

LEGISLATIVE COUNCIL

WEDNESDAY, 22nd JANUARY, 1947.

The Council met at 2.30 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. 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. 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. T. Lee (Essequibo River).

The Hon. V. Roth (Nominated).

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.

The Minutes of the meeting of the Council held on the 10th January, 1947, as printed and circulated, were taken as read and confirmed.

ANNOUNCEMENTS

SUPPLEMENTARY BUDGET STATEMENT.

The PRESIDENT: I have only a short announcement to make myself. I have called the Council together this afternoon because Government has information to give you which is supplementary to the Budget Statement. I would not like any Member to cast his vote on such important issues without being in possession of all the facts, and I propose to adjourn for a full week to enable you to consider them.

Briefly, Government has no change of policy to announce. The Colonial Treasurer in his Budget Statement of the 30th November, 1945, asked Council to adopt, tentatively, a decision that the Excess Profits Tax be abolished in 1947. This step is also recommended in the Economic Adviser's financial memorandum, and was endorsed by Sir Gordon Lethem in his speech to the Legislative Council on the 15th of May, 1946. The intention is confirmed in the Budget Statement presented to the Council on the 4th of December, 1946. Government is determined that the Budget for 1947 should be balanced, and has therefore introduced new taxation proposals which will achieve this purpose. But, I am anxious that hon. Members should approach consideration of the whole subject with complete knowledge of all the financial implications, and as it does not appear that these have been fully presented so far, I am asking the Treasurer to explain.

able Members of Council to an important aspect of the 1947 Budget that should be brought to notice before consideration of the taxation proposals is further pursued by the Council.

Hon. Members will recall that the Budget Statement made to Council on the 4th of December, last, forecast a Budget deficiency of approximately \$1½ million for the year 1947 founded on revenue collections estimated on the basis of existing

taxation; and that the new taxation proposals outlined in the statement, contemplated as their objectives the elimination of this deficit and securing of a balanced Budget; and at the same time, the abolition of the Excess Profits Tax.

Earlier in the Budget Statement the following general observations as to future prospects were made :

“Uncertain as the Colony's outlook may appear at first sight there are still in the offing, many cheering signs.....Exports of bauxite which had slumped towards the latter part of 1945, are again at peak level of war time production and there is promise of still further development”.

Now, Sir, knowledge of the full financial implications of this sudden and unexpectedly favourable turn in the bauxite situation during the latter half of 1946 did not become available to the Treasury until late in the year and after the Draft Estimates for 1947 had already been framed and printed. In consequence, although subsequently due cognizance was indeed taken of this very favourable development when estimating the probable yield from the proposed increase in the company rate of income tax from 33½% to 40% after allowing for the abolition of the Excess Profits Tax—and, in fact, it would not have been possible to arrive at a balanced Budget on the new basis without taking this improvement into account—its effect was not on the other hand, reflected in the Budget figures that had previously been prepared on the basis of existing taxation, that is to say, on the basis of the lower rate of Company income tax with the retention of the Excess Profits Tax.

Had this been done, the estimated collections for the year 1947 shown under Export Tax, Income Tax and particularly under Excess Profits Tax in the Draft Estimates could have been substantially increased by sums sufficient in the aggregate to cover the estimated deficit in full. In other words, the Budget, as presented to Council on the basis of existing taxation, would have been a balanced Budget. It is most important that this fact and its material significance in relation to the Colony's financial standing should be fully and widely appreciated; and while this

circumstance does not affect or alter the character of the long-range financial problem, the immediate issue before the Council in its consideration of the new taxation proposals will be quite clear to Honourable Members. The Council can now resume its consideration of the Budget not only with the knowledge that the new taxation proposals will, allowing for the abolition of the Excess Profits Tax, produce a balanced Budget; but also with the knowledge that if the Excess Profits Tax were to be retained in 1947 with no variation whatever in other forms of taxation the Budget would also balance.

I am authorised to say that the Government proposes to pursue its previously announced policy of withdrawing the Excess Profits Tax which it is considered is highly desirable on general economic grounds apart from the implied undertaking to this effect which had previously been given to the commercial community. It is essential therefore that other sources of revenue should be provided in order to make good the resulting deficit and thus retain a balanced Budget in 1947; and the Government considers its present proposals (and especially the proposed increase in the company rate of income tax from 33½% to 40%) to be the most equitable means of achieving this end.

At the conclusion of this Meeting of Council, Honourable Members will be furnished with copies of this announcement to which I have attached in summary form a statement indicating the revised Budget figures both on the basis of existing taxation and on the basis of the new taxation proposals :

OLD BUDGET (Revised)
(on basis of existing taxation)

Total Estimated Expenditure (as approved by Leg. Co.)	\$14,233,311
Revenue (as printed in Estimates)	\$12,739,720
<i>Add</i>	
Increases under :—	
Income Tax	\$ 266,000
Excess Profits Tax	1,200,000
Export Tax	50,000
	<u>1,516,000</u>
Total Estimated Revenue	<u>\$14,255,720</u>

NEW BUDGET

(on basis of new taxation proposals
with removal of Excess Profits Tax)

Total Estimated Expenditure (as approved by Leg. Co)		\$14,233,311
Revenue (as in Old Budget revised as above)		\$14,255,720
<i>Deduct</i>		
Excess Profits Tax released (leaving \$900,000 in Estimate in respect of arrears)		1,800,000
		<u>\$12,455,720</u>
<i>Add</i>		
Further increases :—		
Income Tax	\$1,530,000	
Customs & Excise	312,500	1,842,500
		<u>\$12,498,220</u>

*Comparative Table of estimated yield
under Income Tax and Excess Profits
Tax heads.*

PRINTED ESTIMATES

Printed Estimate	(Revised)	Estimate (New Taxation proposals).
Income Tax—		
\$2,200,000	\$2,466,000	\$3,996,000
Excess Profits Tax—		
1,500,000	2,700,000	900,000*
<u>\$3,700,000</u>	<u>\$5,166,000</u>	<u>\$4,896,000</u>

* (Arrears)

GOVERNMENT NOTICES.

INTRODUCTION OF BILLS.

Notice was given of the introduction
and first reading of the following Bills :—

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 Com-
panies other than Life Insurance Com-
panies, 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 there-
of which falls after the thirty-first
day of December, nineteen hundred
and forty-five".—The Colonial Treas-
urer.

A Bill intituled "An Ordinance
further to amend the Teachers Pen-
sion Ordinance with respect to the
computation of pensions and the pay-
ment of a reduced pension with a
gratuity, and by providing that where
teachers are appointed to the Civil Ser-
vice their right to pensions earned by
them as teachers shall be preserved".
—The Attorney-General.

CROWN LANDS (AMENDMENT)
REGULATIONS, 1947.

The ATTORNEY-GENERAL gave no-
tice of the following motion :—

"That, this Council approves of
the Crown Lands (Amendment) Regu-
lations, 1947".

The PRESIDENT: Now, I have an-
other subject on which I would like hon.
Members to meet me informally. It is
important, it is urgent, and with your con-
sent I would like to adjourn for a few
minutes in order to allow the Clerk to re-
arrange the tables. If you will be good
enough to meet me afterwards I will wel-
come an informal discussion on an urgent
and important matter, in private. I pro-
pose to adjourn the Council until this day
week, and I now ask you to come back in
another few minutes and meet me inform-
ally.

Council adjourned accordingly — to
Wednesday, 29th January, at 2 p.m.