensively set out in the explanatory memorandum appended to the Bill. I do not think I can improve or enlarge on that general statement. Nevertheless I propose to refer to the individual clauses in the Bill and endeavour to explain as best as I can the more important features of each clause. Clause 2 of the Bill contains the necessary definitions of terms used in the Bill. The first point to notice is that "Commissioner" means the Commissioner of Income Tax, and in clause 12 of the Bill the Commissioner of Income Tax and his staff are charged with the responsibility of assessing and collecting the tax. It is very fortunate that we have an organization which can assess and collect the tax, otherwise it would have been a matter of very great difficulty to establish a new organization to do so. The only other point of notice is that the word "director" is given a meaning somewhat wider than that contained in the Companies Ordinance. Clause 3 defines the meaning of the term "accounting period." Generally speaking an accounting period is the normal twelve-monthly accounting period of a trade or business. The Commissioner is given power to determine, in special cases, what is the accounting period, but that power will very likely not be exercised because all businesses likely to be affected by the tax have appropriate accounting periods. The clause also defines what is a "chargeable accounting period," and the effect of that definition is to make profits chargeable as from the 1st September, 1939. Apart from that particular case accounting period and chargeable accounting period are precisely the same thing.

Clause 4 is the charging clause. It enacts that the tax shall be levied at the rate of three-fifths of the excess of the profits of the chargeable year over the standard profits, that is to say at the rate of 60 per cent., and provides that all trades of every description carried on in the Colony are liable, with certain specified exemptions. Those exemptions are individuals or companies engaged in mining operations, insurance companies, steamship companies, and any other business which is exempt from income tax under the Income

Tax Ordinance. The reason for exempting mining companies is that in the case of gold and bauxite a war contribution has already been imposed on those concerns in the increased taxation imposed early in 1939. Here I should mention that when the Bill is in Committee I propose to move as an amendment the deletion of the exemption of steamship companies. The reason for that is that at least one local business does operate a steamship as one of its major activities, and it is possible that the transactions of that steamship line may show a reduced profit rather than an increase profit. Therefore it is considered equitable to exempt steamship companies rather than penalize that company.

Hon. Members will be interested to see in sub-clause (3) a provision that a business, the profits of which are dependent wholly on the professional qualifications of an individual or individuals in partnership, shall not be liable to this tax, so that it exempts all the lawyers and doctors. (laughter). Lastly, in sub-clause (5) it is laid down that all businesses carried on by one and the same person shall be treated as one business for the purposes of this tax.

Clause 5 is the most important clause in the whole Bill inasmuch as it sets out the method and procedure for computing the standard profits. The first point to notice is that a minimum amount is fixed for the standard profits, and that minimum amount is \$5,000. It follows, therefore, that any business with profits in a chargeable year of less than \$5,000 is entirely exempt from the tax. Furthermore the clause provides that in the case of a business carried on by a partnership or a director controlled company this minimum standard may be increased to an amount, not exceeding \$12,000, by allowing \$3,000 for each working proprietor. It follows, therefore, that in the case of a partnership business with two partners the minimum standard profits would be \$6,000, and with three partners, \$9,000, and so on to \$12,000. The expression "working proprietor" is most carefully defined. It means a proprietor who has "worked full time in the actual management or conduct of the trade or business." The term "proprietor" is also defined as a partner in the case of a trade or business carried on by a partnership, and in the case of a

director-controlled company, any director thereof owning not less than one-fifth of the share capital of the company. I emphasize those points because claims for a minimum standard will have to be very carefully checked up in the light of these restrictions before they can be allowed.

In sub-clauses (4), (5), and (6) it is laid down that any one of the years 1936, 1937 or 1938 can be selected by a business as its standard period. Obviously a business will select the best period or the period with the highest profits. As noted on the Order Paper I propose to move in Committee that the year 1935 be also included as one of the years that can be selected. The reason is that in the United Kingdom 1935 is one of the standard periods, and it seems to be quite reasonable and equitable that if 1935 was in some cases a better year than any of the other years it should also be included in the local law. Furthermore if it is admitted it will assist in the settlement of income tax and excess profits tax both in this Colony and in the United Kingdom, in cases where businesses are liable in both countries.

The last two sub-clauses of clause 5 are also most important because in sub-clause (7) a further minimum standard is granted. That sub-clause provides that in any case where in a standard period the profits of that period are less than the fixed percentage of the average amount of the capital employed then the standard profits shall be that fixed percentage of the capital employed in that chargeable accounting period. Put very briefly it means that a percentage is allowed on capital as a standard for all businesses and the fixed percentages are 8 per cent. in the case of a company and 10 per cent. in the case of an ordinary individual, a partnership or a director-controlled company. That percentage standard also applies, of course, to businesses which have commenced on or after the 1st January, 1938. There is a proviso to sub-clause (3) which also allows the application of this percentage of capital in the case of increased or decreased capital as the case may be.

Clause 6 seeks to enact that profits shall be computed on income tax principles as modified by certain rules which are set out in Part I of the First Schedule. It also lays down that capital is to be com-

puted in accordance with the rules in Part II of the Schedule. The proviso to clause 6 (1) is important because it permits of apportionment and aggregation of the profits of various accounting periods.

Clause 7 is important from the point of view of the taxpayer, and is quite a new departure in this type of legislation because it permits a refund or repayment of the tax in the case of a deficiency in a succeeding year instead of an excess. It can well happen that a company may pay excess profits tax in one year and in the next year it may be found that instead of an excess there is a deficiency. This clause provides that on the basis set out a proportion of the excess profits tax previously paid can actually be repaid.

Clauses 8 and 9 set out the procedure for special cases such as business changes, amalgamations and so on. Clause 9 is very complex indeed and is really only interesting to accountants. It lays down the procedure in relation to inter-connected companies. Broadly speaking all it does is to provide a set of rules allowing or compelling subsidiary companies to be treated as one business along with its principal.

Clause 10 is also very important because it gives the Commissioner power to disallow unreasonable expenses where it is quite obvious that those expenses have been included practically for the purpose of defeating the object of the tax.

Clause 11 relates to the relief provisions in regard to double excess profits tax. It sets out that where businesses are liable to excess profits tax both in the Colony and in the United Kingdom, or in any other Colony of the Empire, then the Governments concerned can enter into an arrangement in order to provide relief, and the effect of that relief is that only the higher of the two taxes is paid, the amount paid being divided proportionately between the two Governments concerned.

Clause 12, to which I have already referred, also embodies various sections of the Income Tax Ordinance which relate to returns, assessments, offences, and the service of notices, etc. It is a very convenient method of adopting the same procedure which exists in regard to income tax with regard to the excess profits tax:

Clause 13 imposes the same restrictions as to secrecy on the Commissioner and his staff as in the case of the Income Tax Ordinance. Clause 14 empowers the Governor in Council to make regulations. Clause 15 repeals the Profits Tax Ordinance which still exists in the Colony's laws, but as there is no charging provision in it we are quite safe. Clause 16 fixes the date for the coming into force of the Ordinance as the 1st January, 1941.

There only remain the Schedules, but I do not propose to go into them. They comprise a set of rules for computing profits and capital. The rules for computing profits are really an adaptation or modification of the ordinary method of profit computation for income tax. The Third Schedule contains a list of sections of the Income Tax Ordinance to which I have already referred.

Before concluding I would like to ask Members who will speak on the Bill if they would be good enough to confine their remarks on the second reading to the general principles of the Bill, and reserve for the Committee stage any detailed criticisms of the various clauses. My reason for asking that is that although I have said that the levying of the tax is comparatively simple the Bill is somewhat of a tax on the brain, and it would be much more convenient if we could deal with each criticism independently.

There is one other matter I would like to mention. Firms which are going to submit returns in connection with this Bill should take care to have them prepared by properly qualified accountants. My reason for saying that is that the Income Tax Commissioner now takes some care to see that the taxpayer gets what is his due. In other words, if there is any item of reduction that can be claimed it is either pointed out or allowed, but in the case of this excess profits tax there are so many options which will have to be selected by the taxpayer that it is quite obvious that the Administration itself cannot go into the accounts and make the best returns for taxpayers. The returns will have to be properly prepared before they are submitted. I move that the Bill be read a second time.

Mr. AUSTIN seconded.

MR. DE AGUIAR: Sir, before I offer my contribution to this debate I desire to pay a tribute to the hon. mover of the Bill for the skilful manner in which he has introduced it, and more particularly the manner in which he excused himself, or tried to excuse himself in his capacity, of course, as financial adviser to the Government for having ante-dated, so to speak, the introduction of this tax. Anyhow I will deal with that later. I only wanted to pay him that tribute at the very beginning to let him know that I appreciate all he has said and all he has tried to explain so far as the Bill is concerned.

The principle of levying a tax on excess profits has long been recognized not only in this Colony or in the United Kingdom but by various Governments, especially those who have within the last 25 or 30 years been engaged in war. The reason for that, of course, must be obvious to all of us because, as we know, it is on such occasions that the need for money is more severely felt not only in order to carry on administrative works but also to provide the weapons of war. Hon. Members will remember that during the World War of 1914-18 a Bill was introduced in this Colony under a different name and under different conditions. As a matter of fact the tax which was introduced in this Colony at that time was collected even a few years after the war was over. The provisions of the tax on that occasion were entirely different from those contained in the Bill before us to-day, but again it must be pointed out that perhaps it was found then that the need for money was not as great as it is to-day. On the other hand we in this Colony cannot truthfully say that the reason for introducing this tax is in order to make a direct and reasonably direct contribution to the war effort. It would be correct to say, therefore, that so far as our local budget is concerned, as a result of rising costs in various directions owing to war conditions the necessity has arisen for us to find more money than we normally would require to carry on the Administration.

We have been told, and all of us know it to be a fact, that this tax is already in force in the United Kingdom. We know also that in the first instance the rate was fixed at 60 per cent. and has since been increased to 100 per cent. Whether or

not we are adopting the rate that was first introduced in the United Kingdom to suit our own purpose, or whether it is because of the necessity that exists for us to find a sufficient sum of money to balance our budget for this year is a matter upon which I think Government has more information. It may be difficult, therefore, to argue that such a tax should not be introduced in the Colony at the present time, having regard to the urgent need that exists in this Colony to balance our budget. I know that this is not the time for us to build castles in the air, any more than we can afford to carry on in the belief that the Treasury will receive a windfall from some unexpected quarter. Having already framed our expenditure for the current year the necessity is all the greater for us to balance our accounts. That is the spirit in which I propose to approach this subject to-day.

It is my view that inasmuch as the yield from the tax is an important factor in balancing our budget I am strongly of the opinion that a tax of this nature is entirely unsuitable to the needs of this country. I know that such an observation will perhaps be received with a great deal of criticism in certain quarters. I also know that in another quarter the view might be held that the rate of the tax instead of being 60 per cent. should be 100 per cent. My answer to either of those critics would be that they are taking a very short-sighted view of the future, more particularly of this country, and especially those who prefer a 100 per cent. rate. They do so because they are not being called upon, and never will be called upon, to bear the burden. Perhaps it might be thought that my words are idle words to-day. I hope they are, but in view of what I will say in a few moments I cannot help feeling that the introduction of such a measure at this time is bound to stifle the industrial activity of this country and in that way will hamper and perhaps create a certain amount of suffering in the community. If we were called upon to pay this tax as a direct contribution to the war effort then perhaps one might take a more lenient view, but I speak as strongly as I do on account of the fact that the necessity has arisen for us to introduce this tax and thus retard any possible development that we might hope for at this time merely on the ground of carrying on the administrative

costs of this country. If that is so then one might well ask the question whether a more careful examination of Government's financial policy is not required if we hope to keep the finances of the Colony above water not only in 1941 but for years yet to come.

I sit here in Council year after year and see our expenditure travelling at a rate in excess of our revenue ; that our reserves have all now practically disappeared. One can visualize that any short-fall in the collection of this tax, or for that matter any short-fall in the collection of general revenue as a whole is bound to have a disastrous effect. In the first place it would mean a higher incidence of taxation all round. That, of course, would be a most deplorable step. It would be deplorable because it would mean a sapping of the life-blood—I can think of no other word at the moment—of the members of this community. My view of a tax of this nature—and I can assure Your Excellency that I have given the matter very careful consideration for a long time—is that it is particularly designed for countries whose incomes are improving as a result of works directly arising out of the war, whether as a result of armaments or increased circulation of money for other reasons. It is my view that a tax of this nature is designed particularly to collect revenue from those sources. It must be remembered that in so far as our own little Colony is concerned, from 1930–31 until 1939 the industries and business generally in this Colony laboured under very depressing conditions. We dismissed it as easily as we could by referring to the slump. We tried to excuse ourselves on one occasion by referring to the drought, and we continue to excuse ourselves by referring to the depressed conditions on account of the floods. Nevertheless the hard and cold fact remains that from the year 1930–31 until September, 1939, the industry and the business generally of this Colony laboured under very depressing conditions. Therefore, however well-intended such a tax as the one proposed may be, it is bound to be a heavy burden on those—and they are very few in number—who will be called upon to pay such a tax.

If it were possible to foresee what conditions will be like, not later this year or next year but in future years, I have no

hesitation in saying that those who are in charge of the industrial life, commerce and business generally in the Colony would be willing and only too glad to bear this burden more cheerfully. But we have had our experiences, and experiences are things that cannot be easily brushed aside. We know what happened here after 1921, three years after the last war. Those of us who have lived here all our lives could give evidence of what occurred here. It is because of those experiences that I would warn Government to travel with this form of taxation at a lower rate of speed. As a matter of fact I am beginning to fear that the necessity having arisen for such an early introduction of a tax of this nature, this country would probably find itself in considerable difficulty, if conditions became worse later on, to carry on its essential works. Lest it be thought that I have begun to speak against any possible increase that might be considered advisable later on in the rate of this tax, and lest also there may be some Members of this Council who consider that I am a confirmed pessimist, I should like to mention that I hope, I sincerely hope that the fears I have expressed are unfounded. But it is because I am doubtful of what the future will bring I am afraid our endeavours to maintain even the present level of employment in the Colony will be frustrated.

What, therefore, is the solution of the problem? There might be two avenues. For the present I think it would be sufficient if Government was advised to cut its suit according to its cloth. I know I shall be promptly met with the argument that every effort should be made to maintain the present level of employment. I agree with that view ; I agree that that effort should be made. Nevertheless it seems to me from an examination of Government expenditure for the last few years, that in an endeavour to maintain that level of employment administrative costs have been travelling at almost the same rate. It is in that direction that I invite Government's attention. Why is it that I should have so much fear about the industrial life of this Colony in the future as a result of this tax? It must be borne in mind that under present conditions the risks of commerce and industry are exceedingly high, and I do not think there is

anyone in this room who can challenge that statement.

It is necessary, therefore, that ample provision should be made against the high risks that are being run at the present time if we desire to safeguard the future. What is more, there is, if not generally, a certain amount of awakening in the industrial life of the Colony at the present time, and it seems to me that opportunity should be taken to provide for such expansion. If it is the view of Government, or if it is the view of anyone here for that matter, that such provision should be made out of fresh capital, then it seems to me that they know very little about what they are talking. My experience of development here, however limited it may be, is that, with one or two exceptions where an extraordinary amount of capital was required, industry developed naturally as it were out of its own resources. Are we then justified in stepping in and putting a stop to such progress? I consider that it would be false economy to do such a thing, unless of course it is the intention that we should continue to spoon-feed the inhabitants of the Colony by doles, or by giving them a spot of work to do here and there. It seems to me to be better economy if we make an effort to expand our industrial life, and in that way create further avenues of employment so that the necessity would not arise for Government to continue its present policy of commencing works merely to meet our labour problems.

It is clear that the Colony's budget for the current year—and I speak particularly under the main head of Customs—has been based on the revenue obtained last year. Fears have already been expressed that the high level of collections may not be maintained this year. It is too early to predict whether those fears are correct, but having regard to certain restrictions and certain difficulties which we know are in the way at the present time it would be prudent, I think, if we were to accept the view that there might be a short-fall in revenue under the head Customs. Now that is a very serious state of affairs. We have based our revenue this year on our receipts of last year and we have framed our budget accordingly. If the short-fall I refer to materializes it seems to me that if we are to continue

with our present rate of expenditure we may have to come here very soon again to impose additional taxation. If that stage is ever reached—I hope not—I trust that instead of approaching this Council with a proposal for increased taxation, Government would in the meantime be prepared to meet such an eventuality.

It is not possible for me to make any detailed recommendation at this stage without a more careful examination of the financial position as a whole, and without knowing a little more about Government's policy at the present time. One could easily meet the situation by throwing out the suggestion, however valuable it may be, that perhaps any works which are being undertaken by Government at the present time that are of a capital nature might be met from loan funds instead of from current revenue. The burden in such a case would be, I venture to suggest—in fact I know I am right—much easier to carry than if we were to attempt to carry those capital charges under these very trying conditions. I think, sir, it would be correct to say that within the last few years—and perhaps there are schemes under construction now which ought to have been regarded as of a capital nature, and I sincerely hope that the suggestion that those should be carried out with loan funds might receive some consideration. It was all very well and fine when this country received assistance from the Imperial Government to carry out those works. Nobody complained about that. As a matter of fact, to be quite frank and honest, we were all very grateful indeed for the assistance that was meted out to us. We must no longer look forward to that assistance. As a matter of fact we have decided that we will endeavour to carry ourselves, within the limit of our resources, without such assistance.

If it is agreed—and I borrow the words of Your Excellency's speech—that "the general level of taxation in this Colony is by no means low by colonial standards," and if it is desirable, as I think it is, to maintain the present level of employment, and if considerable difficulties would be encountered by an increase in the general forms of taxation, it appears to me to be a very shortsighted view to impose such a heavy burden in the manner proposed, for it is my view that it will stifle the growth

of the industrial life of the community and in that way retard the productive capacity of the country. I have said before that there appears to be some awakening in this direction. Let us therefore try to do what we can to encourage it rather than put a stop to it. If it is hoped that this development can be done with borrowed money then I would say at once that we would be courting disaster. As a matter of fact I would go further and say that very little effort, if any at all, would be made to extend the growth of our industrial life on borrowed money. On the other hand, if the views I have expressed find little support or no support at all with Government or my hon. friends in Council, then it seems to me that we must be satisfied to continue marking time. I think that a better plan would be to allow our resources to develop naturally. If those resources developed naturally it seems to me that the position of this Government should be happier for the reasons I have already given.

There would not be so much difficulty, perhaps, in collecting our revenue. We would not be faced with the problem of creating works of an unproductive nature but would rather be bent on producing schemes and carrying out works which would be of some benefit to the community as a whole. I believe in the future of this Colony. As I have said many times in this Council, I would like to see it standing on its own feet without any assistance of any kind whatever, and I have a belief that we can do it if only we are given the chance. I am sorry to say that the possibility of obtaining that chance appears to me now, if Government pursues with this Bill, to be very remote, because I can hardly visualize, as I have said before, anyone attempting to do much in the way of expansion on borrowed money, or by the issue of fresh capital.

I think I have said enough to indicate that in my view, and in my considered view I would like to emphasize, we can do better, we should be able to do better than introduce this measure at the present time. I am not foolish enough to anticipate too much support of this view. Nevertheless I have expressed it, and having done so I feel that I have discharged my duty, and the responsibility therefore rests with my colleagues in the Council and Government.

It will be observed that I have not so far dealt with the Bill as it stands. It is sufficient, I think, at this stage to say in a general way that by its very nature it must of necessity be very complicated. Differences are bound to arise as to where the tax should begin and where it should end; how standard profits should be computed and what are excess profits; what and where relief should be afforded, the incidence of the tax and so on. I know this: that in trying to mete out justice to everyone who will fall within the scope of the tax further differences will arise. They are bound to arise, and the question then would be to consider whether in the long run it was not a mistake, and a very big mistake at that, to introduce this form of taxation in this Colony.

There will be several discussions on the various clauses of the Bill when the Committee stage is reached. I will find myself in some difficulty in trying to offer much assistance, although I will admit that there are several cases which come to my mind and which are not covered by the Bill, and in which justice might be meted out. There is a discretionary power under the Bill, and it may well be that the injustices I have in mind might easily be met. If that is so I would like some pronouncement on the point, but reading the Bill as it stands it seems to me that it does not go far enough to provide for some of the injustices I have in mind. The hon. mover of the Bill in his speech made reference to the normal expansion of trade, to better management and so on. I listened very attentively and I had hoped he would have explained a bit further as to how he hoped to bridge those difficulties. I can well understand that it would be an impossible task to frame a Bill which would cover all those points. I have never at any time encouraged the provision of discretionary powers in any legislation in this Colony because we know what sometimes happens in such cases. Nevertheless, in this particular instance it might be considered advisable to make the discretionary powers as wide as possible in order to meet cases which it is found impracticable to provide for in the Bill.

The hon. Col. Treasurer in the course of his speech made reference to the fact—and it is a fact—that the tax which will be collected in 1941 will cover a period

spreading from September, 1939 to December, 1940. I am not quite sure whether he used those exact words but I know that is what he meant. That period extends over 16 months. I happen to know that it is not even generally known by many parties who are interested in the Bill that it is proposed to collect this tax for a period of 16 months. Most people with whom I have discussed the matter accepted the general principle that the levy of taxation covers a period of 12 months or a calendar year. The budget of this country is framed along the same lines. As a matter of fact I may say that it is the first time I know that such a bit of legislation or such a bit of taxation was ever introduced in this Colony. I can hardly see the reason why there should be a departure in fixing the period, unless of course one of the reasons is the collection of a greater sum of money. In my opinion it is not sufficient to say that a tax of this kind would have been introduced in this Colony for this year or next year—that is what was hinted—and therefore those who would fall within the scope of the tax should prepare themselves. That, I am sorry to say, is rather a glib statement. Let us assume for argument sake that the tax was anticipated as a result of the communication made by Government early in 1940, or late in 1939, is there any one in this chamber who would tell me that a rate of 60 per cent. was anticipated? I venture to say that there is not a soul in this room or among Government advisers themselves who anticipated that such a high rate would have been imposed, unless of course the rate was taken from the U.K.

THE PRESIDENT: Quite likely.

MR. DE AGUIAR: Well sir, why didn't we take the rate from Trinidad? This Government has often copied what was being done in Trinidad, Barbados and places of that kind and put it up to us here as a criterion as to what we should also do here. Why then didn't we follow Trinidad and introduce a tax at the rate of 33½ per cent., or why, as the Treasurer was good enough to say that the original draft was framed on the 1916 Ordinance, didn't he copy the rate fixed in that Ordinance?

MR. McDAVID: I said it was framed on the 1916 United Kingdom Finance Act in which the rate is 50 per cent.

MR. DE AGUIAR: I understood the Treasurer to say that he based it on the local Ordinance. Nevertheless my argument still holds good. That Ordinance was still in force and it seems to me that it would have been reasonable for anyone, having heard what Government had to say on the subject, to assume that in a pauperized community such as ours, which has been labouring under depressing conditions for the last 10 or 12 years, the rate of tax would have been based on the rate we were accustomed to.

THE PRESIDENT: What was that?

MR. DE AGUIAR: It was 10 per cent., sir. Nevertheless I am not going to say that 10 per cent. is sufficient or not sufficient.

THE PRESIDENT: Do you mean 10 per cent. of the excess?

MR. DE AGUIAR: Yes, sir. I merely refer to the matter in order to show that there is not sufficient justification for Government to say at this stage, in 1941, that firms must pay 60 per cent. of their excess profits earned within the period of 1939. It must be remembered that the taxpayers who will fall within the scope of the Bill are very limited in number. Most of them are commercial companies or industrial companies. Their accounts have been closed and they have either earmarked their funds for dividends or for development. I say at once that if the dividends have been paid then by all means tax them, but if those funds were earmarked for development and in fact have been used for expanding their activities there can only be one result, and that result will be the curtailment, a definite curtailment, of those activities. I say it is wrong to make any legislation retrospective in the way this is being done, and it is not sufficient excuse to say that it was previously indicated and therefore we must carry this burden.

Furthermore, questions are going to arise as to what are standard profits and what are excess profits. The hon. mover considers that by computing the various profits on income tax principles he will solve the difficulties. That might well be so, but again I say that a tax on excess profits is not the same and should not be

regarded in the same light as income tax, and I speak particularly of the allowances and deductions, as we know them, that are allowed under the Income Tax Ordinance. If those principles are going to be applied for the computation of excess profits there is bound to be grave injustice caused. After all, in the case of income tax, which I believe will be with us for all time, the matter will right itself over a given period of years. In the case of an excess profits tax, which I hope will not be with us for long, because I am hoping it is really a war measure, sufficient time will not elapse for any benefits to accrue from the allowances that will be made on income tax principles. The position is, therefore, how will all of this be met? How will this, what I consider a grave injustice, be met? To deal with all of them is bound to lead to some confusion. I agree that perhaps in the first instance the confusion might be lessened if the returns are made out by the persons referred to by the Treasurer. As a matter of fact we know that several people will take advantage of their services, but even so, whether the relief that will be given in the collection of an excess profits tax will be sufficient is a matter which I consider needs further examination.

I do not propose to detain the Council any further with this debate. This and other questions might well be left over to be dealt with at a later stage. As a matter of fact I venture to hope that my criticisms, or rather my observations on the Bill—I much rather refer to them as observations—will bear some fruit. I am a believer in the old axiom that it is never too late to mend. If what I have said is of any value then I would consider that I have done a service. If, on the other hand, my theory is considered to be incorrect then the cry for capital to come to this Colony, which has been going on for all these years, has been wrong.

Mr. SEAFORD : As a member of this community and as a citizen of the Colony I can only say I have listened to the hon. Member's speech with profound regret and with profound astonishment. That a Member of this Council, a leading member of the community, should get up in this Council and express the views he has expressed here has filled me with disgust. Does the hon. Member not realize what is

happening in other parts of the world? The hon. Member says that this tax is not a direct contribution to the war effort. In distinct contradiction to that I say it is. The money we have been receiving in this Colony from the Mother Country we have requested her to send us no longer; we will finance ourselves. Isn't that a direct contribution to the war effort? The hon. Member said we must look ahead and put our house in order for the days to come. Which democracy to-day is in a position to do that? Are the people in Great Britain in a position to look ahead? Are they not sacrificing everything they possibly can? What is the use of looking ahead when we have not yet won the war? It is our duty to give every assistance we possibly can to win the war. I speak very feelingly because I regret that expression of such views should have come from anyone in this Colony or a Member of this Council. Are we here to wax fat on the sufferings of those on the other side? The hon. Member forgets that this is a tax on excess profits, not on profits that were being made before the war broke out. Would any Member argue that companies in this Colony are not making profit as a result of the war? I do not think anyone would dare say such a thing.

The hon. Member said that unless we build up reserves we are stifling industry. It seems to me that his argument is completely the other way around. Surely if one wants to avoid paying the tax the natural thing to do would be to develop one's business. Surely it is the one opportunity one has to expand his business, if he feels that is the right thing to do. If you expand your business or your industry you are not going to make excess profits. Perhaps it is the very thing Government should have done long ago to cause expansion of industry in the Colony. The hon. Member said that this tax was being levied in order to carry on the Administration of the Colony. From the debates which took place at the last estimates meeting he must know that is not the case.

Mr. DE AGUIAR : I should have corrected the hon. Member before. This is his second misunderstanding of my remarks, and rather than allow him to continue to travel along that road I will correct him at once. I have not said that money was required in order to carry on

the Administration of the Colony. What I did say was that in order to maintain our present level of employment the Administration costs have been increasing hand in hand.

Mr. SEAFORD: I am sorry if I am wrong. I have a note here "Tax was being imposed to carry on the Administration costs," but I accept the hon. Member's correction. I maintain that we are throwing away money to-day more through lack of supervision than anything else. I would gladly vote money for administration. I think it is the only way we can save money in this Colony. I do not want to create any further argument on the good-will of this Colony because I feel that all of us here are most anxious to do everything we possibly can to assist in the war effort that is being made by the Mother Country and the Dominions as a whole.

I will deal with the Bill itself, but before I do so I would like to express the gratitude of a large number of persons interested in the Bill to the Government, and especially to the Colonial Treasurer, for the very great assistance to them and for the very careful and even favourable consideration which has been given to the points raised by them during the discussions on the Bill. I feel that those discussions have saved many weary hours of discussion in this Council.

It will be observed that the limit of the standard profits is \$5,000, whereas in Trinidad it is \$1,000. That is open to criticism in certain ways, but I quite agree that if we lower the standard the staff required to collect this tax would have to be greatly increased, and I doubt very much whether Government would be able to find a capable staff in the Colony to carry out the work.

One thing I was hoping the Treasurer would have done was to give a definition of capital. He has not told us what is nominal capital, subscribed capital, or working capital, and naturally the whole essence of the Bill greatly depends on what your capital is. I hope that at a later stage he will give a definition of capital.

With regard to the taxable percentage I am wondering whether 8 per cent. is not on

the high side. I would suggest 6 per cent., but no doubt Government needs all the money it is likely to obtain from this tax, and if Government is satisfied with 8 per cent. I am also satisfied, but I only hope that 8 per cent. will not defeat the object of the Bill. There are other points which I will leave until the Committee stage is reached.

Mr. JACOB: This Excess Profits Tax Bill gives hon. Members scope for speaking at very great length, but I do not think any useful purpose would be served by the hon. Member for Central Demerara (Mr. de Aguiar) speaking in the way he did. I would like to say just a few words on the Bill. I agree entirely with the principles of the Bill. It is only fair and right that excess profits should be taxed. I would like to enquire whether it is going to be stated that certain lines of goods in the various stores or warehouses have not increased in selling price, probably week after week, since the war broke out? If it is going to be said that goods which were imported before September, 1939, are being sold at normal profits then I would agree that there is no need for this Bill, but it is generally known, and very widely known too, that huge profits are being made on certain lines, and it is only right and proper that a portion of those profits should be put towards the war effort.

I was rather surprised to hear the hon. Member for Central Demerara (Mr. de Aguiar) say that this tax is not a direct contribution to the war effort. The hon. Member for Georgetown North (Mr. Seaford) has given the correct answer to that statement. I think the Bill is timely and I hope it is going to yield the revenue that is anticipated—\$150,000—and I hope too that a larger sum will be received from it which would go towards the development of the country and the improvement of conditions generally. It is no use drawing a red herring across the trail at this stage. My hon. friend, who has taken up nearly an hour, surprised me greatly with his various arguments. I am sorry he did that, and I hope he will realize that this is a very just and equitable tax which is in the interest of the whole community.

Mr. PERCY C. WIGHT: I join in congratulating Government on bringing forward this Bill. I think it is an absolute

necessity because it will touch where income tax has never touched. When I heard that income tax would be increased I expressed my feeling very openly that income tax simply got at the same persons. A tax of this description is one that reaches below that type of person. There is no doubt that it is a direct contribution to the war effort. We are getting money which we would not have got otherwise. The Bill is certainly very lucid; I took the opportunity while the hon. Member for Central Demerara (Mr. de Aguiar) was speaking to go into it very carefully, and it is certainly very clear. There is no doubt about it that at one time I was rather confused as to what was really meant by the \$5,000 limit because if it is to be a \$5,000 minimum profit irrespective of the amount of the capital of a company it certainly creates some confusion in my brain, but that could be elucidated in Committee. I think Government must be congratulated on the manner in which it has controlled prices in "the Street." It has been very useful. We sometimes hear people say that certain firms are making very large profits. I am not so intimate with that kind of thing, but I know that the Committee has been doing very very valuable work indeed. The poor people have benefited to a great extent by the control of prices.

When the Bill reaches the Committee stage it will be the proper time to ask for explanations. I certainly say that this is the right time for the introduction of this Bill, and I hope it will go through with very few modifications. The only fear in some firms is the question of rising prices. We are all aware that prices have gone up to such an extent that if there is a sudden collapse a very serious situation would arise, because firms would be burdened with high-priced stocks and naturally would be faced with a serious position. There is no doubt about it that there is no open market. One would have thought that flour would have been fetching a very high price but we find the price actually dropping. There is no market and it tends to reduce the price here. We are all reaping the benefit.

Mr. DIAS: What has struck me about this matter is that the hon. Member's speech was rather lengthy, having regard to the subject before the Council—the

wisdom or otherwise of determining whether an excess profits tax should be introduced or not. The first idea of Government was to impose additional taxation by way of income tax on individuals generally. That seemed to me to be a wrong thing to do because we know that some people who would like to pay income tax have had their incomes decreased in one way or another, and therefore those who are in a better position to pay should be made to pay. I think that if you approached any body of men at the present time and asked them to make a selection, that selection would be an excess profits tax. Why? The answer is simple—because owing to war conditions opportunities have been offered to the commercial community to earn larger profits than if there was no war. Have you considered for a moment who contribute to those excess profits? It is the public at large. Therefore, when Government asks the earners of those profits to hand over a portion they are really not delivering their own money but money they have earned, legitimately I presume, from people who had to pay higher prices for their goods. And if Government allowed them to keep 40 per cent. of their excess profits and contribute 60 per cent. to the State I do not think anybody should have any reason for complaint.

Supposing there was no war and tradesmen were able to make 40 per cent. excess profit, they would be very happy and would wish that that state of affairs would continue year after year. I appreciate their point of view but this is a case of necessity. We ourselves suggested to the Imperial Government that we would ask for no assistance. That was our own offer. Now we must find that money. I would like any Member to say from what source other than an excess profits tax could this money be obtained. I can see no other source. The Bill has my unstinted support. Indirectly I will be a contributor, but I will give it gladly because I know it is being done for a very good purpose. I do not think the hon. Member for Central Demerara (Mr. de Aguiar) had any personal motive in offering his objection. He addressed his mind to the Bill from a business point of view. We have all in turn asked Government to reduce taxation. In this case I am sure there can be no possible objection, and I hope when the vote is taken

it will be unanimous so as to show that we are willing contributors to the funds which are necessary to carry on the Government in the circumstances in which the Colony finds itself.

With regard to the Bill itself it will certainly affect some concerns whose profits have not increased as a result of high prices. There was an influx of business but no excess profits. I know of one concern which has done better business, but it has charged no more than in pre-war days. As a matter of fact it cannot because its rate of interest is regulated by Ordinance.

I join in congratulating the Treasurer on the very able manner in which he has placed the Bill before the Council. I have read the Bill half a dozen times and I agree with the hon. Member for Georgetown North (Mr. Seaford) that the mover's speech certainly assisted me to understand it much better. I know too that he has had conferences with people who have approached him with a view to understanding the position, and he has given them considerable assistance.

Mr. WALCOTT: I desire to congratulate Government on bringing this Bill before the Council. I am sorry to oppose my hon. friend, the Member for Central Demerara (Mr. de Aguiar) who has spoken against it. I could not help criticizing his logic as he went along, because on the one hand he thought the tax would hurt the country and the people while on the other hand he thought it would not benefit the Government. I think it will help Government to balance our budget and leave a considerable amount over to relieve unemployment. I sincerely trust that the Bill will go through. It seems to me the fairest tax we can impose in war time, and anyone who expects to make profits out of the blood of their fellow brethren is wrong.

I would ask the Treasurer to think of the reaction at the end of the war. We had a good deal of experience of that in this Colony. Fortunately, the more conservative firms—and I sincerely trust the firm of my hon. friend will be one of those careful firms—did not try to put in huge stocks so as to make excess profits. If the hon. Member is careful in that direction I

feel sure he will not have very much to lose in the war and will be able to carry on after the war and so be able to offset any loss that might be suffered.

THE COLONIAL SECRETARY: I am naturally very pleased to find that no other Member shares the views expressed by the hon. Member for Central Demerara (Mr. de Aguiar) and therefore the Treasurer will require no assistance in getting the Bill through. The hon. Member asked to be informed of Government's policy, and I gathered that he would indicate in some way whether he thought a loan should be raised in order to carry out Government's policy, and for that reason a Bill of this sort should be opposed. Your Excellency made it perfectly clear at the Annual Session what your policy was—that you considered that production in this Colony should be increased, that work should be done so as to increase the output of the Colony, and with that object in view \$182,000 had been included in this year's Estimate for the reconditioning of drainage, and a sum not very much smaller than that will be spent on other works. I do not think there can be any doubt as to what Your Excellency has in view for the future.

The hon. Member referred to the high cost of the Government services, but less than two months ago the Council had before it the Estimates for 1941, and I do not think the hon. Member was able to find an item which he considered might be cut. The result was that no reductions were made by the Unofficial Members of the Council in the 1941 Estimates, whereas considerable cuts had been made by Government before the Estimates were submitted. If the works considered to be necessary had been included in the 1941 Estimates I can tell hon. Members there would have been a further \$200,000. Before the Estimates were printed more than \$200,000 was cut out in respect of works which were considered essential by the Heads of Departments if we had the money.

There were a few points which I did not quite understand when the hon. Member was speaking. He referred to the fact that this Bill would probably frustrate employment, but I think unemployment would be increased if we did not introduce a measure of this sort to balance our bud-

get. The hon. Member also referred to the burden which would have to be borne if the Bill is passed. The only burden I can see Members will have to bear is the burden of the weight of additional money which is going to come to certain companies in this Colony due to the war.

This is an excess profits tax. Those excess profits are going to be due to the war. Unfortunately, people in this Colony have not yet begun to realize—some of them—what others are going through across the ocean, and I agree with every word which has fallen from the lips of the hon. Member for Georgetown North (Mr. Seaford).

At this stage the Council adjourned for the luncheon recess until 2 p.m.

2 p.m.—

Mr. McDAVID (Colonial Treasurer): I am very sorry that the opposition to the Bill by the hon. Member for Central Demerara (Mr. De Aguiar) took the form it did, but at the same time I will say this much: he has discussed this Bill with me on more than one occasion and I give him full credit for the genuine sincerity of his opinions. I know he feels very strongly on it. I will not say anything more on the score of his general criticism, but there are one or two remarks which he uttered which may, if unchallenged, give rise to misconception. I will, therefore, just mention them. For example: The hon. Member used these words: "The imposition of this Bill would stifle industrial activity in this community." He then went on to say that the Bill, if passed, would keep capital out of the Colony. He also talked about business having to bear "this burden" and "business should not have to bear such a heavy burden." All those remarks are quite unjustifiable, in my opinion, and without foundation, especially the one about the tax stifling industrial activity. When speaking on the clause dealing with the computation of standard profits, I was at pains to point out that there was a minimum standard in the Bill which shows a fixed percentage of capital and that that percentage was 8 per cent. in the case of companies. Is it reasonable for anyone to say that a tax on excess profits over and above 8 per cent. on the full capital of any industrial company is an unreasonable one? Put in another way, do most com-

panies engaged in industry earn much more than 8 per cent. profits?

I know from statistics compiled in the Income Tax office that the general level of earnings of ordinary trading companies in this Colony is 5 per cent. In this Bill they are allowed free of tax profits of 8 per cent. before you begin to tax the profits. It is a strange thing that while the Bill is criticized by the hon. Member for Georgetown North (Mr. Seaford) on just that point he takes the contrary view. He thinks it is too generous. He points out that in the United Kingdom the allowance for a company is only 6 per cent., and that is only granted in special cases. In this Colony our level is 8 per cent. for all companies before any excess profit is computed at all. I must conclude by saying that there is no foundation for the statement that the tax will bar the development of industrial activity in this Colony.

As regards his criticisms on individual features of the Bill, the only point I wish to refer to is his criticism of the application of the tax from the 1st September, 1939. He considers that a special kind of injustice. Obviously this is a war measure. It is intended to tax excess profits which have been derived as the result of war conditions and, therefore, it is reasonable that we should commence the tax from the 1st September, 1939, particularly as within those four months excess profits were earned at a higher level perhaps than even now. We all know that businesses had stocks on hand at that date brought forward from before the war, and that prices had jumped in some cases legitimately and in some cases not, and a greater level of excess profits—some excessive profits—was earned at that period; it is only fair, therefore, that that period should be brought into the period covered by the Bill.

The hon. Member made a great mistake when he persisted in saying that the Bill imposes a tax on a sixteen-month period. It does nothing of the kind. It is quite true, that some businesses whose accounting period coincides with the calendar year will have to pay in 1941 a tax on the four months of the year, 1939, and also a tax on twelve months of 1940, but it all depends on the dates of the accounting period. Strangely enough the firm with which the

hon. Member is associated is somewhat lucky in that respect.

Mr. DE AGUIAR : I know it !

Mr. McDAVID : That firm has an accounting period which runs from the 1st August, 1939, to 31st July, 1940, and therefore will pay in 1941 a tax in respect of only eleven months of that accounting period and not on sixteen months. It is entirely dependent on the dates of the accounting period, but when the tax ceases all firms will have paid on exactly the same number of months from September, 1939. It is quite wrong to say that generally speaking businesses are going to pay on sixteen months in 1941. It is not so. I think the hon. Member's objection is particularly to this period, September to December 1939, but that is the attractive part of the Bill.

The hon. Member for Georgetown North wonders why I had not gone more fully into the question of capital in spite of having it explained. Of course "capital" is defined on one complete page of finely printed matter in Part II of the Schedule to the Bill, and I admit that the rules for computing "capital" have to be very carefully studied.

Mr. SEAFORD : I think I used the word "explain" !

Mr. McDAVID : "Capital" as used in the Bill does not mean share capital or preference capital or anything like that. It means the actual value of the assets of a business less its actual liabilities, and therefore "capital" really means the complete capital of a business including all its reserves. Difficulties arise in valuing. Assets have to be taken at the original cost less depreciation. The trouble is that in some firms' balance sheets there are either over-valued or under-valued assets. These rules very fully and carefully define "capital."

Before I conclude my remarks I would like to thank those hon. Members who spoke appreciatively of me. I have put in much work on this Bill and, I suppose, a good deal of work will further follow. I am glad that that should be appreciated.

Question put, and agreed to.

Bill read the second time.

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

Clause 3—Accounting period.

Mr. DE AGUIAR : I would like to say that I quite appreciate the point made by the hon. Colonial Treasurer, and as a matter of fact I am exceedingly grateful to him for having explained it so clearly. It rather dispels the feeling that possibly was in the minds of hon. Members this morning. They not only displayed bad taste but bad temper as well when they attempted to accuse me of something bordering on disloyalty. That is my opinion of what they said, but I hope I am wrong. I said what I wanted to say and I stand by the courage of my conviction, and the only thing I would say now is that history will show whether I am right or wrong in my contention. I have given very close study to this Bill and I maintain that the revenue to be derived from the tax, although required to meet expenditure arising out of war conditions, is not a direct contribution to the war effort. I maintain also that it will have some effect on the development of the industrial activity of the country. I repeat it and I make no attempt whatever—to use the words of the hon. Member for North Western District (Mr. Jacob)—to draw red herrings across the trail. I said what I felt about it and I have no axe to grind. I maintain also—and this I did not say this morning but would say it now—that if an attempt is being made to receive assistance from the Imperial Government it is in this Bill. Rather than assisting the Imperial Government it is removing the assistance that, I think, we could give the Imperial Government.

I know, and most hon. Members should know, that at the present moment companies operating in this Colony but registered in the United Kingdom have to pay an excess profits tax of 100 per cent. in the United Kingdom. This Bill provides for relief in such cases and the United Kingdom Government will only now receive 62½ per cent. and this Colony the remaining 37½ per cent. of the tax. I submit that it is a clear case of this country obtaining assistance directly from the Mother Country.

I was quite surprised that hon. Members, who spoke on the Bill, instead of dealing with the principles involved endeavoured to impute wrong motives to my remarks. In so far as this particular clause is concerned, I was considering—and I have been doing so for a long time—in what way some improvement can be effected. It is one of the clauses I have discussed with the hon. Colonial Treasurer, and I say now that I quite agree with him. I know, however, that in practice when this kind of legislation is put into operation certain difficulties arise. One person will interpret the meaning of the clause in one way and another will do so in another way. I also know that in my case the effect referred to will not appear in 1941. I did not speak in my own interest at all but in the interest of those firms the hon. Colonial Treasurer referred to. The company, whose accounting period begins on the 1st January, 1940, and ends on the 31st December, 1940, will have to pay in 1941 a tax covering a period of sixteen months trading. Whilst it is true that later on, if this tax should continue as I suppose it must, it will balance itself, but I am thinking of some immediate relief that can be afforded to the companies that have been referred to. One does not know what will be the repercussion of this tax, and I was looking a little ahead. Hon. Members apparently were not looking as far ahead as I was trying to do.

I quite agree that the tax should be collected as from the 1st September, 1939. I have agreed all along with the hon. Colonial Treasurer on this point and I have told him so. The benefits of the tax would be lost if the period from the 1st September, 1939, is removed, but I was wondering whether it would not be possible to make it a twelve months period in 1941 instead of 16 months. The difficulty I am labouring under is that there is no fixed assessment period, and I am wondering why that should be so. Under the old excess profits duty there was what was known as an assessment period; now we have a new phrase "chargeable accounting period." That is where some of the difficulties will arise. Any accounting period beginning on or after the 1st September, 1939, and not exceeding twelve months would, I think, make clear what I have in mind. In that case some relief will be afforded to those who will have to pay the tax. Govern-

ment is hard up to-day and may be worse hard up next year and instead of taking the whole of the sixteen months period in 1941 I think it would be prudent if that four months be owing, to be paid later on when greater use might be found for it.

Mr. McDAVID: What the hon. Member is suggesting will upset completely the whole framework of the Bill. The Bill is drafted on the United Kingdom Act, and that Act introduces the tax by reference to accounting periods. As long as businesses have a twelve months accounting period which ends in the taxable year, they have got to pay on that twelve months period. Personally I do not think there is going to be much hardship in the matter at all. So far as the drafting is concerned, it follows word for word the English section to which the hon. Member objects very strongly. The English Act says:

The expression "chargeable accounting period" means in relation to excess profits tax—

- (a) any accounting period beginning on or after the first day of April, nineteen hundred and thirty-nine; and
- (b) so much of any accounting period beginning before that date as falls on or after that day.

We have changed those dates to coincide with the date of the war. I hope the hon. Member will not press the point.

Clause 4—Charges of excess profits tax.

Mr. PEER BACCHUS: I intend to move an amendment to sub-clause (1) of this clause. Some time ago I intimated to this Council what my views were. One of the reasons, why I did not mention it when the Bill was in its second reading, was that I thought it better to do so when the clause is being considered in Committee. My hon. friend, the Member for Central Demerara (Mr. de Aguiar) was at pains this morning to support his argument. I hope I shall find him exerting the same energy in supporting my amendment, which is that the word "three-fifths" be deleted and the word "nine-tenths" substituted therefor between the word "to" and the word "of" in the last line. In other words I am asking for an increase of this tax from 60 to 90 per cent.

We heard this morning that this is a war measure. I take it, it is not a war measure only in its limited meaning, but I

think it is one of the weapons which have been adopted as a means of fighting this war to a successful end. Win we shall; it is only a question of time, and the more we double our efforts the earlier we will reach our goal. I am therefore appealing to this Council to accept, as a guide in considering this clause, what has been done in Great Britain. We have on many occasions in the past adopted measures in this Council because they were adopted in Great Britain, though, I must admit that certain hon. Members are yet to be convinced, whether those measures are suited to local conditions which are different from those of the United Kingdom. I, however, feel certain that cannot be said on this occasion. The circumstances in which this Bill has been introduced here to-day are the same as those in Great Britain. Hon. Members are aware that similar war measures have been passed in Great Britain whereby the entire excess profits are paid into Government revenue.

This amendment, if accepted by the Council, will allow to firms 10 per cent. excess profits as a concession over and above the normal profits. I take it, that it is a moral obligation of the State to protect its inhabitants against profiteering. The hon. Member on my left (Mr. de Aguiar) endeavoured to point out that this is a tax which will be paid by the mercantile community, but I would say it is a tax to be paid by the masses but collected by the mercantile community. This clause says as much to the business community: "You endeavour to get from the consuming public as much excess profits as you can, and for that concession we are going to divide such profits on a 60-40 basis"—a painful extraction indeed. This tax is going to be levied on a community who cannot feed themselves properly even during normal pre-war period and among whom mal-nutrition is pronounced, and it is the same community that will be doubly hit by the imposition of this tax. Firstly they will be contributing to excess profits by way of labour and also when they make purchases. I am reluctant to develop these two points any further, taking the precaution that it may be used in other places for different purposes which may not be in the best interest of the Colony.

I will admit that it is difficult to impose

indirect taxation with any certainty that rich and poor will contribute proportionately to their earnings, but I maintain that if this Council observes one of the essential principles of indirect taxation it would minimise to a large extent that uncertainty—the State should so legislate indirect taxation that it should take from the taxpayers' pocket as little as possible over and above what it brings into the Treasury. I feel certain if that is observed my amendment would receive the support of even my hon. friend on my left (Mr. de Aguiar). We know that rigid control of prices are being enforced, but we must realize how difficult it will be to control every article. We must realize also that in every community we will find, though it may be a small minority, business people who through personal greed will use such occasion as the present to profiteer, and therefore the introduction of such a measure for taxing excess profits will counterbalance such oppressive evil.

The hon. Member for Central Demerara said that he does not see why we should not have taken as a guide the Trinidad tax instead of the United Kingdom tax. I ask, why not take the United Kingdom tax? We claim here the same protection and security as the people of the United Kingdom. In fact we live on velvet comparing our conditions to-day with those of the United Kingdom. Our thanks are due to the gallant men in the firing line. If it were not for them we would not have even had supplies from abroad wherewith to feed and clothe ourselves, and to talk about normal profits much more excess profits.

I do not know, if I can presume that when Government proposed this rate of tax they had in mind only the balancing of the Budget. If that is so, I think, Government has lost sight of the fact that our credit balance of \$775,000 was supposed to be reduced to \$375,000 by last December, which amount and the Colonization Fund of \$400,000 were brought in to meet this year's Budget. I do not know if it has struck Government how inconsistent is this proposal of levying a tax of 60 per cent. on excess profits with that of rigid control of prices. One cannot help accusing this Government of weakness somewhere, because to my mind this proposal is nothing short of a phrase I heard used: "the riches of the rich intensify the

poverty of the poor." I cannot look at it in any other way. The rate of the tax is so fixed as to be an inducement even to those who are not disposed to practise in their business the making of excess profits. I am appealing to this Council and to Your Excellency that you so guide the destinies of this Colony as to maintain both the confidence and the co-operation of the masses.

Mr. PERCY C. WIGHT: I am not going to take my hon. friend, the Member for Western Berbice (Mr. Peer Bacchus) seriously. What I am going to ask is whether the hon. Colonial Treasurer cannot see his way to make the tax 50 per cent. instead of 60 per cent. My appeal is on behalf of those poor firms who have not had an opportunity of recovering from the effects of the last war. They found themselves at the end of that war with stocks of goods which they could not sell, and so they could not distribute any dividends to their shareholders for the whole intervening period. There is some prospect however, of those firms making some money this year and, therefore, I ask that the tax be made 50 per cent. In Trinidad it is only 33½ per cent. We are not as well off as Trinidad in any sense, and people coming from that Colony recently have said that money is flowing there and goods are being sold at exorbitant prices although there is a certain amount of protection. We in this Colony are taking good care to see that there is no profiteering in respect of the prices of commodities sold in the street. That is very laudable on the part of Government's foresight. The cattle industry is making the most profits at the present moment, something between 200 and 300 per cent. I do not know if the hon. Member for Western Berbice wants to give his portion of it, in which case he can always make a contribution to some charitable fund. I am really in earnest when I ask that the tax be made 50 per cent. owing to the facts I have stated. Certain firms, we know perfectly well, have not had an opportunity of restoring themselves to pre-war condition, and I am asking that the amount put down by the hon. Colonial Treasurer for collection—

THE CHAIRMAN: Which pre-war condition—this war or the last one?

Mr. PERCY C. WIGHT: The previous one. I feel sure the figures are very much

on the moderate side. I think the extra 10 per cent. will be rather a good gesture on our part.

Mr. JACOB: I gather from what has been stated by other hon. Members that in England the standard profits are fixed at 6 per cent. and the whole excess profits taken by the Government. I gather also that in Canada the excess profits tax is 75 per cent. and in Trinidad it is 33½ per cent., but I have not heard what is considered as standard profits in Trinidad or Canada. I am inclined to the view that excess profits should be fully taxed, and I am inclined to allow the Bill to remain as it is so as to gain experience by the working of it. I am also inclined to the view that there should be a larger percentage taken from excess profits. I am not in favour of reducing the percentage from 60 to 50. The hon. Member for Western Berbice made a strong point when he stated that Government is only encouraging profiteering. I have stated on a previous occasion—and I wish to say again—that unless the system of controlling prices is change you are in effect encouraging profiteering to an extent. Certain goods are marked to be sold at a fixed price, but there is a large percentage of other goods which are imported and the selling price not fixed at all and the merchants are making use of the opportunity to obtain excessive profits. Therefore if the merchants are going to get 40 per cent. they are still going to continue as in the past, but if that percentage is reduced then automatically the community will get the benefit of it. I find it very difficult to anticipate what the position will be. I am inclined to a higher percentage being collected, and taking everything into consideration the Bill should be passed as it stands.

Mr. McDAVID: Sir, the hon. Member for Western Berbice made a very eloquent plea for an increase of the rate to 90 per cent. and the hon. Member for Georgetown Central (Mr. Percy C. Wight) made a less eloquent but more prayerful appeal for a reduction to 50 per cent. There is no absolute criterion as to what rate is to be levied. In Canada it is 75 per cent. and in England it was originally fixed at 60 per cent. I favour the suggestion of the hon. Member for North Western District (Mr. Jacob) that we should carry on with 60 per cent. and see what would happen.

Various assumptions have been given as to what the yield will be. Some think it will be a very large sum and others think to the contrary. I would like to get at least one year's experience before I proceed to suggest any change. I am afraid, I cannot agree with the suggestion thrown out that this Bill will encourage profiteering. I think the members of the mercantile community will object to the criticism that this Bill is going to lead to excess profiteering. I do not think so. I will not put that on our mercantile people at all.

THE CHAIRMAN: According to the Rules of this Council it is required that I should first put the question "That the clause stand as it is without amendment." If that is lost then the amendment by the hon. Member for Western Barbice would be put.

Question "That sub-clause (1) be adopted as it stands" put, and agreed to.

Mr. McDAVID: I beg to move the following amendment to sub-clause (2):—

The insertion of the word "and" after "(b) insurance companies;" in the seventh line, the deletion of the following line "(c) steamship companies; and" and the re-lettering of paragraph (d) as paragraph (c).

The intention of that amendment, as I indicated when moving the second reading of the Bill, is to delete steamship companies from the list of exemptions. I will not repeat my remarks unless hon. Members have more questions to ask.

Question put, and agreed to.

Amendment adopted.

Question "That clause 4 as amended stand part of the Bill" put, and agreed to.

Clause 5—Computation of standard profits.

Mr. McDAVID: I move the following amendment set out in the Order Paper.—

(a) Insert as new sub-clause (4) the following: "If the trade or business was commenced on or before the first day of January, nineteen hundred and thirty-five, the standard period shall be, at the option of the person carrying on the trade or business, any one of the years nineteen hundred and thirty-five, nineteen hundred and thirty-six, nineteen hundred and thirty-seven, and nineteen hundred and thirty-eight."

(b) Substitute "(9)" for "(8)" in the sixth line of sub-clause (1).

(c) Renumber existing sub-clause (4) as sub-clause (5) and the remaining four sub-clauses as (6), (7), (8), and (9) respectively.

(d) In the new sub-clause (5) insert after the word "commenced" in the first line the words "after the first day of January nineteen hundred and thirty-five but."

I have already explained the effect of this amendment. The year 1935 is taken as one of the standard periods which may be selected by businesses in the computation of their standard cost.

Amendment put, and adopted.

Question "That clause 5 as amended stand part of the Bill" put and agreed to.

Clause 8—Succession and amalgamation.

Mr. McDAVID: I move as an amendment that the word "thirty-five" be substituted for the word "thirty-six" in the third line of sub-clause (6). It is a consequential amendment.

Question put, and agreed to.

Clause 10—Disallowance of certain expenses in computing profits.

Mr. PERCY C. WIGHT: I would like to ask the framer of this Bill this particular question so as to have the position of a company trading in mortgage, debentures or bonds fairly elucidated: whether the capital will include the amount of bonds or debentures issued.

Mr. McDAVID: Capital is not computed by reference to share capital or debenture capital at all. As I explained to the hon. Member for Georgetown North (Mr. Seaford), it is the value of the actual assets of the business less the actual liabilities. If the assets are properly valued, that difference would represent the total share capital and any reserves. For general purposes one may therefore say capital as meant by this Bill is the whole capital of the business including its reserves.

Mr. PERCY C. WIGHT: Perhaps I have not put it as clearly as I should. I would like to know whether the Commissioner would allow the accumulation of interest on those bonds and debentures to

be taken out first before assessing the excess profits.

MR. McDAVID: I cannot undertake to give here an answer to a specific question of that nature.

THE CHAIRMAN: I think, the hon. Member will realize that the definition of capital is rather complicated in its application in that particular case, and that it will require the exercise of great care in considering the matter.

MR. PERCY C. WIGHT: I give the gentleman credit for being able to answer right away.

THE CHAIRMAN: I do not think you can press that definition with respect to a small company.

Second Schedule—Provisions of the Income Tax Ordinance, Chapter 38, which have effect with respect to Excess Profits Tax.

MR. McDAVID: I beg to move that the following sections printed in the Order Paper be included at the top of the Second Schedule :—

- 27. Chargeability of trustees and other representatives.
- 28. Chargeability of agents.
- 29. Matters to be done by representatives.
- 31. Responsibility of Manager of corporate bodies.
- 32. Indemnification of representatives.
- 33. Deceased persons.

These are some additional sections of the Income Tax Ordinance which should be incorporated and made applicable to the Excess Profits Tax.

Question "That the Schedule as amended stand part of the Bill" put, and agreed to.

Council resumed.

MR. McDAVID gave notice that at the next or a subsequent meeting of the Council he would move that the Bill be read a third time and passed.

INCOME TAX (AMENDMENT) BILL.

THE ATTORNEY-GENERAL (Mr. Pretheroe): The Income Tax (Amendment) Bill has three objects in view. Firstly it

seeks to increase the rate of tax on companies; secondly it seeks to make amendments which are required if and when the Excess Profits tax is enacted; and thirdly it seeks to correct a number of errors which date from the time the Laws were last revised. The first actual increase in the tax appears in clauses 5 and 6. In both these cases the new sections have been set out in full, and in each case only one word has been altered. The sections have been set out in full because the original Ordinance has been amended so many times that reference has to be made to several volumes in order to find the existing laws. Although they are set out in full only one word has been changed in each section in so far as the existing law is concerned.

Dealing in the first place with clause 5, the change there is the word "twenty." The clause deals with a flat rate of tax on companies other than life insurance companies, and the existing word is "fifteen." In other words the tax on companies other than insurance companies is to be increased, if the Bill passes, by five per cent. Those companies which will pay Excess Profits tax will be allowed to deduct the amount paid as Excess Profits tax before this tax is computed. The addition is practically negligible. Those companies which do not pay Excess Profits tax will not be unduly worried by this very small increase, and those companies which pay that tax will have due allowance made under the Income Tax Ordinance.

In clause 6 the section is set out in full for the convenience of everybody concerned though the only word changed is "fifteen" for "twenty." That is rather more difficult to follow. Section 10 of the Ordinance provides what deductions shall be allowed, and paragraph (a) of that section says:

"sums payable by the person by way of interest upon any money borrowed by him where the Commissioner is satisfied that the interest was payable on capital employed in acquiring the income;"

If that money is borrowed from a person or company within the Colony this Bill makes no difference, but if it is borrowed from a company outside the Colony the rate is increased from 15 to 20 cents on every dollar. It will be observed that it is paid by the company

outside the Colony because the person having to pay interest deducts the tax from the interest and pays it to the Government. So far as the individual is concerned there is no increase. It is merely an increase of five cents in the dollar which is payable by non-resident companies, which lend money to persons within the Colony, and does not affect anybody else. Those are the only two increases in the tax provided for in the Bill.

The second object of the Bill is to make certain amendments which are necessary in case the Excess Profits Tax Bill becomes law. These are found in a part of clause 4 and in clause 3 of the Bill. Clause 3 amends section 5 of the Principal Ordinance which enacts:

“Income tax, subject to the provisions of this Ordinance, shall be payable at the rate or rates herein specified for each year of assessment upon the income of anyone accruing in, derived from, or received in, the Colony in respect of—”

Several paragraphs are set forth in the section, and it is proposed to add another:

“(f) any repayment of excess profits tax made under the Excess Profits Tax Ordinance, 1941.”

The next amendment is to subsection (1) of section 10 of the Principal Ordinance. Paragraph (a) relates to three separate things put in one paragraph for the sake of convenience. Section 10 deals with the deductions allowed. It is proposed by clause 4 to add to it the amount paid by way of Excess Profits tax under the Bill just passed this afternoon, also such amounts as the Commissioner may agree to as representing amounts paid as Excess Profits tax in the United Kingdom, but both are subject to any relief which may be allowed in respect of double taxation of excess profits. I think it is very clear. What is paid under the Excess Profits tax in the Colony will be deducted from the chargeable income the same as Excess Profits tax paid elsewhere in the Empire, but any refund made will be liable to tax in this Colony.

The next three groups of amendments arose in a curious way. When the laws were revised, the Commissioner for the revision of the laws altered section 64, which gives the Governor in Council power to make rules. Rightly the Commissioner changed the word “rules” to “regulations.” From that day the Governor in Council had

power to make regulations, but the Commissioner omitted to alter subsection (2) of section 10. It is necessary to amend section 64 now for the reason that before the Commissioner made the alteration, there were a number of rules already in operation regarding various procedures in respect of income tax, the method of appeal to a Judge from a Commissioner. Now that there is an excess profits tax we want the same right of appeal to apply. We are now faced with the difficulty, that whereas the existing mode of appeal is provided for by Rules the Governor in Council now can only make Regulations. You cannot amend rules by way of regulations. Consequently we will start afresh by re-making old rules as regulations and incorporating the new ones required by reason of the Excess Profits tax. Clause 4, (the second part) and 7 are all consequential upon that one change—the altering of that word “rules” in the definition section to “regulations.” It does not alter the form in the slightest degree. With these few words I move the second reading of the Bill.

Professor DASH (Director of Agriculture) seconded.

Question put, and agreed to.

Bill read the second time.

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

Clause 4—Amendment of section 10 of the Principal Ordinance.

Mr. SEAFORD: I would like to move as an amendment that the following paragraph be added to subclause (1):

(j) The amount of the Income Tax, Excess Profits Tax, or any other form of tax upon income payable outside the Colony in respect of income accruing in, derived from, or received in this Colony, and which tax is not subject to reciprocal relief under sections 48 and 49 of this Ordinance, or under section 11 of the Excess Profits Tax Ordinance, 1941.

And that paragraph (i) be re-lettered as paragraph (k). My reason for moving that is to correct what I consider an injustice. There are one or two cases where Income tax is paid in this Colony on amounts which are actual monies not received in this Colony and in fact are really not in-

come at all. I will refer to one case particularly, but there are others—The Emergency tax at present imposed in Trinidad. In spite of increasing the Income tax by 50 per cent. it would have been possible for companies in this Colony operating in Trinidad to have got relief from that tax had it not been so called. These companies are therefore paying Income tax on the amount of money paid as that tax in Trinidad. In other words they will pay Income tax on that money which they are not receiving and which is, therefore, as far as I can see not income. Had that Trinidad tax been called Income tax, they would have got relief in this Colony from it. The Commissioner of Income Tax would see the inequity of the imposition and remedy it, if he has the power to do so and could be persuaded to see it, but he has not got the power to give such relief.

The National Defence Contribution paid in the United Kingdom, although it is not quite the same as the Trinidad tax, is not a form of double taxation but you are allowed in the United Kingdom relief from Income tax on the amount paid thereto. I do not think that in this Colony one gets that relief, and it is really on all-fours with clause 11 of the Bill which has just been passed—the Excess Profits Tax—where you have been given relief from double taxation. I wish I had the hon. Colonial Treasurer to argue this for me. I am not a sufficient expert with these financial details, but I have tried to put it as clearly as I can. If I have gone wrong, I would like to get the assistance of the hon. Attorney-General and the hon. Colonial Treasurer because they both must have seen what I mean.

Mr. KING: Seconding the amendment which has been brought forward by the hon. Member who has just taken his seat, I would like to say that while I support Government entirely when it comes to a matter of taxation—income or excess profits—nevertheless Government should be fair and just in the exemptions it permits in respect of those taxes, otherwise people as well as companies might very well be paying double and quite a number treble taxation. As the hon. Member for Georgetown North has just said, there is the National Defence Contribution in England from which one gets no relief in this Colony. We are not allowed to deduct

that as a tax payable, and while perhaps it cannot be said that it is in the form of an income tax or a tax on income it is nevertheless, I understand, a percentage imposed on income earned. It is based on income earnings, and I feel that the Government of this Colony will not be doing itself or the inhabitants of the Colony any harm in allowing exemption of a tax of that nature. I feel that Government may give serious consideration to the amendment suggested by the hon. Member, and I do certainly support it.

Mr. DIAS: If I could speak for Government I would accept this amendment which seems to follow the cardinal rule of taxation—no person must be made to pay twice in respect of the same transaction. Trinidad by reason of the name given to that tax has deprived people here, who have to pay that tax, of the right of getting exemption. That seems to me to be wrong because there is no intention to do that as long as Government is satisfied that the payment is made. I am sure Government does not want a person to pay twice. Government may explain.

THE ATTORNEY-GENERAL: With respect to this particular amendment I object to the actual wording of it “The amount of the Income tax, Excess Profits tax, or any other form of tax upon income payable outside the Colony...” That includes the whole world. How will you know what is paid in Patagonia, Peru, Siam? Why should we in any case make any allowance here because in Japan they care to increase their Income tax? The object cannot be achieved properly by this one amendment, and for that reason this amendment, which is dealing with two entirely different subjects, must be split up. In the first place the hon. Member spoke of the Emergency Tax in Trinidad. That is a very sore point with many people. Trinidad imposes that tax and says it is not an Income tax, and for that reason no allowance is made here in respect of it. The point I wish to make is this. As far as this Colony is concerned, that tax is deducted from the money before it arrives here. I admit the Commissioner will make no allowance for that.

The amendment deals with two subjects—first the deduction made from money coming to the Colony, and secondly the

deduction in respect of the National Defence Contribution in England which is a deduction made from money which has left the Colony. In all Income tax and Excess Profits tax you have to be extremely careful to deal with them separately, otherwise confusion will follow. As it stands, on a technical ground without considering the merit of the amendment, it must be opposed on two grounds. Firstly it applies to the whole world. We take no notice of other places. We are taxing profits accruing in, or derived from, or received in this Colony. We look no further. It is true that in this particular Bill and in the one for Excess Profits tax we had looked rather far to see what England is doing in this matter, but this Council legislates for this Colony. We only deal with profits accruing in, derived from or received in this Colony. We keep our eyes on this Colony and we do not mind what other countries or Colonies, or even the United Kingdom, do with the money that has left this Colony. We are dealing with this Colony alone, and for that reason this very broadly worded amendment which brings in other countries of the world cannot be accepted as it stands.

As regards the question put to me about the tax in Trinidad, I think that instead of making a wide amendment like this it is possible that existing law now covers that particular case. On the face of it there is a case to be argued, and I am quite sure that Government will be quite prepared to consider that point. The amendment is much too broad and must be opposed.

Mr. McDAVID: I would suggest to the hon. Member that those interests concerned in the Trinidad tax should pursue the matter with the Commissioners of Income Tax (I am not speaking as Commissioner of Income Tax), because as the hon. Attorney-General explained our tax is levied on income received in the Colony and if the concerns can establish satisfactorily that this tax in Trinidad is something taken away from profits before they are received here then, I think, the Commissioners will be justified in allowing it as a deduction. That point should be pursued with the Commissioners in order to see whether it is a proper deduction under the Ordinance as it stands. If the Emergency tax in Trinidad is really an income tax

they would get further relief, but that is a matter to be pursued with the Government of Trinidad and cannot be settled here.

With regard to the National Defence Contribution, the hon. Member must know that the interests concerned actually approached the Colonial Office through the West India Committee and got advice from the highest authorities. They were told that the National Defence Contribution must not and cannot be regarded as an income tax. If the English Authorities are so unsympathetic I am not quite sure that those concerned are in order in attacking this Government. They must fight it on the other side.

THE CHAIRMAN: How is the Trinidad tax levied?

Mr. McDAVID: As a percentage of income.

Mr. SEAFORD: I cannot accept the view of the hon. Colonial Treasurer that it is not fair to attack the Government here. Government ought to be attacked at any time one feels fit. The hon. Attorney-General said we have got our eyes on this Colony. I am doing that. I have nothing to do with the Income Tax Authorities in other places. I do not believe that double taxation is fair and I urge that we should be relieved of it. I think, I have made out a case to go to Government and ask for relief quite regardless of what may be said on the other side. Whether the English Authorities may be hard-hearted and grossly unfair, I always look on this Government as being very fair and fatherly.

The suggestion of the hon. Colonial Treasurer that we may attempt to see the Commissioners of Income Tax as to the possibility of getting relief though he was not speaking as Commissioner of Income Tax is rather Machiavellian. I believe the learned hon. Attorney-General sees the justice of it but objects on technical grounds. I am quite willing to put in anything he suggests which will have the same meaning. We have the Cocoa tax. That is money that does not come to this Colony. It is money not made in this Colony and yet we have to pay Income tax on it.

THE CHAIRMAN: It does not come to this Colony!

Mr. SEAFORD: It does not; it is deducted in Trinidad. It is derived from the business done in Trinidad entirely. In fact in certain cases if you invest money in Canada and do not bring it here you do not pay Income tax on it. Why, I do not know. I am told that the law does not allow it, and I am asking Government to amend that law.

THE CHAIRMAN: I do not know if the situation is as clear to hon. Members of Council as it is to you. I suggest that the matter stand over for a conference of those who understand the situation before we proceed with this point. The debate is adjourned at this point and the Council will proceed with the other business.

The Council resumed.

HAYNES PENSION BILL.

THE COLONIAL SECRETARY: I did not expect the Council to get to this item to-day. The necessary time for the publication of the Bill has not yet expired. I therefore ask that consideration of the second reading be deferred.

THE PRESIDENT: Does that apply to the other Bills?

THE COLONIAL SECRETARY: No, sir. I am asking leave to hold over consideration of the Haynes Pension Bill only.

With the consent of the Council consideration of the Bill was deferred.

LEGAL TENDER (TRINIDAD AND BARBADOS CURRENCY NOTES) BILL.

THE ATTORNEY-GENERAL: I beg to move the second reading of—

A Bill intituled an Ordinance to provide that all Government Currency Notes which are legal tender in the Colony of Trinidad and in the Island of Barbados shall be legal tender for the payment of any amount in British Guiana.

Hon. Members are aware of the fact that the three Colonies—British Guiana, Trinidad and Barbados—have their own

paper currency and each preserves in the Colony a reserve of this paper money against emergency. From week to week certain notes go out of circulation through loss, transfer and defacement and have to be replaced from the reserves which are kept for that purpose. These notes are printed in England, and some considerable time must elapse before an order forwarded can be received in the Colony concerned, but in war time with the present bombing attacks on England and on shipping it is conceivable that a lucky bomb may cause damage to the places where these notes are produced and may delay production for a very considerable time. In that case, although the local reserves have been increased to meet emergencies, it is conceivable that we may run short of paper money. Exactly the same thing applies to Trinidad and Barbados. The three Colonies have therefore agreed between themselves that each should put their reserve fund at the disposal of the other Colonies. The best way of doing that is to make the currency interchangeable or, as the Bill says, legal tender in each of the three Colonies.

The object of the Bill is to make Trinidad Government Currency notes and those of Barbados Government legal tender in this Colony for any amount to the face value they represent. It is intended by the three Governments concerned that the enactments in the three Colonies should come into force the same day, and there is provision in clause 3 that the Ordinance shall be brought into operation by way of proclamation. I beg to move that the Bill be read a second time.

Professor DASH seconded.

Question put, and agreed to.

Bill read the second time.

The Council resolved itself into Committee and considered the Bill clause by clause without amendment.

The Council resumed.

THE ATTORNEY-GENERAL gave notice that at the next or a subsequent meeting of the Council he would move that the Bill be read a third time and passed.

MOTOR VEHICLES AND ROAD TRAFFIC
(AMENDMENT) BILL.

THE ATTORNEY-GENERAL: I beg to move that the following Bill be read the second time:—

A Bill intituled an Ordinance to amend the Motor Vehicles and Road Traffic Ordinance by providing for certain exemptions from the payment of specified fees; by empowering the Commissioner of Police to prohibit or restrict Road Traffic on particular occasions and by reducing the area wherein licence fees at the higher rate are payable.

Hon. Members are aware that a rather long Bill was enacted quite recently in this Colony, and like most other Bills experience has shown that certain alterations are required. I may say that several of these alterations continue an existing practice, which was in operation before the enactment of that Ordinance but which was not known to the draftsman of that Bill. The first amendment suggested is in clause 2. The whole object of that is to exempt the Georgetown Sewerage and Water Commissioners from the payment of fees on the registration of the motor vehicles owned by them, and by virtue of that exemption they will be relieved from payment of licence duties on those vehicles. The next clause is merely to provide that when motor vehicles are inspected by the Police more than once in any one year only one inspection fee shall be chargeable. In some cases they are certified for six months or, perhaps, three months, which means that the vehicles have to be inspected again. As the law now stands, on each occasion an inspection fee has to be paid. It is considered that the payment of one inspection fee in the course of a year should be sufficient for that year. That was considered sufficient under the old Ordinance.

The amendment in clause 4 is really a matter of convenience. The Ordinance provides that the Licensing Authority, which is in effect the Police, can make application to the Governor in Council for the restriction of traffic on roads. Sometimes it is necessary to restrict or prohibit traffic on roads perhaps for an hour only, or for two or more hours as for example Camp Street at Christmas time. When the Police desire to close a road for a short period or as the amendment says "on particular occasions" it seems unnecessary to worry the Members of the Execu-

tive Council for permission to do so. This Bill seeks to provide that the Commissioner of Police himself can close the road in such cases.

The next amendment affects only one company, the Demerara Electric Co., which has a certain amount of motor vehicles. They are used solely for maintenance work in connection with the Company's lighting system and not for the carriage of goods. The Company's franchise extends a short distance beyond the boundaries of Kitty Village, and if they want to use their vehicles to effect repairs there, by virtue of the Ordinance they are required to pay the heavy licence fees applicable to vehicles using the road between Georgetown and Rosignol or abandon that part of the Company's scheme. This amendment seeks to put their vehicles in the same position as broadcasting vans which pay a flat rate for operation in any part of the Colony.

The next amendment goes further than it appears on the face of it. The definition of the expression "between Georgetown and Rosignol" was taken word for word from the old Ordinance, but a curious thing has resulted from that. Anybody living at Kitty on the main road facing the sea has to pay in respect of motor vehicles the heavy rate of duty which is applicable between Kitty and Rosignol, whereas anyone else in Kitty has not got to pay that rate. It is absurd that the whole village escapes that imposition save one part of it. What is sought to be done is that the definition should be amended so as to prevent that. The boundary of Kitty Village is defined in the Local Government Ordinance, and the effect of the amendment is to make the definition applicable to the main road between the eastern boundary of Kitty Village and Rosignol.

The last clause is necessary to give effect to the alterations for the period of the present licensing period.

Professor DASH seconded.

Mr. JACOB: I would like to say that it is not the very best thing to grant the Commissioner of Police power to prohibit or restrict road traffic without consulting the Governor in Council. I think that in the past the procedure was quite in order, and it is not in the best interest of the

Colony that there should be granted such exclusive power to a single individual—

THE PRESIDENT: The hon. Member may take that point in Committee.

Question put, and agreed to.

Bill read the second time.

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

Clause 3—Amendment of sub-section (1) of section 14 of the Principal Ordinance.

THE ATTORNEY-GENERAL: I beg to move the following amendment to paragraph (b) which had been printed on the Order Paper of yesterday and repeated to-day:—

(a) substituting a semi-colon for the full stop at the end of the proviso; and

(b) adding the following proviso—
“And provided further that no fee shall be charged under this section for the inspection of any motor vehicle which is the property of Government or any municipal council or a local authority which has been exempted from the payment of registration fees by the Governor in Council or the Georgetown Sewerage and Water Commissioners.”

These Bodies have been exempted from the payment of registration fees and licences fees but not from the payment of inspection fees. A very small amount is involved and Government has decided that it is very advisable and just that they be exempted from the payment of all fees. The effect of the amendment is to exempt those Bodies from the payment of all fees.

Question put, and agreed to.

Clause passed as amended.

Clause 4—Amendment of sub-section (1) of section 28 of the Principal Ordinance.

THE ATTORNEY-GENERAL: I beg to move that a new clause 4 which was printed on the Order Paper of yesterday and repeated to-day be inserted to read as follows:—

4. Subsection (1) of section twenty-eight of the Principal Ordinance is hereby amended—
(a) by substituting a semi-colon for the full stop at the end of the subsection; and

(b) by adding thereto the following proviso
“Provided that no fee shall be payable by any member of the police force who is required to drive in the course of his duty any motor vehicle which is the property of Government.”

The object of that amendment is that when a man joins the Police Force he may be placed in the Traffic Section of the Force, which means he may have to drive a motor vehicle provided for the members of that section. Up to now those members have to provide themselves with driving licences. That is most unfair as they are compelled to drive a motor vehicle. That applies to drivers of Police Ambulances, Fire Engines, etc. It happens that when a driver gets sick another member of the Force is called upon to drive in his place and in such circumstances he is expected to pay for his own licence. The effect of the amendment is to exempt those members of the Police Force who have to drive Government-owned vehicles from payment of driving licence fees.

Question put, and agreed to.

Clause 4 as printed in the Bill was renumbered clause 5.

Clause 5—Amendment of Section 46 of the Principal Ordinance.

Mr. JACOB: I regret I have to make mention of this matter, but I have to do so. I have had some experience with the Commissioner of Police (laughter). I have written letters on matters of Public interest and I have had the necessity to write somewhat strongly. I do not think this power should be vested in the Commissioner of Police at all. I think it should be vested as in the past in the Governor in Council. For instance, a motorist may be travelling one day to find himself stopped by the Police as an order had been issued prohibiting the use of that road and, therefore, he had committed an offence. I think the public should be given time before any such order is issued. Everyone does not know exactly when orders are issued. I therefore object very strongly to this clause.

THE CHAIRMAN: When an order is issued there is always a policeman placed at the particular point to stop people.

Mr. JACOB: It has happened on a few occasions that I was never stopped but I was warned. I have been harassed by the Police. I say so because I feel I have been very badly treated by the Police. There is a matter now before the Appeal Court in respect of such treatment. I do object very strongly to the principle of vesting such authority in a single individual, especially as thereby people can be taken before the Criminal Court and be humiliated.

Mr. WOOLFORD: I am in sympathy with the motive of the hon. Member's suggestion. It is too great a power to give to a single individual, although the Ordinance speaks of him as "The Licensing Authority." I very much doubt that even if the Commissioner of Police exercises this power himself he would not at times find himself in very great difficulty, having regard to the fact that a large number of members of the Force—I am referring mainly to the Traffic Police—also exercise this power. If you examine the proposed amendment, which I am sure was not done before, it will be seen that section 46 of the Ordinance which it seeks to amend, says that the Licensing Authority may, with the approval of the Governor in Council, make orders for the following purpose:

(c) the prohibition or restriction of the use of specified roads by motor or other vehicles of any specified class or description, generally or on particular occasions or during particular hours;

If I understand correctly, you are seeking by this Bill to give the Licensing Authority power to do certain things in relation to a particular occasion, but you are still allowing this provision to remain in the Principal Ordinance. If it is intended to save the time of the Governor in Council in determining whether in respect of certain roads and hours it is well than prohibition of traffic should be made, it seems to me that that will not be achieved as opportunity can still be taken to consult that Body. The amendment shows there is no intention to delete that provision but to extend it. It is a duplication, it appears, of what is already in paragraph (c) of section 46. I suggest that the clause be reconsidered. I cannot imagine that there will not be difficulties still. You see an example of one of the uses to which this provision is put

when this Council meets. Policemen are posted at the street-corners in the vicinity and though they exercise their discretion very well yet there are difficulties experienced. It is not as easy as Your Excellency imagines.

THE CHAIRMAN: I imagine these orders apply only to where there is some great accumulation of traffic—some important meeting or event where you want the traffic diverted.

Mr. WOOLFORD: I wish I can think it would be so restricted. In practice it is a very difficult thing to get these orders into the cranium of the Police Force. At the corner of King and Robb Streets there is a system of one-way traffic during certain hours in order to facilitate the users of cars coming from or going to the one Cinema in that area, and there have been prosecutions issued for breaches in respect of things of that kind. It is too great and wide a power. If you wish to give the Licensing Authority greater power, I agree, but some form of public notice should be given. None is provided for, and there is not even an appeal to the Governor in Council. Having regard to past experiences it is my belief that this power will be wisely exercised by some members of the Force, but I doubt one can say the same thing about every traffic officer. I would like to know who regulates traffic on these occasions now. Three or four prosecutions have been brought for failure to observe regulations which do not exist.

Mr. JACOB: I do not know if I made myself perfectly clear. In the past immediately something got into the law strict interpretation was put on it and the law applied rigidly. I have sad experience of this matter. I am sorry to detain the Council, but I think it is necessary to say what I feel about this matter. On one occasion I was driving on the right side of the road—

THE CHAIRMAN: Why not on the left side of the road?

Mr. JACOB: When I say "right side" I mean the correct side of the road. Another car came up and, the driver losing control, it went 60 feet on the parapet. No damage was done and I drove off. Subsequently the Police visited the scene and took measurements. I was prosecuted

and made to suffer the humiliation of going to Court on several occasions. I am not a criminal and I object to be taken to the Criminal Court. I had been taken there spitefully. The case was dismissed. I wrote the Commissioner of Police pointing out that the other party was at fault and steps should be taken against him in the matter, but nothing was done. A few weeks ago there was a worse occurrence. I was perfectly in the right then.

THE CHAIRMAN: Is the hon. Member speaking on this clause?

Mr. JACOB: I am craving your indulgence to explain this matter. I am speaking on the action of the Commissioner of Police under the clause. I was never told that I had committed an offence but suddenly I received a summons and on this occasion I was convicted by the Court. I have given notice of appeal in the matter.

THE CHAIRMAN: Is not that matter *sub judice*?

Mr. JACOB: I do not know if it is.

THE CHAIRMAN: I am sorry. You cannot discuss the case here. I am afraid the hon. Member cannot continue to discuss a case which is *sub judice*. This matter is of very slight importance but I do not desire to push it through in view of the small attendance. Further discussion will stand over until we have a larger representation of the Council.

Mr. JACOB: I do not know if there will be a better attendance to-morrow morning.

Progress was reported on the Bill.

The Council resumed and adjourned to the following day at 10.30 a.m.