

LEGISLATIVE COUNCIL**THURSDAY, 6th FEBRUARY, 1947.**

The Council met at 2 p.m., His Excellency the Officer Administering the Government, Mr. W. L. Heape, C.M.G., President, in the Chair.

PRESENT :

The President, His Excellency the Officer Administering the Government, Mr. W. L. Heape, C.M.G.

The Hon. the Colonial Secretary, Mr. D. J. Parkinson (acting).

The Hon. the Attorney-General, Mr. E. M. Duke (acting).

The Hon. the Colonial Treasurer, Mr. E. F. McDavid, C.B.E.

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

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

The Hon. C. V. Wight, O.B.E. (Western Essequibo).

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

The Hon. H. N. Critchlow (Nominated)

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

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

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

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

The Hon. Peer Bacchus (Western Berbice).

The Hon. H. C. Humphrys, K.C. (Eastern Demerara).

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

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

The Hon. T. Lee (Essequibo River).

The Hon. V. Roth (Nominated).

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

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

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

The Hon. G. A. C. Farnum (Nominated).

The Hon. J. A. Veerasawmy (Nominated).

The Clerk read prayers.

PRESENTATIONS

**BRITISH EMPIRE MEDAL FOR
MISS L. E. DAVIS.**

The PRESIDENT : It is now my pleasant duty to make two presentations on behalf of His Majesty the King, to Miss Lilian Ethel Davis and Mr. Russell Seton Olton.

Miss Davis, by command of the King, conveyed to me by His Majesty's Principal Secretary of State for the Colonies, I present to you the Medal of the Most Excellent Order of the British Empire. You have given the Government forty years of loyal and meritorious service, and have shown exceptional ability in the important work of maintaining the vital statistics of the Colony. My very best congratulations to you. (Applause).

**BRITISH EMPIRE MEDAL FOR
MR. R. S. OLTON**

Mr. Olton, by command of the King, conveyed to me by His Majesty's Principal Secretary of State for the Colonies, I present to you the Medal of the Most Excellent Order of the British Empire. You have performed valuable services in Civil Defence work during the war, and organised the Special Dock Constabulary with conspicuous energy and ability. My very best congratulations to you. (Applause).

MINUTES

Minutes of the meeting of the Council held on Wednesday, 29th January, 1947, as printed and circulated, were taken as read and confirmed.

ANNOUNCEMENTS**PROCEDURE OF BUSINESS**

The PRESIDENT : With the permission of hon. Members it is proposed to

take the first reading of items 1, 2, 3, 4, and 5 on the Order of the Day and then to move the suspension of the Standing Rules and Orders in order that the Colonial Treasurer should move the second reading of items 1, 2, and 3 before proceeding with the second reading of the other Bills. With regard to the Bill intituled "An Ordinance further to amend the Income Tax Ordinance", I would like to assure hon. Members that Government is quite agreeable to making provision in it for the increased rates to apply as from 1947 only. I am aware that some hon. Members, particularly those connected with commerce and business, believe that the revenue may perhaps be even more abundant than the estimates which Government feels it can conscientiously present to this Council. As I have said before, I sincerely hope that their expectation will be fulfilled. If that occurs, as Acting Governor—I am speaking with some embarrassment really, but speaking in my present position—I can assure hon. Members that Government will then give consideration in the light of changed events to reducing the Companies' rate of taxation in accordance with the long-term recommendations of the Economic Adviser.

Just before I came into this Council I received a telegram from the Secretary of State and I mention that as an example of the continual changing of events. The telegram brings very bad news indeed in respect of the textile industry. It says that owing to manpower shortage and the difficulty as regards coal, exports will have to be reduced by over 50 per cent this year. I am just telling Members that—I do not want it reported in the Press. I have not got the text of the telegram here; it is very long, but that is the gist of it. The fact is that no Government can tell precisely how it stands in this matter of revenue. We hope to get an increase this year and I hope that those Members of Council who are strongly of this opinion will have their hopes fulfilled, but I want to tell you that the telegram which I have just received gives very bad news indeed with regard to textiles. I do not want that reported in the Press; I just want to mention it and, probably, I will make a statement later.

GOVERNMENT NOTICE

INTRODUCTION OF BILL

The ATTORNEY-GENERAL gave notice of the introduction and first reading of the following Bill :—

A Bill intituled "An Ordinance to amend the Trades Unions Ordinance by providing that a Trustee of a Trade Union or a branch thereof shall not at the same time hold any office in the Union or in any branch thereof and for purposes connected therewith."

UNOFFICIAL NOTICE

REDUCTION OF COLONIAL EXPENDITURE

Mr. RAATGEVER gave notice of the following motion :—

"WHEREAS, this Council views with grave concern the tremendous increase in Colonial expenditure and the heavy financial commitments in connection with Developmental Works also the subsequent annual recurrent expenditure for maintenance of the said works,

"BE IT RESOLVED that this Council urges on Government the desirability for the early appointment of a Committee of this Council to consider carefully and report to Government how expenditure can be reduced in 1948 and subsequent years."

VISIT OF NURSING COMMISSION

The PRESIDENT: Before we proceed with the Order of the Day I should like to say that it has been suggested that Miss Macmanus, leader of the Nursing Commission at present on a visit to the Colony, should meet Members of the Legislative Council informally before she leaves on February 14. She is willing to do so if hon. Members would like to meet her, and I have suggested that 2.30 p.m., next Wednesday, might be a convenient time. It will be an informal meeting and she will give you very important information about nursing generally and about matters at the Hospital which she considers could be done with normal expenditure. They are necessary matters and I recommend that Members should come and listen to her. I have just been informed that Wednesday would be the first day of the racing and I would therefore suggest 10.30 o'clock on Wednesday morning.

Mr. ROTH : Sir, I rise to record my protest that Government business or the business of the State should be delayed for the sake of sport.

Mr. JACOB : Hear ! hear !

The PRESIDENT : Miss Macmanus is leaving on the following day—Thursday.

Mr. CRITCHLOW : I suggest 10 a.m. on Wednesday, sir.

The PRESIDENT : I suggest that also; will Members please let the Clerk know whether that will suit them ? Wednesday is the only day on which she can come. She is leaving the following day and I think it would be worth Members' time to come and listen to her.

ORDER OF THE DAY

BILLS — FIRST READING

On motions by the COLONIAL TREASURER the following Bills were read the first time :—

A Bill intituled "An Ordinance further to amend the Income Tax Ordinance by increasing in certain cases the rates of tax on persons, by increasing the rate of tax on Companies other than Life Insurance Companies, and by increasing the rate of deduction from interest payable to non-resident Companies."

A Bill intituled "An Ordinance further to amend the Income Tax Ordinance with respect to the incidence of Income Tax and to relief from double taxation and in other respects."

A Bill intituled "An Ordinance to make provision that Excess Profits Tax shall cease to be charged in respect of any accounting period or part thereof which falls after the thirty-first day of December, nineteen hundred and forty-five."

On motions moved by the Attorney-General the following Bills were read the first time :—

A Bill intituled "An Ordinance to amend the Rent Restriction Ordinance, 1941, by enlarging the application and the duration of the Ordinance, by making provision for the fixing of maximum rents, and for purposes connected with the matters aforesaid."

A Bill intituled "An Ordinance further to amend the Widows and Orphans Pension Ordinance with respect to the control, management and valuation of the Fund, voluntary contributions, repayment of contributions, contributions after retirement, and payment of pensions; and for purposes connected with the matters aforesaid."

The COLONIAL TREASURER gave notice that on conclusion of item 5 on the Order Paper he would move the suspension of Standing Rule and Order No. 9 to enable him to proceed with the remaining stages of the following Bills :—

Income Tax (Amendment) Bill, 1947.

Income Tax (Amendment No. 2) Bill, 1947.

Excess Profits Tax (Cessation) Bill, 1947.

SUSPENSION OF STANDING ORDER

The COLONIAL TREASURER: I beg to move the suspension of Standing Rule and Order No. 9 in order to enable me to proceed with the remaining stages of the Bills in items 1, 2, and 3 on the Order Paper.

The COLONIAL SECRETARY seconded.

Motion put, and agreed to.

INCOME TAX (AMENDMENT) BILL, 1947

The COLONIAL TREASURER: I now beg to move the second reading of the following Bill :—

A Bill intituled "An Ordinance further to amend the Income Tax Ordinance by increasing in certain cases the rates of tax on persons, by increasing the rate of tax on Companies other than Life Insurance Companies, and by increasing the rate of deduction from interest payable to non-resident Companies."

This is the most important of the three Bills now before the Council to implement Government's Budget proposals relating to taxation. Consequently, I do not wish to confine my remarks merely to the principle of the Bill, but I also wish to take this

opportunity which is the first afforded to me since I returned to British Guiana from leave, of making a review of the whole Budget position. But, before I pass on to that, may I suggest that hon. Members should consider this matter with calm, dispassionate deliberation. We all know that the subject is one which has occasioned great controversy both inside and outside this Council. Many pre-conceived notions have been formed, I think, but at least every Member should give his fellow-Member—whether he is outside the Government or an Official Member—credit for the intention of doing his best in the interest of the Colony.

Before I deal with the Budget proper I want to say something about this question of budgeting for a deficit. I daresay hon. Members have seen and heard a lot—I have seen a lot in the Press—and we have been told “why shouldn't British Guiana budget for a deficit?” I have heard it said that the great United Kingdom and the United States of America whose economy is far in advance of that of a small place like British Guiana, find it necessary to budget for a deficit and why can't we do the same. In the first place, there is a tremendous difference between the procedure for budgeting in the United States of America or the United Kingdom and elsewhere in the British Empire. The two things are not comparable at all. The Budget in the United Kingdom—let us take the United Kingdom first—is a statement which embodies on the one side the whole of the expenditure intended to be paid out of the exchequer during the year. It embraces not only the ordinary Administration expenses of the Government, but it also embraces the mass of other expenditure which is expected to be incurred. Capital expenditure and even expenditure for War is included in the Annual Budget, and on the other side is put the receipts expected to come in from taxation and other sources, the difference being either a surplus or a deficit. Deficits are met by taxation and, sometimes, by borrowing. In England, during the War, there was a deliberate decision that the total expenditure of the United Kingdom should be met half by taxation and half by borrowing, and that borrowing is conducted through-

out the year. It may be by short-term loans at low rates of interest—loans which mature in three or four months or every two or three years as the case may be—or sometimes by long-term funded loans as we know them. Here and in other Colonies, however, the traditional procedure of budgeting is entirely different and we have to keep two Budgets.

The first Budget should contain important items of ordinary or extraordinary expenditure of more or less a revenue character, which should be met out of the proceeds of the year's revenue. The second Budget is one which we call a Loan Budget and in that we include all capital expenditure of a long-term character which we feel should be borne not by the current revenue but which should be paid for over a long period of time. Therefore, our budgeting for a deficit is confined to those items which we think should be carried over a long period. In this very year, as hon. Members know, our Loan Budget contains a very large number of important items. We have Town Planning—redevelopment of Georgetown—and I think our expenditure on this alone is about \$1,000,000. That is budgeting for a deficit. Similarly, in the ordinary Budget we can sometimes budget for a deficit with propriety; it all depends upon what we include in that Budget. Reference has been made to Trinidad, but that alone is insufficient. You must examine the estimates and see what they have. If they have a large sum for their development expenditure they would be justified in budgeting for a deficit. If we do likewise without a fund reserved for capital expenditure we would be justified, if we have a surplus, to budget for a deficit and use that surplus generously. I say we are not wrong in borrowing the procedure which obtains in those countries where this is done at the present time—in the Colonial Empire of which we form a part.

The next point I wish to talk about is balancing the Budget. I urge that if we want a balanced Budget in 1947, the first point is that we must safeguard our solvency. Let us face the facts. About two years ago some of us believed that a sort of financial millenium had arrived; we felt sure that we could obtain all the capital

money we required and, in fact, we were told so. Sir Gordon Lethem, sitting in this Chair, ventured to announce to this Council a sketch plan of development with a total of no less than \$108,000,000. Undoubtedly, there was a feeling abroad that money was to be obtained for the asking and that if we had schemes of capital development to put forward and could not get the money from inside the Colony we could get it from outside. We now know what the real position is; we know that our assistance under the Colonial Development and Welfare Act is of a very limited sum. We now know that certain schemes were contemplated at the time the Development and Welfare Act was passed, and we also know that if we are to go on with our development programme we have to find the money ourselves and would have to raise a large loan—and that soon. Consequently, it is absolutely essential that we should maintain financial equilibrium.

We cannot proceed to borrow money outside of this Colony—and even within it—if our finances are not in order. Consequently, we have to preserve as much as possible of the surplus which we have secured during this War to supplement our funds under Development and Welfare—our Reserve Fund. We cannot go on as we did last year and the year before—in the belief that we can get all the money we want. The third reason—and the strongest one coming from my lips—is that if we in this Colony are ever to advance in our Constitutional progress we have got to maintain our financial equilibrium first. I know that the hon. Member for North Western District has many fears as regards that particular question. I do not say for one moment that his view in the matter is malignant: it is very legitimate. Whilst I and others do not agree, perhaps, with the manner in which he puts forward his argument it is for all of us to hope for Constitutional advancement, but we would not get it unless we are financial—to use a local term.

Now, as regards the Budget for 1947, the theme is that we want to have a balanced Budget and, at the same time, we want to get rid of a very important revenue-yielding item—Excess Profits Tax. We want to do both things at the same

time, therefore it has become necessary for us to come to this Council and ask approval of the abolition of Excess Profits Tax which is purely a war-time measure. Nobody contends for a moment that it is a good tax. It is designed to remove from individuals the surplus which goes into their pockets on account of special circumstances which arose during the War. In time of peace, obviously, such a measure would have the effect of reducing incentive to industrial effort which is a very bad thing to happen. Quite apart from the economic side of the question there is a selfish motive from the revenue point of view. The Excess Profits Tax legislation does not only provide for collection; it also provides for refund and, naturally, the more regularly that happens the least paying it will become. Perhaps it will become non-paying. Sometimes a firm which pays Excess Profits Tax comes to a point where there are no excess profits, and where the profits are below the standard it is entitled to claim back from what it has paid before. I did not want to interfere before the time came, but I do want to point out that from a purely revenue point of view it is desirable to get rid of this tax quickly. Perhaps I should point out that trading conditions are, strictly speaking, not on a competitive basis and that our trading concerns are still, more or less, on an abnormal basis.

As regards the details of this Budget, some time ago I made a formal statement in Council about the imposition of the Budget for 1947 on the basis of existing taxation. I think Members have copies of it, and I have asked the Clerk to provide supplementary copies in case Members have not got any. I have been accused of laying that Statement for various reasons. Some urge it is just a wangle, others that I want to cast reflection on those who presented the Budget; but I want Members to believe that my object in seeking Your Excellency's permission to make that Statement was because I felt it was quite impossible for me to come to this Council and debate this Budget unless there was complete and full disclosure of the facts which stare one in the face. If

we can balance the Budget in 1947 by those various devices, quite obviously we could have balanced it on the basis of existing taxation. I cannot but disclose to Members of Council what the position is, which is now quite known in this Council, though it may, perhaps, alter the views of some Members who are prepared to support Government's proposals, and alter the views of those who want the abolition of the Excess Profits Tax. But I cannot help it. We must put all the facts on the table. That is the reason for coming and making that formal Statement a few weeks ago.

Will Members please turn to the Summary at the back of that Statement because I shall have to refer to the figures in some detail? The existing Budget, that is to say the Budget as presented to Members on the basis of existing taxation, was that the expenditure which has been approved by the Council totalled \$14,233,311 and, as I have there shown, revenue can be collected on the basis of existing taxation to the total of \$14,255,720. Consequently, we had and have on that basis a balanced Budget. It is true that we have since further increased our expenditure by adding on supplementary estimates another \$75,000 only last week, but that is neither here nor there.

There is one further item I want to disclose here now. In preparing their estimates under Income Tax the Income Tax Authorities invariably calculate on the basis of the estimated yield of company profits and individual profits made up from information they gather from all sources possible. Obviously, they make as good a case as they can as to what company profits are. In fact the companies themselves do not know what their profits are going to be. The Income Tax Authorities have to make a good guess having regard to known facts of the year's importations. When they have calculated the yield they make an allowance for what they call their margin of error. I find among the figures that the Income Tax Department itself made an allowance of \$230,000 for its margin of error. I could have put that figure in with those other figures at the top of the statement. In other words, I could have shown that the Budget on the basis of existing taxation is not only balanced but can

yield a surplus on the figures. I did not put it in for the reason that it would take some explanation. I mention it now, because later on when I talk about the new basis of our new proposals we have to refer to this yield as reserve.

Members will see at the foot of the Statement that the Excess Profits Tax yield for 1947 would be, if that Tax is retained \$2,700,000. Consequently, one might say, if you are going to remove Excess Profits Tax, abolish the whole of it and that \$2,700,000 will go. But that is not so, because included in that amount there is a figure of some \$900,000 for arrears. That is to say, tax that is either assessed or to be assessed in respect of companies, which will come in whether Excess Profits Tax is repealed or not. So if we deduct that \$900,000 by removing our Excess Profits Tax we lose from our Budget the sum of \$1,800,000, and that is the figure which we have to find in order to retain a balanced Budget.

How do we do it? The first thing is this: When you release \$1,800,000 in Excess Profits Tax, that amount of money, immediately becomes chargeable to Income Tax. That is the first step, and since nearly all that money is income from companies we can logically apply the company rate in ascertaining what we are going to get. If the money does not come from companies, would it come from individuals whose personal rate is as high as the company rate? Therefore, let us apply the company rate and see what we get. The old company rate which is $33\frac{1}{3}$ per cent. or one-third applied to this \$1,800,000 produces \$600,000. So you can safely say right away we have got \$600,000 out of \$1,800,000, and that leaves \$1,200,000 to be got.

The next step is, we say, since this relief is primarily to industry, the consumer and trade, let us see whether we are going to get something from that source before we touch the general consumer. So we put the device of adding a small surtax to our existing Company Tax. We propose that $33\frac{1}{3}$ per cent. should be increased by $6\frac{2}{3}$ per cent. bringing it up to 40 per cent. It is proposed that that should be treated as a sort of surtax. What does it provide? It provides another \$600,000.

That, of course, is paid principally by the very people who have been given back the Excess Profits Tax. The person who does not pay Excess Profits Tax obtains no relief, but what happens to him is he will pay the extra $6\frac{2}{3}$ per cent. The person or company who will get relief from Excess Profits Tax will not seriously mind paying the extra $6\frac{2}{3}$ per cent, because it means this: You are giving back Excess Profits Tax and taking 40 per cent. So let us say he gets relief to the extent of 60 per cent. This increase of the company rate by $6\frac{2}{3}$ per cent. will produce another \$60,000.

I will just digress for a moment to remind Members that the Bill also includes an increase in the individual rate. That increase is merely designed to bring the scale of rates applicable to the individual into parity with the company rate. It is not designed really to collect money, and the yield of it is, sir, almost infinitesimal.

We have the last \$600,000 to find. How do we find that? We go to the general consumer and say the time has arrived to put further burden on him by taxing non-essentials. So we introduce these measures relating to Customs and Excise which have as their object increasing the duty on such things as Rum, Beer and, perhaps, Cigarettes. They are all very nice things, but I am afraid they must be classed as non-essentials and the yield from that source is estimated at \$312,600. So we are still short of our \$600,000. We still want some more money. What I did was to include this hidden reserve of \$320,000 to which I had referred. I felt it was quite proper, but when it comes to a question of Budget Balancing, if you see that the money is possibly there let us put it in. That is how this second Budget which is before you will balance. It will balance by the operation of the Income Tax and the Excess Profits Tax yields through the operation of the increase in the Company Tax to 40 per cent. and further by the increase derived from the Customs and Excise Duties and those other figures I have put in.

Before I leave off, let us examine who is going to pay this increase in the company rate. Where is the second \$600,000 coming from? Unfortunately I cannot disclose all the figures in this instance, but

I can tell Members of the Council that about one-third of that money will come from the Local Commercial Services and two-thirds from what I call Foreign Sources — from United Kingdom companies and from bauxite—\$200,000 from local trading concerns and \$400,000 from bauxite. As regards the United Kingdom people it does not matter a single bit to them; if they do not pay the increase that money goes to His Majesty's Treasury. As regards bauxite, I have not heard a word of objection from that quarter, for the simple reason that they fall for the relief from Excess Profits Tax and are perfectly willing to share in any measure which is designed to find money to make up the deficiency. I have laid some emphasis on this particular matter because a great deal of the opposition and controversy, I think, came from that particular quarter, and I should have thought that if they were called upon to pay a fair and reasonable amount in relation to what the ordinary consumer is being called upon to pay in his increased taxation they should not only be satisfied but be happy. As I said, the yield from that source is only \$200,000. They had sacrificed not only that amount but sacrificed the opportunity of getting a considerably larger sum from foreign sources.

We have been told that the Treasury and Government Departments have completely failed to measure up the yield of taxation and have consistently underestimated what the taxation will produce. I will admit that right away. They had consistently underestimated but only in so far as the war years were concerned. In those years the conditions and factors which governed estimating were completely unknown. Members will, perhaps, recall the dangers to which we were exposed in those troublous days. On many occasions we did not know whether we would receive any imports. Consistently throughout the war we were aware of the seriousness of the position in regard to imports, and we were perfectly wise to be on the ultra-conservative side, and the result has been more than justified because merely by accident and not by design we have secured what we did not expect to get—magnificent service in this Colony. As regards the present we

have to be much more careful. Obviously today when the question of increased taxation looms so largely, we must try and adopt a useful mean between overestimating and underestimating, otherwise we expose the community to increased taxation which is not very necessary.

I am going to admit also that the Treasury ought to be particularly contrite about last year, 1946. I find the revised Estimates for 1946 are put down far below what they should be. Here again there is some excuse. Up to the end of November—eleven months ending November—the collection of revenue by the Treasury was \$9,000,000. In the month of December \$4,000,000 came in. So we had a revenue last year of something like \$13,750,000. As regards our expenditure many items of works which have been put down and the money budgeted for to be spent have not been carried out, materials being not obtainable. We cannot give precisely the expenditure for the simple reason that we must wait for all accounts to come in for public works, etc. But the position is that we shall end the accounting year of 1946 with a deficit well under \$500,000. So our surplus position is still that we will have something like \$5,500,000 intact on our surplus account.

As regards Revenue Estimates for 1947, as Your Excellency has said, we believe and hope that hon. Members are quite correct that revenue may prove to be much more buoyant and we may get more money. Customs, of course, is the principal item. I find that the Revenue estimate for 1947 under Customs is put down at \$4,700,000, which happens to be precisely the same sum that we received in 1946. So there is reasonable justification for leaving those figures as they are. But this is the point: Whether we inflate those figures or not, whether we attach a couple hundreds on to Customs *ad valorem* or specific duties, we must have additional taxation if we are going to retain a balanced Budget and at the same time give up Excess Profits Tax. There is no other source, although we completely accept the idea that we may get more revenue we cannot escape new taxation measures. If we put new taxation measures we must spread that burden throughout the community. We cannot

ask the consumer to pay more for rum, cigarettes and beer, if at the same time we release money to the people who are liable to Excess Profits Tax without asking them to make some contribution. That is what we are doing. We are putting forward proposals which are completely equitable and fair to all classes.

I would like to deal with the Bill. The Bill itself is extremely simple. The main section is clause 2 which increases the rate of tax on companies from 33½ per cent. to 40 per cent. But here I want again to emphasize what the acting Colonial Treasurer said in his Budget Statement. He made use of these words:

“Government proposes in introducing new Income Tax to make provision to grant relief for, say, five years of a reasonable portion of the tax payable by Companies in respect of new enterprises or new undertakings which have as their object the development of the industrial, agricultural, mineral or other natural resources of the Colony.”

No such provision appears in this Bill. The drafting of a provision of that nature requires the most careful thought. For one thing we could not introduce a provision like that and leave it open to companies which are not registered in British Guiana. In other words, we could not give relief when that relief would not go to the companies but would go to the Exchequer of another Government. His Majesty's Government will have to be consulted on the phraseology of a section of that sort, and there are a number of things in the existing Ordinance which require amendment. We can authorize such reforms based on consideration of the recommendations which the Economic Adviser hopes will be adopted. It is a very big sum involved. What I am trying to emphasize is this: There is no going back from that which Government proposes—to make provision for relief to new enterprise

The PRESIDENT: I do not know if the Council has got that. I think that is a very important part of your speech. I would like to emphasize that the Tax Bill before us is an *ad hoc* measure to raise taxation in 1947. As soon as possible a long-term measure will be introduced which the Economic Adviser is considering in the

interim. I do hope hon. Members will not overlook that statement of the hon. the Colonial Treasurer.

The COLONIAL TREASURER : I thank you. I come now to the scale of rates. As I said before, this scale is not designed as a revenue-producing measure. The object is to preserve what we call "The point of parity" between the company rate and the individual rate. The old rates, I call it so because we have no rates in existence now, were 6c., 12c., 24c., 34c., 44c., 64c. per \$100. I need not give the amount, but parity was reached at the point where the marginal rate was 34 per cent. That is to say, it compared with the company rate of 33½ per cent. What we have done is to change the rate at that particular point to 40 per cent. That point is in respect of individuals with chargeable income over \$6,000. I would like to reiterate that no married man with an income of under \$720 is affected by this Bill at all, and no bachelor with an income of \$1,200 is affected at all. It only affects a very few people, but I must draw attention to the change in the highest marginal group. Under the existing scale the highest rate is 64 per cent. and, strictly speaking, with the increase we have now put on of 6 per cent. that 64 per cent. will come up to 70 per cent. But Government has accepted one of the recommendations of the Economic Adviser. He is extremely strong on the point of not continuing the marginal rate higher than 60 per cent. It must be clear to all that no individual is likely to work hard and produce income to be taxed. It would strangle effort and kill initiative in that way, if it is known that every dollar above a certain figure 60 cents of it is going into Government revenue. In other words, we are only asking for 36 cents of what his additional efforts produce. So we feel the highest marginal rate should come down to 60 per cent. I do not want to overemphasize what I have already said. I think Members are quite clear as to the distribution of this taxation measure. I had intended to summarize again, but I have already taken up far too much of the time of the Council, so I would just content myself with asking the Council to consider this matter dispassionately and use every

judgment and good reason in making up their minds about it. I move that the Bill be now read a second time.

The COLONIAL SECRETARY seconded.

Mr. SEAFORD : I rise with certain misgivings for this reason : When I came back to the Colony I heard rumours about this and that, but I reserved my opinion and my decision until I could have gone into the whole matter myself. I have given it a lot of attention and a lot of careful thought. The first thing that I came across when I thought about it, was that the revenue was much greater than had been anticipated when the Budget proposals were put forward. Today we learn that the revenue is even better than was anticipated two weeks ago. What causes me misgivings is that the Budget proposals are exactly the same as when the revenue was very much less than it is now. One feels that, perhaps, there was not sufficient care taken to get out proper estimates, and it naturally makes Members of this Council somewhat suspicious. However, I accept what the hon. the Colonial Treasurer has said, and I do believe that there was nothing subversive about it. As far as I see, Government has put all its cards on the table

What I do feel is this—and for this situation I blame Government : I have asked more than once here within the last two or three or four years when we saw what was happening—when we saw that expenditure was bound to go up—that Government should consider the future and get out a long-term policy, but that was not done. I think there is one now being put forward, but we have already lost quite a few years. Government has adopted the "hand to mouth" policy of direct taxation but is only cutting its own throat. I think it is accepted by no less an authority than the Chancellor of the Exchequer in the present Labour Government that this Company tax does stifle industrial progress and expansion. It was the general feeling in England that the Company tax should be reduced by one shilling in the £. That was suggested by the Labour Party in the House of Commons, but whether it would be done now is very

doubtful because of the economic crisis in England today—the shortage of coal and manpower. The intention to reduce it was there, however, but in this Colony we are told that we must pay it in one form or another. In the United Kingdom the Excess Profits Tax was removed because they felt it was a drag on industry.

Mr. JACOB : May I rise to a point of information ? Did I hear the hon. Member say that Excess Profits Tax was removed in England because it was realised that it was a drag on industry ?

Mr. SEAFORD : That is correct, sir. What I do feel is that we here are stifling expansion and it is only by expansion that Government would be able to raise revenue to meet the continual increase in expenditure which we have in this Colony. No one can deny that expenditure is found to go on increasing; we have drainage and irrigation schemes, Social Welfare, Education and so on to carry out. Where does Government intend to raise the increased revenue ? We cannot get it through direct taxation; Government shou'd know that it has sucked that well dry. I was glad to hear that Government intends to introduce a Bill to relieve all new industries from taxation for five years. I think that should be extended for 10 years because we are not going to get new money to come in if it is going to be relieved from taxation for only five years. I am glad to hear about this proposal because I think the outlook is very black for Government. I think Government was far too optimistic in the past; I do not think Government realises what the schemes to which it is committed are going to cost, and it has to face the decision whether it is prepared to throw any of those schemes overboard or find increased revenue. I do not know how Government is going to face it, but something has to be done.

The Treasurer has referred to the question of balancing the budget and I agree with him that we have to arrange our affairs so that our current revenue should meet our current expenditure. I do not think we would be justified in encroaching on our reserve at present. I think that if we do that we would be heading for bank-

I predicted that two years ago

and I think we are heading for it rapidly. I do not propose to move that we do away with the Company tax, for more than one reason. The first is, I feel that by this tax Government is going to get most of its money from companies outside the Colony. Certain hon. Members of this Council feel that revenue is going to meet expenditure because the revenue estimates are far too low and that we are going to balance the budget, but I am not optimistic about that. I am just from England and have seen conditions there, and I do not see the possibility of getting commodities from the United Kingdom for the reason you have just stated, sir.

I have also noticed the position as regards the dollar exchange and I do not see any improvement in that respect. I cannot see any increased revenue from import duties. If we get more money from that source all well and good, but if we do not Government will have to raise taxation—raise the money from somewhere, but where is it going to come from ? I see much of it coming from foreign companies rather than from local ones. To tax the local companies is not right, and the Company tax is hardly a Company tax because the only thing that is really taxed is the reserve. If a man has an income of \$2,400 a year and he has shares in a company, he would get the difference between his tax and the Company tax and, therefore, under the Company tax it is only the men with the higher incomes—those at the top again—who would be bearing the burden. I think it would be a very great pity to lose the revenue from foreign companies and have to find it locally.

The PRESIDENT : Do you agree with what I said :—that we are getting into an even more acute position as regards the dollar ?

Mr. SEAFORD : Yes, sir, I told several Members here when I returned from England that we are going to feel the position as regards the shortage of coal and the shortage of manpower. I know from my own experience that materials which were expected in March this year had to be postponed until September, and I do not think the position is going to improve in a hurry. I do not propose to touch on

the question of Excess Profits Tax now, because there is a Bill coming up which will deal with it and which will have to be debated. I accept the principle, however, that Excess Profits Tax is a burden and I think it is recognised throughout the world that it should be taken off. It has been removed in practically every country — the United Kingdom, Trinidad and other places. As the Colonial Treasurer has pointed out, you will get 40 per cent of the 60 per cent from the Company tax.

I have accepted the undertaking that this Bill will be enforced for one year only, and I have also accepted the recommendation of the Economic Adviser that new companies should be free from taxation for a certain number of years. It has been promised also that Government would undertake no new commitment whatever unless it is an exceptional case. We do not want to be committed to an expenditure of hundreds of thousands of dollars when we do not know where the money is coming from. If Government is prepared to give those undertakings I am prepared to support this Bill.

I do not think it was properly stated in the past as to how we should meet the future, and we should consider that right away before more money is thrown away on these things. The Treasurer referred to the difference between budgeting here and budgeting in the United Kingdom, but I do not think it would be fair to compare the two things because in England the War has cost them a frightful sum of money while it has cost us very little here. Therefore, I do not think it is fair to compare the system of budgeting here with that in England. As regards the personal tax, I can see perfectly well that unless a high personal tax is raised—as in the case of the Company tax—what is going to happen. Therefore, I would not oppose the proposals set out in that respect.

Mr. RAATGEVER : Perhaps I should state for the purposes of record that the majority of the Unofficial Members of this Council are still opposed to increased taxation because they feel it would be detrimental to the interest of the people of

this Colony to increase taxation further at a time when the world tendency is to bring taxation down from its very high wartime peak. High taxation stifles industry and destroys that incentive to greater effort which is so necessary if this Colony with its vast undeveloped areas is to progress. It is regrettable, sir, that Government did not accept the counter-proposals of the Unofficial Members for balancing the Budget, but has announced its intention to withdraw consideration of the Excess Profits Tax Bill if Members do not approve of the increased rates of income tax.

In order to avoid pitfalls and choose the lesser of the two evils some Members have decided not to continue their opposition to the increased rates of income tax, provided a clause is inserted in the Bill limiting the period of operation to December 31, 1947. You, sir, have been good enough to give an undertaking in your opening remarks that this would be done, while the Colonial Treasurer has stated that it is Government's intention to amend the Ordinance so as to give relief to new industries. The Colonial Treasurer has, however, not made any reference to relief for wear and tear or to increased allowances for families, both of which were proposed to be introduced when this Bill was accepted by hon. Members. I would be grateful, sir, if some indication is given by Government as to its intention to honour those promises which were given in the Budget Statement.

The PRESIDENT : The hon. Member for North Western District will now address the Council.

Mr. RAATGEVER : I was asking for some indication as to Government's intention in this matter of increased family allowances especially.

The COLONIAL TREASURER : Is the hon. Member suggesting that the rate in the Bill should be carried upwards—that is to say that the figure should be increased from 24 per cent ?

Mr. RAATGEVER : I am saying that the rate should not have been increased from 24 to 30 per cent. We did not agree to that.

The COLONIAL TREASURER : The hon. Member has himself read about the rates proposed in the Bill and should see that this rate has not been increased from 24 to 30 per cent. That increase is not in the Bill.

Mr. RAATGEVER : You have an increase in the rate, fundamentally.

The COLONIAL TREASURER : No; it is 24 per cent.

Mr. RAATGEVER : I am sorry about that.

Mr. JACOB : I find myself a bit confused, Your Excellency, nevertheless, I stand in the same position as I did on December 4, when I supported substantially the Budget proposals which are now to be passed by this Council. I am not at all very happy about the Excess Profits Tax Bill because we did not know as much then as we know now. If I say anything which might appear to be against this and the other Bills on the Order Paper I should be excused, because a very fair picture has not been presented to this Council up to the present time as regards the entire Budget position for 1946 and 1947. The hon. the Colonial Treasurer attempted to explain the question raised by several people as to why the Colony should budget for a deficit again this year, but I think the hon. gentleman knows the reason himself.

The people of this Colony have been accustomed to be presented with Budget deficits from year to year for many years now, and they feel that the proper thing to do would have been to budget again for a deficit. I am glad, however, that the majority of the Members of this Council did not feel so last year and do not feel so now. I was quite surprised when the hon. Member for Georgetown North said he had predicted for some time now that the Colony was heading towards bankruptcy and suggested that our surplus be reserved.

Mr. SEAFORD : May I refer the hon. Member to Hansard of March 10, 1944? It was as long ago as 1944.

Mr. JACOB : Possibly that was not during the consideration of a Budget Statement. That was probably when things were looking funny.

Mr. SEAFORD : They are looking funnier today.

Mr. JACOB : In 1945 when the Budget was presented showing a deficit of \$2,700,000 I did not hear the hon. Member grumble because he feared then as he does now that direct taxation would have to be levied to meet that deficit. Further, last year when the Budget was presented and there was a deficit of \$2,892,000 the hon. Member said nothing.

Mr. SEAFORD : Is the hon. Member satisfied that I was in the Colony when that Budget Statement was presented?

Mr. JACOB : I am happy in the knowledge that everyone in this Council realises that we should do something to rehabilitate the finances of this country. Even the Colonial Treasurer realises that. I am also glad to hear that the surplus remained at over \$5,000,000 at the end of 1946—I think he said 5½ million dollars. I think the time has arrived when Government should use that money for development works; we cannot allow it to remain there lying in the Treasury and if something is not done to utilise it properly it might be frittered away. We have got the brains here I think and we have got to plan as if we were planning our own business.

I ask hon. Members of this Council to look into the Colony's budget position as if they were looking into their own financial position. If we were doing that we would have been in a far better position today. I think it is a great mistake to allow the public to entertain the idea that it is a proper thing to budget for deficits from year to year. I think a good many people in this Colony have that idea.

The PRESIDENT : I got into a terrible lot of hot water the other day when I said we were determined to balance the Budget.

Mr. JACOB : That was lip service. Perhaps it was a tactful thing to do at the time, to throw Government off its balance. It is, however, a proper thing to try and balance our Budget. The Treasurer knows that it was not a proper thing to have an unbalanced Budget—un-

balanced to the tune of nearly \$3,000,000 without knowing where to raise revenue to meet expenditure to that extent. However, I am happy in the knowledge that Government and the majority of the Members of this Council feel that I was tackling the right thing during the last three or four years. I was a bit amused to hear the Colonial Treasurer speak about Government's method in preparing these Estimates. Of course, the method was always right and with the composition of this Council as it is Government can come at any time and get Supplementary Estimates passed. I would not worry about that because Government has the right and the prerogative to come here and get them passed.

As regards Estimates of Revenue, however, I must say that if the Government Officers responsible for the preparation of these figures were more competent everyone in this Council and this Colony would not have been misled. We had the Colonial Treasurer telling us two weeks ago why the 1947 Budget was balanced, but he did not disclose even then that the 1946 Budget was wrong by over \$2,000,000. Today, he tells us that the deficit instead of being 2½ million dollars would be only half a million dollars. I do ask the Colonial Treasurer to be more careful about these figures.

The PRESIDENT : It is good news.

Mr. JACOB : Yes, it is good news but it throws us off balance and prevents us from planning things properly. After all there are certain Officers who are well paid to look after these things and whether they do their work I do not know. I have been trying to convince the Secretariat recently that every real businessman replies to letters. I see the hon. the acting Colonial Secretary is smiling. I have been able to receive lengthy letters and to reply to them within a day or two, giving facts and figures which would take Government Officers a month to do, and those replies were on a variety of subjects. I look upon this business here as my own business. Here we have Government Officers, who are well paid to do their work, not doing it on time, and who take so long to do it that by the time you get it you lose the threads and go

off the balance. I must lay stress on these facts. I think it is the duty of the Executive Government to let all Officers of Government know that they are to handle matters promptly—reply to correspondence promptly and give the public as much information as possible. If that had been going on, the work of this Council would not have been delayed so long. Here we are in February considering Budget proposals which should have been passed in December. Perhaps some of us are happy about it, but I am not. I like to do my work on time and to see that things are properly done.

I am satisfied myself that we are working under great disadvantage in regard to these revenue figures. They are on the low side, and if you apply reason to these figures that have been presented to us and take the Government's reasoning you would find they are practically wrong. Wherever you take out a set of figures and look at them you find them all wrong. For instance, let us take one item—Customs *Ad Valorem* Duties. The actual revenue collected for 1946 is \$1,396,000 and the estimate for 1947, according to Government figures, is \$1,600,000. One understands that. One understands that we should expect a greater volume of goods and goods of a higher value. So one expects there will be an increase of \$200,000 in 1947. But when you take Customs—Specific Duties—you find that we received \$2,100,000 in 1946 and the estimate for 1947 has been put down at \$2,000,000 only \$100,000 less. In the one case you estimate for \$200,000 more and in the other case you estimate for \$100,000 less. One can understand that specific duties are based on certain stated figures, but with increasing volume of trade that estimate should have been increased. Then we have the Export Tax. Government admits that that could have been increased to \$125,000 instead of \$75,000 as put down, a shortage of \$50,000.

I just give those figures to show that here we are suffering from a disadvantage as a result of no co-operation from those responsible, particularly the Colonial Treasurer, the permanent holder of the office, and other Officers. One should be able to reason these things, but it is not my job—not my business—to do so. This

Colony is paying these experts and Officers a decent salary to look after its business, but year after year we get these figures in such a way that, as a result, the whole thing is unbalanced and becomes chaotic.

I am not at all satisfied in regard to Government's reasoning about Excess Profits Tax and Income Tax. This is not a violation of what I said that I am supporting the Bill for Income Tax, because when the 1946 Budget was discussed I indicated then that Income Tax should have been higher, particularly in the higher income groups. I have always been reminded, every time I speak on Income Tax embracing the higher income groups, of the fact that a despatch came to this Colony from Lord Moyné, then Secretary of State, wherein he emphasized the fact that the people in England are not living on as high a standard as the people in the Colonies, particularly those of the higher income groups. He said some of the people here have so much wealth, so much money, as to live in luxury most of the time, but as regards those people who are barely living—who are being paid wages below subsistence level—it is distressing to see them. He has visited this Colony and so knows conditions here. He recommended that the lower income groups should be paid higher wages or income so that their standard of living should improve, and that those who enjoy a luxurious life should be reduced somewhat so as to have a balance. But Government would reply "We are doing that by putting forward this proposal." But it does not go far enough. This proposal goes to some extent to remedy that evil, but it has come far too late. It should have been brought forward long ago. So I say, when it comes to that part of the Income Tax Bill, I am sorry I cannot agree with the majority of the Unofficial Members who are opposed to this additional taxation. I am wholly in favour of this Income Tax Bill.

Regarding the Excess Profits Tax, I am afraid I cannot follow Government's reasoning at all. The hon. the Colonial Treasurer stressed the point that Excess Profits Tax is a war-time measure. I am still doubtful that it has been removed in the United Kingdom as from 1946. I do not accept the statement of the hon. Member for Georgetown North.

Mr. SEAFORD: I did not say any year, 1945 or 1946. All I said was, it would be removed or had been removed and that Excess Profits Tax has come to an end in the United Kingdom.

Mr. JACOB: I think I have got it quite clear. It will be removed or has been removed, I maintain this: The bloody war has finished but the economic war goes on, and which is worse I do not know. So far as we are concerned in this Colony, I think the economic war is worse than the bloody war. So I say that the reason given for the removal of the Excess Profits Tax in 1945 holds no water at all so far as I am concerned. I am opposed to it. Some of us will try to see what can be done about it, and I will support the view that the matter be left in abeyance to be reconsidered later on and to be removed as from the end of 1946 or 1947. But it is a grave mistake to remove the Excess Profits Tax as from the end of December, 1945. It is a grave mistake especially when it is considered that it is going to yield such a huge sum of money—\$2,700,000 less \$900,000 for errors—\$1,800,000—thereafter to be paid by way of a Company Tax. That is what you are going to lose by passing this Bill. So I say this Government has blundered, and blundered very seriously indeed, in attempting to remove the Excess Profits Tax as from 1945.

I agree that an assurance given must be carried out, but I am not quite clear whether an assurance was given that Excess Profits Tax would be removed from 1945. This is 1947 and we are making it retrospective. Government has the fullest information possible as to what this tax is going to yield. Perhaps private information was given and perhaps public information too, but I think it is obvious that Government has a clear idea as to what the Excess Profits Tax yielded at the end of 1946, and yet this Government comes here and says "We are prepared to remove this tax and we are going to tax rum, cigarettes and beer because those things are non-essentials." That is not right; that is not proper! It is not decent; it is grossly immoral. Here you have the people who are making these excess profits over their normal profits

being made to pay a certain percentage back—excess profits gained through an economic war that is going on here, through Control of a vicious kind, as only certain people can import goods and sell them at a very high margin of profit

Mr. HUMPHRYS : To a point of order ! Are we speaking of Excess Profits Tax, or are we speaking of Income Tax ?

The COLONIAL TREASURER : I gather it is the whole field and, I think, the hon. Member is entitled to speak on it.

Mr. HUMPHRYS : Then we will be here for two days.

Mr. JACOB : Perhaps it is unpleasant, and so I say I am talking about Excess Profits Tax. My hon. Friend is not aware of the situation, possibly because he is not a businessman. But I am in business and I know what I have felt and what other people have felt; also what the big stores have been doing, what has happened and is happening and may happen up to 1948. I am fully alive to the implications. Government knowing these details, these facts, says "Oh, no; we cannot do this because we have given an undertaking." I do not think it is right.

The COLONIAL TREASURER : I never used the word "undertaking". I merely said what was decided and is being put to the Council. I was careful not to talk about undertaking or solemn obligation.

Mr. JACOB : Perhaps not by the hon. Member, but the word was freely used in this Council. The fact is, here we have people who have made millions upon millions of dollars—millions I repeat—and you have a chance of collecting something already earned in 1946—over \$1,000,000. Let us put a reasonable estimate. You do not collect that and then you come around and put forward all kinds of proposals to tax a man's cigarettes, rum, and beer. I cannot use stronger words to show my disapproval, and it is in support of the views of the masses in this Colony who have no voice in this Legislature at the present time. But these things will be borne in mind. This Council, constituted as it is, is fearful of the fact that the next Council, if the Ordinance remains on the Statute Book,

may not repeal it next year. Why be fearful of that fact if it is just, moral and right? I cannot understand it. If this Excess Profits Tax is not repealed now, it may never be repealed in a year or two? That is not proper, and the Government has fallen for that. What conclusion am I to come to ?

I heard this Government say recently that it has instructions to listen to the views of the people, hear what they have to say and meet them as much as possible. I have also heard Government say "We are quite prepared to do certain things." Yet in this instance where we can collect \$1,000,000 at least, we find Government refusing to do that and coming forward and saying "We have given a promise which we are going to honour". I think certain Members said you have made some promise and you must honour it. I ask Government to consider carefully what it proposes to do in this matter. Government's proposals will go through as certain Members are in favour of them, but I trust something may be done later on about it. I am not going to say very much more at the moment, as I think I have said enough. I have made one or two points, and I would ask Government to reconsider the matter. There is still time and, perhaps, if I speak for another hour Government may reconsider the matter tomorrow or when the Council meets again. I think this matter deserves very very careful consideration by Government.

We want to get as much money as we possibly can. We have development works in view. We have a very excellent Economic Adviser to the Government. He has advised that this thing be removed, but perhaps he did not know all of its implications. He has advised too that the development of the Colony should be proceeded with as rapidly as possible. He gave some Statement recently in which he stated that in some of the big schemes—Bonasika and Torani Schemes—there is a shortage of nearly \$1,500,000—money which has been possibly misspent or something else. We are committed to those schemes. They have to be put through. They are going to bring relief to the sugar industry and to the peasants, and will do a lot of good to the Colony as a whole. I am

wholly in favour of those schemes being carried through. Most Members here would like those schemes to be carried through, but they are guided by the fact "Where is the money to come from?"

I am going to appeal to Members to oppose the removal of the Excess Profits Tax, so that we will be certain of money from that source. If the money is mis-spent and we are to finance those schemes, what are we going to do? Are we going to allow those schemes to go overboard and the money already spent on them to go west? There are several other projects that must be carried through. We must increase production of all kinds of articles or otherwise levy direct taxation on those people who are making money. If it is in their interest to have just a few industries and not a large number of industries to bear taxation, then they would have to pay until the Colony can afford to extend its industries and start other development works. I have seen from what the hon. Member for Georgetown North (Mr. Seaford) has said, that the Colony is not going to improve unless we have new industries. Here is our chance to start them. Are we going to allow them to go overboard, or are we going to increase our rice production and our cattle-rearing on the coastlands and in the interior? Are we not going to do other things in the Colony which the peasants can do but do not have an opportunity to do now—those peasants who are working not more than three days a week? I say it is a most short-sighted policy. I ask Government to reconsider Excess Profits Tax and let it remain on the Statute Book for another year at least.

Mr. HUMPHRYS I am sorry hon. Members are finding it rather difficult to decide what they should do about these two Bills. For my part that difficulty disappeared after one of our private meetings at which Government Representatives were present. I understood from the beginning, when we were having those private meetings and discussing the Estimates and Ways and Means, that if the Unofficial Members were opposed to Government's proposal in respect of increasing Income Tax on companies and individuals, we would raise revenue by other means. We

spent days on that and, I think, we convinced ourselves that we could almost get, if not the whole, the amount required to balance the Budget. Government would not accede to that and said they did not want to take any risk, and we were too optimistic as regards what the Customs revenue would be during the current year. To cut a long story short, Government told us "If you do not pass the Income Tax Bill and the Customs (Amendment) Bill and agree with Government's method of taxation we will not repeal the Excess Profits Tax Ordinance". That is the whole long and short of it. It has been a direct threat that if we do not do this Government will not do that.

I have understood for the last two years that there was a definite undertaking by Government that there would be no Excess Profits Tax in 1947 in respect of the year 1946: that it would be repealed and finished with. I believe that is the case in England and, I think, Trinidad, but I am not certain. I understood that was a definite undertaking by Government, not only given to this Council but to the mercantile community. When, however, Government ascertained the temper of the Unofficial Members and found that they did not propose to accede to Government's request to increase Income Tax on companies and on individuals, that threat was put directly to us. For that reason the repeal of the Excess Profits Tax Ordinance comes after this Bill to increase Income Tax.

Government will not accept the challenge to take the Excess Profits Tax Bill first and then fight out the Customs Bill on its merits. The threat is held over our heads that if we do not pass this Bill they will not repeal the Excess Profits Tax Ordinance. One businessman described it to me, rightly or wrongly, as a piece of political blackmail on the part of Government. So it gives me no difficulty at all. If the Excess Profits Tax is to remain unless the Income Tax Bill is passed, then Members of this Council have no alternative than to support the proposed increase of Income Tax, as it will be a ghastly mistake for this Government to think of keeping on the Excess Profits Tax. That will discourage Capital from coming into this

Colony and in every way prevent initiative and expansion of business of which we are sorely in need, because during the war people had to pay this tax instead of putting by a reserve for expansion and improvement of their business. I say without the slightest hesitation that it is essentially necessary for this Colony to repeal the Excess Profits Tax Ordinance at once, and as a matter of fact the sooner we do it the better. I say "the sooner" because every day the tax remains Capital is kept out of the Colony.

My mind is made up because of the threat and, therefore, I am driven to this. I must support very unwillingly and regretfully the increase of the Income Tax. I am going to wind up by saying this: The hon. Member for North Western District (Mr. Jacob) talks of the necessity for taxing those who have in order to provide for those who have not. I am not going to deal with any question of who have and who have not, but I want to remind the hon. Member of this. The Income Tax Ordinance was first passed in 1928 when the tax on a chargeable income of \$8,400 was only \$396. The rate proposed now works out at a tax of \$1,896 on an income of \$8,400. What does that mean? Income Tax on the individual has been increased by 500 per cent. since the tax has been introduced. That increase has gone on all the time every year, and now we find ourselves in this position—that from a tax of \$396 on a chargeable income of \$8,400 in 1928 it has gone up to \$1,896 on that same income in 1947. The hon. Member talks about if the charge is not sufficient Government should charge more. When hon. Members say those things they do so with their tongues in their cheeks. If you look at the figures you would see how absurd it is to make such a suggestion. Income Tax has risen tremendously in England, and I agree that it has existed there for more than 100 years, but it has gone up high there because of the great War Vote. Our Income Tax is going up steadily and is not being used for any useful purpose at all, and it will continue to go up. I do not want hon. Members to fool themselves as to what will be the effect of this, and that Government is going to give an undertaking and put it into the Ordinance that the increase will only be in respect of the year

1947. I warn Members of Council that the Estimates for next year may probably be \$18,000,000 and the result will be that an Ordinance will be passed again in 1948, not only carrying on these rates but increasing them. Do not let us fool ourselves that we are only doing this for now. It will go on every time because Government expenditure is increasing year after year.

The PRESIDENT: Is the hon. Member moving any particular motion?

Mr. HUMPHRYS: I am going to give Government an opportunity to do what it has already done. Government is saying: "If you do not pass this Income Tax and this Customs Ordinance, agreeing with Government, we will not repeal the Excess Profits Tax Ordinance." That, to my mind, is a direct threat which I have no doubt will be carried out.

The COLONIAL TREASURER: I must make this point. It is an imperative situation and we propose to replace the Excess Profits Tax by other means. It is not a case of holding out a threat.

The PRESIDENT: I would just like to say that in no statement by Sir Gordon Lethem or Government was it ever suggested that the removal of the Excess Profits Tax would be followed by the increase of another tax. The hon. Member has accused Government of making a threat, but the fact is that Government is in a bad position. The Excess Profits Tax continues unless it is removed by an Order in Council, while the Income Tax Ordinance expires on December 31 and must be re-enacted. That is the position.

Mr. HUMPHRYS: Words cannot be removed from their context. Government makes itself clear and says "We are not going to repeal the Excess Profits Tax unless you agree to increase the Income Tax." If that is not a threat I do not know what is. Are those words capable of any other interpretation? If Your Excellency does not think I am right, then why not take the Excess Profits Tax Bill first and let us fight this on its merits? I am sure Government would not do that because they know the chances are that the Excess Profits Tax Bill would not be passed.

The COLONIAL TREASURER : What would happen is that the Excess Profits Tax Bill would go through.

Mr. HUMPHRYS : The Colonial Treasurer, unlike myself, is fooling himself. If the Excess Profits Tax Bill is put to the vote first I am sure only about four Members would vote for it, whereas the majority of Members do not want income tax increased. I congratulate Government for its action, but I must say I do not know if in future years Government's action in this matter is going to redound to its credit at all. I think that although the Colonial Treasurer says revenue could be found in another direction hon. Members feel that this Sword of Damocles should not be held over their heads. I am supporting this measure because I cannot do any better. I am going to vote for the Income Tax Bill under protest and one of these days it is going to be recorded against Government that this is one of the blackest deeds in its history. I know that Government would not do it, but I suggest that it should take the Excess Profits Tax Bill first and take this afterwards.

Mr. PEER BACCHUS : The introduction of this Bill, as I understand it, is for a double purpose. As stated by the Colonial Treasurer, it is intended, firstly, to assist in balancing the Budget and, secondly, to obtain relief from Excess Profits Tax. If there was not this double purpose we would not have been speaking about a balanced Budget and the Budget would have been balanced under existing taxation. I do not share the view of the hon. Member who has just taken his seat that Government has issued a threat to this Council. I would rather say that it is optional for Members of this Council to choose which of these two taxes—the Income Tax or the Excess Profits Tax—should remain on the Statute Book of the Colony. It was stated by the Acting Colonial Treasurer in the Budget Statement that Government had decided to repeal the Excess Profits Tax in redemption of a promise. Admitting that Government gave such an undertaking, I can only assume that when it did so it reasonably thought that conditions would have changed after the cessation of the War.

I am sure, however, that no hon. Member here would be bold enough to say that War conditions have disappeared. Instead, I think they have worsened; and if that is so there is every justification for retaining the Excess Profits Tax Ordinance on the Statute Book of this Colony. I fail to see how Government can argue that War conditions are not existing today when we have Government still subsidizing commodities and still carrying on control. Those are two important factors relating to the introduction of Excess Profits Tax, because under control goods are difficult to get and under our system of control distribution is made on the basis of past business. According to one's quota he might be in a position to accumulate excess profits while many other traders might not be able to make even normal profits.

If these abnormal conditions have allowed some people to make excess profits, why shouldn't they be made to contribute something substantial to the revenue of the Colony from those profits? I still feel, sir,—and there could be hardly any doubt about it—that as far as the mercantile community is concerned excess profits would be earned probably for an indefinite period. I was a bit surprised at the somersault made by certain Members who are now supporting the increased rates of income tax rather than supporting the retention of Excess Profits Tax.

I have no doubt that the conditions created by the War will continue for another few years if not for an indefinite period. Therefore, if we abolish Excess Profits Tax those persons who continue to make excess profits would be able to put them into their own pockets. I am appealing to Government to consider whether it would be equitable to the several sections of the community to remove Excess Profits Tax at the present time. If Government decides that any excess profits made should not be paid into revenue, then it would be inconsistent to retain subsidization and control of commodities. Of course, it was not my intention to support this Income Tax Bill because of the explanation I gave in Finance Committee.

I know, sir, that income tax is a hard tax for some people to bear and that some people are of the opinion that we should carry an unbalanced Budget. There might be some good argument in that because of the fact that in the 1947 Budget we will have two extraordinary items for which nothing but the War is responsible, and those are subsidization and War Bonus. If we did not have these two items the Budget would have been balanced without any increase in taxation and we would still have been in a position to remove the Excess Profits Tax, because I think these two items are responsible for a total of some \$2,000,000. It is said that income tax is the fairest tax in the world, but I think we should be careful about the rates we are fixing. I do agree that if unreasonable rates are fixed they might interfere with justice, but I do not think one can speak similarly about Excess Profits Tax because if it were not for abnormal conditions Excess Profits Tax would not have been earned. In fixing this tax I think Government has taken a very liberal view in giving individuals and firms the option of selecting one of the best three years prior to the War as a basis. I think that is a liberal condition for anyone to be given to calculate their normal profits on.

I will not delay the Council any longer, but will say that this increased income tax will affect the commercial community greatly. Since the majority of the Unofficial Members are in favour of it, however, I am prepared to lend them my support. In so far as the Excess Profits Tax is concerned, I am prepared to oppose the repeal of that Ordinance. I hope hon. Members would not experience the displeasure of seeing the tax repealed when it should remain and I think Government should reconsider the matter and withdraw its proposal to repeal the tax.

Mr. C. V. WIGHT : I am not quite clear about certain things stated by the hon. Member, but perhaps he would correct me if I am wrong. No less an authority than the Chancellor of the Exchequer in England, Mr. Hugh Dalton, has told the British Parliament that Excess Profits Tax puts a damper on initiative. We should therefore be careful as regards any intention of retaining the Excess Profits Tax. I am

not like the hon. Member for Eastern Demerara who says that Government has held out a threat to the Council in this matter. I would say it is merely a pointless misdirection with no idea of getting Members to decide whether Excess Profits Tax should remain. I do not think it should be put on record that we have all been threatened with the Sword of Damocles, but I think it should be on record that we have been told by the Economic Adviser that the 40 per cent Company tax is not one which should stand for any length of time, but should only remain for an intermediate period. We have been advised that it should not be permanently placed on the commercial community.

The PRESIDENT : The hon. Member was not here when I made that point at the beginning.

Mr. WIGHT : I am supporting the repeal of that tax. I advanced the point some time ago although lawyers are supposed to know nothing about finance. I feel, however, that if we had allowed the Bill to stand as it was first published we would have been budgeting for a surplus. If the tax had remained as originally proposed, with all the increased exports we have had in bauxite we would have had much more revenue. I am supporting this Bill, but I think we should endeavour to stem the tide of expenditure and not touch our surplus. I do not think we should say we would not vote any supplementary estimates, because some would have to be passed. I support the Bill *in toto* and would support the hon. Member for Eastern Demerara in one particular respect by saying that during the time this is in progress we would not be able to do anything as regards the shortage of staff in the Attorney General's office owing to difficulties in printing the whole comprehensive Bill on Income Tax which we were told we were going to get and which is going to make certain amendments and adjustments to the parent Bill—Chapter 38. That is why I think we should ask Government to give an assurance as regards fulfilling their promise, perhaps before the year is out.

The PRESIDENT : Does any other Member wish to speak ? I will ask the Colonial Treasurer to reply. Do you wish to reply, Mr. Treasurer ?

The COLONIAL TREASURER: Not at length, sir, I think there are one or two points as regards undertakings that I should mention. I hate that word.

Mr. HUMPHRYS: I know you do.

The COLONIAL TREASURER: I think the hon. Member for Georgetown North said he wanted Government to promise that no new items with regard to expenditure would be undertaken. I am not in a position to give any undertaking, but I do say that expenditure as such is bound to come up, particularly in regard to what I call restoration and rehabilitation of our assets. We have presented a Budget with huge sums in it, but we might decide to restore our railways and also decide on partial restoration of our roadways. Those are things which call for Budgets with a deficit and it is difficult to say that no new commitments would be undertaken. What we can say is that Government would be careful as regards its Administration services. The Public Service should not be extended unless it is for producing revenue or some productive purpose, and there should be a dividing line between productive and unproductive expenditure.

Mr. RAATGEVER: The Colonial Treasurer has already given this Council an undertaking that no new expenditure would be undertaken unless we are consulted beforehand.

The PRESIDENT: The hon. Member must know that no new expenditure would be undertaken without consulting the Council. What the hon. Member for Georgetown North is asking is that no new expenditure whatever be undertaken.

The COLONIAL TREASURER: The Council is the final judge. It has to control expenditure and we cannot undertake expenditure unless it is approved. The hon. Member for Georgetown North has asked that no new expenditure be undertaken, but we have to put certain things before this Council such as recommendations of the Economic Adviser and other things which we consider should come before the Council. This will in fact be a sort of reformed Income Tax. He did say

that he thought the period should be 10 years instead of five years. That has been considered and I myself feel that ten years is a very long period to exempt any concern from taxation. I have never heard of any such period given in any other part of the world. The last undertaking asked for was that an arrangement be introduced to make this Bill expire at the end of 1947. I understand the hon. Member for Central Demerara proposes to move an amendment in that clause which I will accept. I do not think there is anything else I want to comment on. I do agree in some respects with the contention of the hon. Member for Western Berbice in respect of abnormal profits. I said as much in my opening remarks. I want it to be remembered that although the Excess Profits Tax is removed the real fact is that 40 per cent. of the yield still comes back into revenue. It is not the whole that is being released. I entirely agree with him that at the present time there are instances of abnormal profits being made. I do not think I need say anything more.

Question put, and agreed to.

Bill read the second time.

COUNCIL IN COMMITTEE.

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

Clause 2 — Insertion of new sections 22 and 23 in the Principal Ordinance.

Mr. HUMPHRYS: I would like to know whether by amendment you will limit this enactment to 1947 only. I wonder whether it should not come under clause 2

The CHAIRMAN: I think clause 4 is probably the best place.

Clause passed.

Clause 3 — Amendment of section 34 (1) of the Principal Ordinance, No. 29 of 1941, No. 9 of 1944, No. 40 of 1944, No. 10 of 1946.

Mr. PERCY C. WIGHT: Why should it affect the years 1944 and 1945? The people have distributed their profits for

those years. I think the years should be deleted. Why should we go back to 1945 and 1944? I cannot appreciate that.

The ATTORNEY-GENERAL: Those years only explain what has gone before. The substance of the amendment is the substitution of the words "forty cents" for the words "twenty-five cents". Thirty-three and one-third cents is in respect of the years of assessment — 1944, 1945 and 1946. The effect of clause 3 is to increase the rate from 33½ per cent. to 40 per cent.

Mr. SEAFORD: For what year?

The ATTORNEY-GENERAL: The amendment which is to be moved to clause 4 makes this Bill operative in respect of the year of assessment, 1947, only.

Mr. HUMPHRYS: It does not say so.

The ATTORNEY-GENERAL: I may explain that in the original section 34 (1) of the Principal Ordinance the words are "Twenty-five cents". This Council has been passing other Income Tax Ordinances which were only in respect of one year, and from time to time that section has been amended to read instead of "twenty-five cents" "thirty-three and one-third cents in respect of the years of assessment — 1944, 1945 and 1946". This further amendment is to increase "thirty-three and one-third cents" to "forty cents".

The CHAIRMAN: I sympathize with the hon. Member for Georgetown Central. The clause should say it substitutes something for something.

The ATTORNEY-GENERAL: The draughtsman felt that he should show what has gone before, so that Members might not think it is proposed to increase the rate from 25 to 40.

The CHAIRMAN: If hon. Members are satisfied with the assurance of the hon. the Attorney-General that this increase will only be effective as from 1947, that is what we want.

Mr. C. V. WIGHT: I see a paper is being circulated. When we get to clause 4 of the Bill I will read it.

The COLONIAL TREASURER: It is purely a legal way of doing it. All it means is that section 34 (1) of the Principal Ordinance which says:

"Where anyone pays mortgage or debenture interest to a person not resident in the colony and is entitled to deduct that interest under paragraph (a) of sub-section (1) of section ten of this Ordinance, he shall deduct therefrom tax at the rate of eight cents on every dollar of the interest."

is amended so that the percentage now to be deducted is 40 instead. It is only applicable to the year of assessment.

Mr. PERCY C. WIGHT: That does not satisfy me. I am satisfied in my mind that assessments have not been made for the years 1944 and 1945.

The CHAIRMAN: I am not a lawyer and the hon. Member is not a lawyer. I suggest that we accept the legal interpretation.

Mr. SEAFORD: May we have an assurance that the Income Tax Commissioners will put the same construction as the learned the hon. the Attorney-General?

The CHAIRMAN: I will give directions to that effect.

The ATTORNEY-GENERAL: If hon. Members prefer all those words in brackets to come out, that can be done. They are only put so that Members reading the clause will see what had happened during the course of years.

The CHAIRMAN: My advice is, do not amend this clause. Leave it as it is. I will give an assurance that the Income Tax Commissioners will interpret it in the same way as the Law Officers. I will tell them they have to.

Mr. LEE: The assurance may be heard, but when a charge is put upon you and you go to the Courts, it will be interpreted in their own way. They will say that by the amendment from 1947 it was changed from 25 to 40 per cent.

The CHAIRMAN: They cannot go against the Law Officers.

Mr. C. V. WIGHT : The Law Officers go against you when you appeal from Income Tax.

The ATTORNEY-GENERAL : Clause 4 of the Bill, even without the amendment, says specifically "the year of assessment". It does not apply to past years of assessment.

Mr. HUMPHRYS : I think the brackets in the clause make it quite clear. Perhaps the hon. Member for Georgetown Central did not see that. It is quite all right.

Clause passed.

Clause 4 — Commencement of Ordinance.

Mr. de AGUIAR : I beg to move that at the end of the clause immediately after the word "forty-seven" there be added the words "and shall be and remain operative in respect of the aforesaid year of assessment only."

Question put, and agreed to.

Clause passed as amended.

Council resumed.

The ATTORNEY-GENERAL : I would like to give notice that at a subsequent meeting of Council this Bill will be read a third time and passed.

The PRESIDENT : It is now nearly 5 o'clock and we will adjourn until tomorrow at 2 o'clock, but I would just like to say one thing. I am not accepting the statement that this is a black stain on Government. There was no threat. Members of this Council, in a proper democratic way, had the choice to do what they wish. It was a choice. That is the proper way to look at it. The other thing I want to say is that Government's administration must be carried on. Circumstances arise every day when I have to make decisions including decisions on expenditure. There is, for instance, the question of Colonel Spencer's visit to the United Kingdom as a member of the Caribbean Delegation to the forthcoming conference. Colonel Spencer has to travel and someone has to pay for it. There is the question of the renewal of Officers' agreements. There are questions

continually cropping up. I want to co-operate to the full with Members of this Council. I do not want to authorize any expenditure not on the Estimates without the approval of the majority. There is the question of an aeroplane trip to Ibini which is yet to be decided. All these questions must come up.

I urge that Members should equally agree to the establishment of a statutory Finance Committee. This statutory Finance Committee should sit at regular intervals so that the Executive Government would be able to refer to them and not to the whole Council for approval of unforeseen additional expenditure. This Finance Committee will have the same power as the full Council. If the majority say "We do not agree", I would not proceed with the expenditure; but I do want some sort of body to refer to. I think this method of sending circulars to individual Members is not a good one. I have recently sent one out and out of 24 Members I have only received answers from twelve of them today. I will ask those Members who have not sent in answers to the Clerk as yet to do so, so that I may proceed. I appeal to hon. Members that, just as I am prepared to co-operate with them to the full, they should co-operate with me. Sir Gordon always consulted Members; he never signed a Special Warrant without your approval. Just as Sir Gordon did, I will do. Let us be businesslike; let us not interfere with the executive functions of Government. As soon as you can possibly agree, let us have a statutory Finance Committee, composed of all Unofficial Members and meeting at a regular time once a month, to whom I can refer these immediate requests for expenditure in order that the administration of Government be not held up. I hope Members will agree entirely with the proposals. If they do, at the earliest opportunity I will ask the hon. the Colonial Treasurer to move a motion in order that it can be put on a statutory basis. One hon. Member says the Colonial Treasurer does not co-operate. He will have full opportunity to co-operate with all. I now adjourn the Council to 2 o'clock, tomorrow.