

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1994 - 99

HOUSE OF ASSEMBLY

Friday, December 15, 1995

Pursuant to the adjournment, the House of Assembly met at 2.20 p.m. o'clock on Friday, December 15, 1995.

PRESENT

His Honour I. A. ROETT, B.A., Dip. Ed. (Speaker)
His Honour R. D. MARSHALL (Deputy Speaker)
Rt. Hon. L. E. SANDIFORD, B.A., M.A., (Econ.),

J.P.

Mr. H. deB. FORDE, Q.C., M.A., LL.B.

Mr. B. M. TAITT, B.A. (Hons.), M.P.A., LL.B. (Hons.)

Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.) (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Hon. D. A. C. SIMMONS, Q.C., LL.M. (Attorney General and Minister of Home Affairs)

Mr. D. J. H. THOMPSON, LL.B. (Hons.) (Leader of the Opposition)

Hon. Sir HAROLD St. JOHN, Q.C., LL.B.

Mr. L. R. TOLL, Q.C., M.A.

Hon. Miss B. A. MILLER (Deputy Prime Minister, Minister of Foreign Affairs, Tourism and International Transport) (Leader of the House)

Mr. J. O. TUDOR, J.P.

Hon. G. W. PAYNE (Minister of Public Works, Transport and Housing)

Hon. R. C. EASTMOND, J.P., B.A. (Hons.), Dip. Ed., LL.B. (Hons.), L.E.C. (Minister of Agriculture and Rural Development)

Dr. R. C. HAYNES, M.B., Ch.B., F.R.C.P. (Edin.)

Mr. D. Carter

Hon. R. N. GREENIDGE, B.A., LL.B. (Minister of Labour, Community Development and Sports)

Mr. J. M. EDGHILL

Mr. W. C. C. CALLENDER, J.P., B.A., Dip. Ed., B.Sc. (Chairman of Committees)

Mr. H. F. Lashley

Hon. R. St C. TOPPIN, LL.B. (Minister of State, Ministry of Foreign Affairs, Tourism and International Transport)

Mr. D. St. E. KELLMAN

Hon. Miss H. E. THOMPSON, LL.B. (Minister of Health and the Environment)

Hon. Miss M. A. MOTTLEY, LL.B. (Minister of Education, Youth Affairs and Culture).

Prayers were led by Mr. Speaker. Mr.

SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, 12th December, 1995.

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to move that the Minutes of Tuesday be deferred.

Hon. D. A. C. SIMMONS: I beg to second that, Sir.

Mr. SPEAKER: If there are no objections, so be it.

FIRST READING OF BILLS

Hon. D. A. C. SIMMONS: Mr. Speaker, I beg to move that the Exempt Insurance (Amendment) Bill, 1995 be read a first time.

Rt. Hon. O. S. ARTHUR: I beg to second that.

The question was put and resolved in the affirmative without division.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to move that Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the rest of this day's sitting.

Rt. Hon. O. S. ARTHUR: I beg to second that.

The question was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

Mr. SPEAKER: Government Business is now the order of the day.

ORDER NO. 3 - THE EXEMPT INSURANCE (AMENDMENT) BILL, 1995

Hon. D. A. C. SIMMONS: Mr. Speaker, today's sitting of the House is necessitated as a matter of urgency for certain amendments to be made to the Exempt Insurance Act, Cap. 308A. This has been brought about because of certain changes which were made in June this year in Canada.

Revenue Canada made certain changes to the foreign affiliate rules of the Canadian income tax code and the amendments which were made in Canada now have an impact on the exempt insurance companies operating in Barbados. In order to preserve the existence of those companies in Barbados, Government has deemed it necessary to bring this legislation and we desire to have it passed and signed into law before December 31. The amendments that are proposed, and which I shall deal with later, are designed to ensure the continued viability, particularly of the Canadian exempt insurance companies which are in business in Barbados.

The amendments which were made in Canada now require that a foreign affiliate of a Canadian company must be resident in what is called a Designated Treaty Country in order for its earnings from an active business to be included in what is called exempt surplus of the Canadian corporate parent company. An exempt surplus really means the earnings generated by foreign affiliates which are exempted from Canadian income tax law when in the hands of the Canadian holding/parent company.

As Honourable Members know, Barbados has a double tax treaty with Canada and we are a designated treaty country under the provisions of that treaty. The essential problem that has caused difficulty is the concept of residence in a designated treaty country. In Article 4 of

the Treaty, a resident of a contracting state is described as "any person who, under the law of that state, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature." So in order to satisfy the requirements of Article 4 a company must be liable to tax in Barbados by reason of its having status as a Barbadian resident.

How does this impinge on the Exempt Insurance Act? Section 29 of the Exempt Insurance Act provides for exemptions from tax for exempt insurance companies. That principle harmonises with Section 4 of the Income Tax Act, which says:

"(1) No tax is payable under this Act by a person in respect of a period when that person was -

(e) a person exempted from paying income tax by any other enactment in force in Barbados."

So there was an area of doubt, prior to this week, as to whether or not an exempt insurance company in Barbados met the requirements as to residence as defined in Article 4 of the Treaty.

The offshore business sector in Barbados has made representations to the Government in respect of the implications for the sector if the Canadian amendments in June were allowed to continue without adequate legislative response from Barbados, and we deemed it necessary to have a look at the Act. 2.30 p.m.

The Ministry of International Trade and Business and the Supervisor of Insurance considered various alternatives with the Advisory Committee on International Business and a number of alternatives were put up, including restructuring the Act to provide for one set of companies as distinct from another set of companies. Ultimately, after it had been batted around amongst persons with expertise in the area, it was decided to form a little core group to give in-depth consideration to the problem. That core group met and it was their considered opinion that they should seek a second opinion from expert counsel in Canada who practises in this area and who would be better able to guide us.

A second opinion was sought therefore from Mr. Richard Tremblay of the firm of Osier, Hoskin and Harcourt of Toronto. He was retained by the Solicitor General to provide an opinion in accordance with terms of reference which were set up, and I don't need to go into that. In his response, Mr. Tremblay gave advice which suggested these types of amendments which were

brought today. He had suggested in particular in relation to section 29 of the existing Chapter 308A, the change to provide that no income tax, capital gains tax or other direct tax or impost should be imposed by Barbados on the profits or gains of an exempt insurance company licensed under the Act. Alternatively, he suggested that such income should be taxed at a zero rate and tax should then be levied after the guarantee period, which was 15 years, on the income that was derived from activities under the Exempt Insurance Company Act but at a rate and on a progressive basis that would make the rate of that tax the equivalent of the licence. You are really swapping a licence fee and calling it a tax. After the opinion came back, the core group and the Advisory Committee studied the recommendations and the Chief Parliamentary Counsel has prepared the amendments.

I want at this point just to interject that I want to pay tribute, because very often we forget to pay due respect, to Mr. Colin Brewer, the Honourable Member for Christ Church West and the Permanent Secretary in the Ministry of International Business who has been on leave or who ought to have been on leave but even though he was not required to be at work this week nevertheless gave up his time and came and assisted in getting this legislation before the House today. I want to pay tribute to those mentioned and to the Chief Parliamentary Counsel, all of whom have worked almost beyond the call of duty, late into the night, trying to fine tune this legislation. So we have the Bill before us.

Essentially, the gravamen of these amendments is that the amendments to be made to the Act will make companies operating under the Act liable to tax but that tax will be at the rate of zero and after the guarantee period, as I said, the licensee will be required to pay a tax of 2 per cent on the first \$250 000 of the profits of the licensee and that 2 per cent of \$250 000 represents basically what the quantum of the licence fee is today.

It was also agreed that section 32 of the Act should be amended to change the period of the guarantee which the Minister may grant to an exempt insurance company applying from 15 years to 30 years and it was also agreed that the section should be amended to give the licensee or the parent company a guarantee or assurance of the benefits of exemption contained in the Act for the full 30 year period. So we have amended the Act by the use of a vocabulary which we hope will meet all of these concerns which have been expressed.

I indicated in my opening that there was consensus that the amendment to the Act should be done before December 31st this year in order to avoid the situation under which existing Canadian exempt insurance companies could find themselves possibly liable to tax. If

that were to happen, of course, there would be no incentive for them to remain in Barbados and we could lose a substantial amount of business. I am advised that it is estimated that this segment of the international business sector alone contributes about BDS\$20 million to the accounts. It is not a sum to be sneezed at.

If I can just mention some of the highlights of the legislation, because I know we are in a technical area, I would wish to make sure that Honourable Members have at least the average person's understanding of this technical area, and I think I have made the general point. 2.40 p.m.

At the same time we have come across other parts of the legislation which are in need of amendment and we thought we would tidy it up through one Bill. We have circulated today the basic amendments which will appear in this amending legislation.

I will just take Honourable Members through the legislation quickly. We are adding to the definition of "general insurance business" as it appears in the substantive Act 3 other types of business: financial insurance, workmen's compensation insurance and public liability insurance.

We are also improving the provisions of subsection (2)(b) and Honourable Members will see that it says:

- (a) "a company providing management services shall be deemed to be managed and controlled in Barbados if it holds its annual general meetings and the majority of its other meetings of directors and shareholders in Barbados; and
- (b) every licensee shall be deemed to be managed and controlled in Barbados."

That goes to the heart of the concept of residence and imports a statutory basis for determining residence in relation to management company. Those who have done income tax will know the test that is usually applied in this area of companies, central control and management tests. Some of the other amendments are cosmetic.

The new clause 6 speaks to section 18 of the principal Act and amends it by deleting subsection (1) and substituting a more expansive situation. You will see that on pages 3 and 4 of the Bill. That deals with the relationship between the exempt insurance company and either the Supervisor of Insurance or the Commissioner of Inland Revenue, as the case may be.

We have put in some deeming provisions:

- (3)"shall be deemed to have satisfied its obligations with respect to the payment of income tax in respect to income derived by the licensee from its exempt insurance business."

We have also taken the opportunity to provide for a segregation of funds:

"18A(1) Every licensee carrying on long-term business may establish any number of separate accounts in respect of respective premiums paid to it to provide

- (a) annuities; and
- (b) ordinary life insurance,

and such respective premiums shall be kept separate one from the other and independent of other funds of the licensee."

Notice to the resident representative is dealt with in clause 9. He must be notified of all meetings of the shareholders and directors and may inspect corporate records of the licensee.

As I said in the preamble before I dealt with these specific clauses, the thrust of the amendment in order to secure the continuity of Canadian Exempt Companies in Barbados is in relation to section 29. Section 29 is now amended first by a renumbering and then by a deletion and a substitution. It says this:-

"Subject to subsection (2), and except as provided by this Part, no income tax, capital gains tax or other direct tax or imposts shall be levied in Barbados

- (a) on the profits or gains of
 - (i) a licensee derived from exempt insurance business,
 - (ii) a holding company derived from its sole object as described in section 28A(a),
 - (iii) a management company derived from its main object and activity as described in section 27".

We have added a new subsection:-

"(2) Notwithstanding the Income Tax Act, the profits and gains of a licensee derived from exempt insurance business conducted in Barbados is subject to income tax

- (a) for the first 15 financial years of the licensee, including the year in which its licence was issued, at the rate of zero per cent;"

That is the key of that clause,

"(b) thereafter,

- (i) at the rate of 2 per cent on the first \$250 000 of taxable income, and
- (ii) at the rate of zero per cent in respect of all other taxable income in excess of \$250 000."

The concept of zero tax is not new. Honourable Members are familiar with a similar concept called zero rating in the proposed VAT legislation. Of course, we know that all taxing statutes are construed strictly so that when it says "tax" it means tax even if it yields none.

The other amendments are consequential and of a regulatory nature. I think there is nothing difficult to understand in the other amendments.

Now, we are also seeking in Clause 4 to make a deletion of the words "corporate body". When we come to the second line of paragraph (g) I will deal with these in committee and take them seriatim. They are really of a cosmetic, stylistic, linguistic and grammatical nature. These are things we picked up when we were going through the Bill carefully.

That, Mr. Speaker, is the background, purpose and rationale for the Bill and I am pleased to move that it be read a second time.

Hon. Miss B. A. MILLER: I beg to second that.

Dr. R. C. HAYNES: Mr. Speaker, I will be exceedingly brief on this matter except to give Government the assurance that, consistent with our philosophy as an opposition party in this House, we will support the Government very positively in those matters with which we agree, and we should oppose them most vigorously in those matters with which we disagree.

Aside.

Dr. R. C. HAYNES: It is hot. Surely I have not set this place on fire simply by standing up!

Aside.

Dr. R. C. HAYNES: If I may continue, Sir, just one or two brief points I want to make. 2.50 p.m.

Because it becomes very difficult for someone who is not practising as a lawyer or practising in this field

to understand, in significant detail, the significance of all the amendments since you have to be able to look back at previous Acts that have been previously amended and this kind of thing.

I sincerely hope that we will find some mechanism because I suspect that people who are interested in coming into Barbados might wish to be able to see all the legislation relating to exempt insurance in a consolidated form. It would have been much easier for me certainly to have made an analysis of what was going on if I had access to anything in a consolidated form, in relation to the Exempt Insurance Act. That is one point I should like to make.

The second point I should like to make, very briefly, is that the ability of the Government to respond swiftly, by legislation, to changes in this area is very desirable indeed. Because it would seem to me that if the Canadian Act was amended in June that this is now December and I wonder whether or not there could not have been a swifter response. However, the fact that it is being passed by this Parliament before the end of December and the fact that members of the Opposition parties were preparing to come back here for the second time in one week during the month of December, even after Christmas dinner should show the dedication of members to their duties as Parliamentarians in this country.

The third point I wanted to raise was the legal status of zero taxes but I think the Attorney-General has already explained that, I presume that definition obtains even in the context of a double taxation arrangement, that if you are liable to zero tax, the mere fact that those words are in the legislation, as I understand it, means that you are taxable in Barbados even if it results in nothing and therefore in the context of a double taxation treaty that applies even though the thing is rated zero within the law. This is my understanding of what that means. I guess it is a legal concept. There are some legal concepts that are difficult for ordinary people to grasp and therefore I accept the position of the Attorney-General who is the legal adviser to this Honourable House, including me.

Aside.

Dr. R. C. HAYNES: Especially me, Sir. Therefore I am bound to accept his advice in this matter.

Another point I want to make is this - I am going to be very brief - that, as I said, I see nothing offensive about the legislation. My understanding is that the way in which the taxes are being calculated, though postponed for a period of time, would be about the same as the existing licence fees. The only thing that I wonder about is whether or not that takes into account the impact of inflation over

those 15 years. If it reflects the value of the licence fees today, one wonders whether or not that same value 15 years from now would not mean a reduction, over time, over 15 years, in terms of the licence fee chargeable. Although the nominal amount would be the same, in terms of the impact of inflation on the value of the money over 15 years, then I suspect that there may be some actual reduction in the amount of fees chargeable. I do not know whether or not that 2% of \$250 000 takes into account the whole question of maintaining the value of the licence fees.

On the issue of the guarantees, of course, we have no problems. I think this House has discussed that for a long time. I take the position of a former Attorney-General, the Honourable Member for Christ Church West that in the context of the Barbadian governmental and parliamentary system guarantees are not really necessary. But people doing business with us seem to like the guarantees and, therefore, if they have to be included to satisfy them then we have no particular problem with that.

One final point which I should like to make is that I believe that all Honourable Members would have noted one particular thing happening in this House and this country as a whole and that is that where taxes are low, where taxes are reasonable, there is substantial investment taking place and substantial progress being made. Where taxes are unreasonable and where taxes are high, then there is a process of divestment taking place and a process of contraction taking place in the Barbados economy.

Therefore I think that there is only one message that should reach one and all and that is, that a central problem, a central issue in terms of the capacity of this economy to expand, is the level of taxation.

In the past 30 years there is not a single sector of the Barbados economy, especially the foreign exchange earnings sector of the economy, which has expanded without some degree of tax exemption from the general level of taxation in the country; there is no sector, manufacturing, tourism, agriculture, the offshore sector. Every new sector that has developed in Barbados has been the beneficiary of substantial tax easements. That is a fact of life. You cannot point to a single one that has expanded at the kind of rates at which they have expanded in the past 30 to 40 years without the benefit of those tax concessions of one form or another. There is absolutely none. Not a single sector.

Aside.

Dr. R. C. HAYNES: How about the lawyers' sector? Contracting? They do not pay any taxes. That is why. The lawyers set their own tax rates and therefore they have expanded.

I really have to be serious about this thing, Sir. When we look around at those small economies which have managed to deal with the question of unemployment, rapid growth, price stability around the world, the small economies that have dealt with the issue of unemployment, rapid development, attraction of a significant amount of external capital, the mobilization of large amounts of domestic capital for investment and developmental purposes, all those countries have a relatively low tax rate in contradistinction to what obtains in Barbados.

There is no doubt whatsoever, in my mind, that we need to reduce the burden of income tax and other forms of taxation on the citizens of this country. Just imagine the 60 000 households in Barbados over the past 30 years have been able to contribute investment-wise only a fraction of the money that they paid in taxes in this country. Just check it. 3.00 p.m.

The other point I wish to make, Sir, is if you look at those countries with high investment profiles, low unemployment profiles, low tax profiles, they also have the highest level of services. Even look here in the region. Look at Bermuda. Look at Cayman Islands. Look at Singapore. I can call another 20 or 30 countries.

Asides.

Dr. R. C. HAYNES: You are joking. Mauritius and down the road. We can go down a whole lot of other countries in the Far East and elsewhere. If you were to look at the tremendous economic miracle that is taking place in South East Asia, which is the only part of the world that has shown rapid sustained development in the past 10 to 15 years. If you were to look at the percentage of taxation levied in relation to the Gross Domestic Product in places like Taiwan, in places like the Republic of China ...

Aside.

Dr. R. C. HAYNES: It is not only wages but the prices. Wages may be low but very often prices match them. It is not the wages that you get. Everybody talks about "X" amount per capita but they do not talk about prices. If you go into Trinidad today, for example, you may be shocked. I went to Trinidad, Mr. Speaker, about two to three weeks ago and when I saw the price of vegetables, compared with the price in Barbados ... When you talk about devaluation of the Trinidad and Tobago dollar, look and see what the Trinidad and Tobago dollar can buy in terms of food in the country.

I do not want to stray, Sir. I just wish to make the point that we support this legislation. We have no difficulty

in supporting it. The only question that I have raised is if we do not have the capacity to respond more swiftly, because I believe that it is almost two years now that there were suspicions that there would be changes in the internal revenue code of Canada which would affect this particular area of Barbados' operations - I am sure that came to my attention about two years ago - and whether or not there could not have been a swifter response. That is one of the issues that I would want to raise. I will say, in the end, once we get through in time that is okay. It is not a problem. Unless we take the issue of the levels of taxation in Barbados ...

Could you imagine, Sir, that we ask ordinary Barbadians to pay as much for a motor car in Barbados as would buy three motor cars in the United States? Sir, when you compound that with insurance costs, because of the high rates, and when you compound that with the high interest charges, we are asking a lot of our young people to spend as much money on a motor car, probably over a five year or six year period of their lives, as they would spend to try to begin to build a house or actually build a house. That is serious business. Sir, many of these young people when they get a job, cannot take up the job unless they get a car because they need the car in order to work. All of this is serious business and these are things that need to be addressed and need to be addressed as a matter of urgency.

Mr. Speaker, this is not a matter that should be attracting any controversy today. It is not a controversial matter. I am supporting the matter, so what are you concerned about? I do not want any headlines. The headlines belong to the Attorney General. Don't you see how excited he was in his presentation? He did not send anybody to sleep.

Now, Sir, I have taken this opportunity ...

Aside.

Dr. R. C. HAYNES: Sir, the word "exempt" is inside here therefore I am exempt. Anyhow, Sir, just let me say that I wish to support this piece of legislation. I think it is important that we remain relevant and that we are able to respond swiftly and decisively to changes taking place elsewhere in the world. I was a little disappointed that the Bill was not introduced by the Honourable Member for the City who was working on this matter for years.

Mr. Speaker, I will be looking forward to hearing her contribution which I hope does not contradict the contribution of the Attorney General. Thank you very much.

Mr. D. J. H. THOMPSON: Mr. Speaker I will be as brief as the Honourable Member for St. Michael

South Central. Mr. Speaker, Sir, we have always adopted the stand, certainly since the change of Government, since we have been on this side, that we will support any efforts by the Government to bring legislation which is progressive and necessary in terms of the development of the Financial Services and International Business Sector, known as the offshore sector. I do not think there has ever been an occasion that we have had to oppose legislation, even though we did have to adopt a stance very early in the term relative to some comments that were made by a writer in relation to Barbados, and our concerns about the direction which the sector may have been taking .

In a recent debate the Honourable Member for Christ Church South made the very important point that the Government has now gotten back to basics. That was when we were debating the amendment to the Trusts Bill, and he indicated quite clearly that the sector wants to maintain its status as a low tax jurisdiction and that it was not moving off base.

The whole reason for that concern arose from comments made in this Chamber at the time by the Honourable Member for the City which may have been interpreted by some, not necessarily by me, but in those early stages, as suggesting that there was that movement and that that was then followed by some steps which may have given the wrong impression. We did not pursue it, because it should not be for us to seek to be divisive or retard the progress. There is enough retardation and slowness among the professional classes in seeking to come to terms with the changes in legislation, and therefore we do not view it as our job to further burden that process with opposition or unnecessary criticism. While I join with the Honourable Attorney General in thanking those who have assisted in the drafting of this legislation, and those professionals who do work with the process, it is true nevertheless that the process is cumbersome and lengthy and the delays in implementing legislation have less to do with Parliament than with the fact that there are differing views, there are lobbyists and people who push agendas, and that sometimes has the effect of slowing down the process. 3.10 p.m.

I am nevertheless disappointed. Some of these changes may be consequential changes or laws which were brought about as a result of policy decisions by the Minister of Finance in Canada, and I do not blame the Government for the slowness or what may appear to be the length of time it has taken to get this legislation done, but I want to say to the Honourable Attorney General that I am disappointed that he is not making more use of the Joint Select Committee. The Government tells us on the one hand that they have experts on that side who are assisting

committees outside of Parliament, for example, the Honourable Member for Christ Church West, who has done a good job, and the Honourable Member for Christ Church South were brought on board to assist in this process, but there are other parliamentarians in this Chamber who certainly would like to be involved in the process of seeing this legislation at an early stage in Select Committee to discuss it, and I am certain that that is one of the points which could resolve the concerns which the Honourable Member for St. Michael South Central raises. There are those, as with the legal profession and other professions, who wish to shroud this sector in secrecy as if it is some masonic or other lodge and is a cloistered virtue. I think we need to explode those myths and have more active involvement by Members of Parliament who then can interact in Select Committee with persons who wish to make submissions. Parliament needs to confront the lobbyists through the Select Committee process, and I think that may be a way of getting the message across to the practitioners who may have different views about the direction the sector may take of how parliamentarians feel as policy-makers about the development of this sector.

I appeal to the Honourable Attorney General, come 1996, to achieve the No. 19 achievement as Attorney General of this country. He has achieved 18 of those in the Manifesto. No. 19 was that more matters should be put before the Joint Select Committee of Parliament. I understand the lateness of this. I am not making the case for this, but we have had other amendments, including the one relating to the International Trusts Bill, which could have benefited from the use of the committee process. As I said to the Honourable Leader of the House in here and in other meetings on several occasions, I took the Honourable Member at her word, and still do, that this committee process is going to be broadened and strengthened, giving parliamentarians greater opportunity to make input in legislation and aspects of policy-making.

There was a very trivial editorial in the newspaper this week, not an unaccustomed addition to the trivia which was issued before, which sought to suggest that as part of the Democratic Labour Party's campaign in other areas it had launched very bitter early criticisms about the offshore sector. As I said, that is not so. I want to correct that impression here by saying that our early criticisms related specifically to whether Government was shifting its focus. Since then I think it is clear that that may have been a minor misconception which has subsequently been corrected by the steps which Government has taken, including this particular step. We have always sought to be constructive in the process and I am saying that we wish to be even more constructive, and therefore I suggest to the Honourable Attorney General that he uses more actively the processes of Select Committees to permit that to take place.

As other amendments come I will have more to say. There were two pieces of legislation passed some time in October or November. I have not sought myself but I should like as a matter of interest to know whether they have been proclaimed. They would of course be the International Trusts Act, which had to be amended, and the Societies with Restricted Liability Act, which has been passed and which had not, to the best of my knowledge, been proclaimed up to some time last month. If the regulations are now available, then I hope that come January 1, we will be able to add these new investment vehicles, together with the changes which have taken place in respect of the existing ones, to the panoply of opportunities for offshore investment in Barbados.

With those few words, Sir, I wish to support this Bill and to commend the Government for bringing it, and even for calling us out to service at a time when many of us may have other pressing engagements.

Hon. Sir HAROLD St. JOHN: I am really going to be brief, Sir, on this occasion because I am acutely conscious of the time of the year that it is.

I am glad to see the amendments have received the support of all Honourable Members, and I would like to reiterate the position that the offshore regime in Barbados was set up after a considerable amount of thought was given to the type of regime we wanted. We had opted for a regime which would be a low tax regime and our difficulties are only arising where there have been departures from that concept, that once it is understood that one cannot have a regime which seeks to take advantage of tax benefits under a tax treaty and at the same time a regime where the activities in Barbados are totally exempt from tax, is an inconsistent position.

Sir, the interesting points that have been made are those points that relate to the reaction time in Barbados to developments that take place abroad. We do have a dilemma in that while some of our business comes from the United States of America, in many respects a greater percentage in some areas comes from Canada. Although the Budget Debate in Canada earlier this year clearly envisaged that there would have been regulations implementing the new foreign affiliate rules, my understanding of the position is that the process in Canada was such that it took some three to four months for those regulations to be known, and in addition to that it did take a period of time for the professions there to digest the impact of the regulations. One of the significant lessons one can learn from this exercise is certainly that Barbados must have a network of advisors in each of the source countries that provide us work, who would keep monitoring for us the legislative impact of proposals in those areas.

I believe that if we establish that we would be in a better position to have an earlier reaction time. 3.20 p.m.

We also, Sir, have to recognise that whatever we do, whatever our reaction is, that it is not going to prevent the source countries from changing their legislation from time to time if, in their opinion, they are not getting any advantage or are suffering disadvantages from their citizens setting up offshore entities. I think we have been able to persuade the Canadians and others, and the United States in particular, that Barbados as a base for offshore sales corporations and international business companies has redounded to the benefit of those countries because it has helped their export effort.

If Canadian companies were not able to use Barbados and other countries for their international business companies, they would not be able to compete in Latin America and in some other areas. There is no question about that. That is now clearly understood.

Of course, we also have to be careful about the lobbyists. The greatest lobbyists that we have are here in Barbados.

Aside.

Hon. Sir HAROLD St. JOHN: Your friends in Bay Street

Now, Sir, I want also to caution this House, as I have had to do in the past, about some of the statements of the Honourable Member and the views that he has on taxation. The passage of time has taught us that we have to consider very carefully the impact of the doctrines of Reagan and Thatcher and other countries. The Honourable Member is an adamant, confirmed, unrepentant believer in Reaganism in particular. I would caution the Honourable Member, in the period of time that we have, to use his leisure time to read a little bit about what impact that has had on America. In particular, after the Reagan era, the United States has landed itself in the worst deficit ever in its history.

It is all right to talk about not having taxation and about how good Bermuda is, how good Cayman Islands is and how good all of these countries are. None of them have the population density that we have. None of them have the conditions of social services that we have and things of that kind. I prefer to see a gradual reduction in the taxes that we have been experiencing. The Honourable Member will know that normally he should have been paying 90 per cent rate for many years and it is now 40 per cent. So he ought to be in a better position than anybody else to appreciate the difference between when you were supposed to have paid 90 per cent and when you pay 40 per cent.

In fact, there has been in Barbados a gradual reduction in tax over the last 15 years. The point is that in countries like ours, if we wish to maintain an iota of social services, it is necessary for the Government to have taxes. I am not saying that there are not some areas where you cannot change the rate of tax; the situation with motor cars is an obvious example, but the Honourable Member obviously forgets that in the last Budget considerable relief has been granted to the average car owner; not the Honourable Member. His Mercedes Benz will always be subject to tax at a higher rate, because there is a theory that Barbados' foreign exchange cannot afford those people who wish to have a Mercedes. If you want to have a Mercedes, you look good in it, you must pay for it.

I am looking forward to a little bit more relief to the 2000 class car because I really have difficulty in getting into anything else. I have a little difficulty in making the 1600s. I don't wish any Mercedes. I leave that for the Honourable Member.

Sir, the last thing I would like to say in this offshore area is that I accept and agree with the points made by the Honourable Member for St. John. This is an area which is so highly specialised that it should be continuously monitored, especially now that it embraces all-party support, by a permanent select committee. I am not saying this is a sole subject. There are a number of areas of economic law and economic affairs which should legitimately be constantly perused by a select committee of Parliament.

I am looking forward to the new year to a change in the existing rules and I have already said that if they don't change I will move the changes in here, because the rules of this House, Mr. Speaker, Sir, and I am addressing this specifically to you, Sir, are under your guardianship. Once the members feel that they cannot effectively function without a greater number of committees, then it is the members' prerogative - it is nothing to do with party politics - to move that there shall be permanent standing committees on various subject areas of legislation. I strongly believe that, Sir.

I am convinced Sir, that it is the way that we have to go. Many other Parliaments in the Commonwealth have gone that way, because you have specialised areas now. No Member of Parliament can think that he can have knowledge of all areas of matters that pass before Parliament. He must be able to specialise in certain areas. Obviously, in a country like Barbados, you will have to specialise in a wider area, but I do feel that that would be a good addition to our regime.

The last thing I would say, Sir, is that it seems to me that the time has now come for a more comprehensive look

at the offshore regime in the sense of trying to discover really what economic impact it has had. There is no question or doubt about it. It has had a beneficial economic impact. There are various figures as to its contribution to the Government. I know this. Many people are not aware that the special tax regime to the service providers in Barbados is coming to an end this year. This is the last year that the service providers will get that special tax credit.

I know it is going to be reviewed, because they will be lobbying soon for a replacement regime and we must be careful that when we do that that we see that the best regime possible is introduced. I firmly believe that there are many other services, other than accounting services, some engineering services and a few other services which are now specifically named in the Regulations under the Income Tax Act which should be included.

I am also a believer in the fact that we cannot go on forever giving these special privileges to particular areas of activity. Therefore, there has got to be some thought given to this area. Sir, it would be useful at that particular period of time if when we are approaching the changes in that area we took the opportunity to look comprehensively at the offshore regime. It has made a wonderful contribution to our foreign exchange. 3.30 p.m.

The Honourable Member for St. Michael South Central should really - he is always talking about confessions - come in this House and confess that he was very wrong when he said that if we introduce it in Barbados it would be a haven for gangsters...

Dr. R. C. HAYNES: On a point of order. Mr. Chairman, I never said anything of the kind. The Honourable Member is misleading the House. I have read the Hansard of my speech in 1979. I was pleased to hear the Honourable Minister of Trade of this country repeat the same remarks I made in 1979 only 10 days or 2 weeks ago.

Asides.

Mr. SPEAKER: Let us continue orderly, please.

Hon. Sir HAROLD St. JOHN: Hansard is there, Sir. Do not let us worry about that. I leave the Honourable Member for St. Michael South Central to the Honourable Member for St. John. The Honourable Member for St. John once wrote an article on that point, so I will leave it at that.

With those few remarks, Sir, I would like to support the Bill and I caution that we should undertake the exercise very soon in the new year.

Mr. D. St. E. KELLMAN: Mr. Speaker, I would also like to support this Bill but, at the same time, we have to get back to basics and that is, at the same time we are promoting the interest of business people coming to our shores, we all must look after the interests of the small businessman. I strongly believe that, if incentives are given to the small business people of Barbados, we will gain 2 ways. These offshore companies which come to Barbados, when you look at their investment, it is great but when you look at the employment policy we are not getting the number of jobs. If we take that same investment and promote the interests of the small businessman in Barbados, you will find that the employment situation in Barbados will improve. It is my call today, Sir, that we will tackle it from 2 ends, to give the offshore sector what they need and, at the same time, also to look after the interests of the small businessman in this country.

You will find, Sir, that when things are rough in Barbados the small business people will not take up their investment and run away from Barbados because they have nowhere to go. They have to remain here. So at the same time as we are here promoting the interests of people who have a lot of capital to invest in this country, we have to promote the interests of people who have the commitment to Barbados.

I am saying that I will support this Bill this time, Sir, but I look forward to the day when I see legislation coming to this Parliament looking after the interests of small business people in this country.

Thank you, Sir.

Mr. H. deB. FORDE: Mr. Speaker, the exempt insurance business is perhaps one of the fastest growing areas, if not the fastest growing area of the offshore sector. That, together with foreign sales corporations really are the principal areas with, to some extent, IBCs in which Barbados has been making its mark in international financial business.

About 55 per cent of the exempt insurance business originates from Canada, and a growing proportion from the United States of America. To the extent that we attract exempt insurance companies and exempt insurance business here, we are in effect creating conditions for employment, and the evidence is that there is growing direct and indirect employment in the offshore sector.

I believe that exempt insurance contributes in the region of some U.S. \$10 million - I am talking about exempt insurance alone - to the foreign exchange earnings of Barbados, coming direct into revenue. I do not have the amount of jobs so I do not want to go on record in relation to the amount of jobs, but what I can say is that it is a part

of the offshore business sector that has been showing growth in job creation.

A very interesting thing about it as well is that not only are you finding that the foreign affiliates of Canadian and other companies are being attracted here to set up local companies to do business offshore, not on domestic business as such, but they are, in turn, attracting as well other companies that are going into related business. So that if you have a business in offshore insurance, you get the related business of actuarial science or pension management and those companies too are coming.

In addition, the business is so regulated that you find that management companies are being formed and very often those management companies are being manned by local people. In some they are owned by local people so that the local person is getting the expertise in financial management in a much wider way and a greater opportunity than he would have got before.

If the Honourable Member for St. Lucy wishes any assurance, what he should do is to spend some time really familiarizing himself with the industry, examine its potential and see the impact that it is having because it is certainly fast outstripping some of our other industries. I make bold to say that the offshore sector, financial as well as the other information technology sectors, will become the principal earner for Barbados particularly when we add to it as well the other sectors of its service industries.

I am not really concerned in the way the Honourable Member has expressed his concern, because I am satisfied that it is creating jobs, helping small business people and improving Barbados' knowledge of competitive international business. But I am also very satisfied as well, as is witnessed by the initiative taken by the Prime Minister in his Budget, that the Government has been taking concrete steps to deal with the problem of the small business sector.

We have given direct grants to the small business sector in order to re-organise the Small Business Association. If Honourable Members follow what is really happening in the economy, they would have heard this week the President of the Small Business Association praising the Government, and the Prime Minister in particular, for the tremendous foresight and initiative which we are taking in re-organising the small business sector. As well, Sir, one would notice that we are also not only helping them by setting up a secretariat, but we are putting in the accounting and other services that are so necessary to build the confidence of the small business sector. The Government is already on record as having made the point that we are going for a Venture Capital Fund in order to help them in the way of getting resources so

the Honourable Member need have no fear. Sir, that is, perhaps, a little digression from the Bill we are considering.

This is a very important amendment. It has been necessitated principally by 2 factors.

One is the change which Canada made earlier this year in its *Income Tax Act* and Regulations dealing particularly with the income of foreign affiliates. If a foreign affiliate earns money overseas, particularly in the exempt insurance business, that money comes back as exempt surplus and, obviously, the method of taxing it is more beneficial to the Canadians who are receiving that surplus.

The Canadians initiated change since 1994, and this is said for the benefit of the Honourable Member for St. Michael South Central. The legislation did not get before its Parliament until January 1995, in Bill, C17. 3.40 p.m.

I believe it cleared Parliament some time in February. But by June of 1995 changes were being made to the legislation so it was rather difficult for countries who may be affected by those changes to pre-empt what was going to be the ultimate state of the Canadian legislation, although some signals had been there before.

The second factor that occurred, Mr. Speaker, Sir, is that the Canadian Supreme Court was called upon this year to decide the meaning of the words "Resident of a contracting state"¹¹ for the purpose of the double taxation treaty between Canada and the United States of America. The major decision was given by Mr. Justice Iacobucci and his decision placed in doubt whether our legislation, as it stood, gave the necessary protection to companies which had been incorporated in Barbados as Exempt Insurance Companies doing offshore insurance business and as to whether the term "Resident" was satisfied by the mere fact that their management and control was in Barbados. That is a common law test. They would have satisfied that. But since there were *obiter dicta* in the judgement that said that residence could be determined by the domestic law it would seem, of one contracting state, and it could have been the Canadian contracting state, you had to look to various other factors to see whether the affiliate was liable to tax. It was those magic words, "liable to tax" which created some doubt in the industry in Barbados among the people who carry on the business and, even more importantly, among the principal advisors, the accountants and the lawyers in Canada and in Barbados. It was then that the Government, together with the industry started to look at the changes which might become necessary.

There is division about this area among practitioners whether they are accounting practitioners or tax

practitioners. There can be no certainty. Taxation law is an esoteric subject. The accountants believe that they know more about it than the lawyers. The lawyers doubt whether the accountants know as much as they say about it. But one thing we are agreed on among ourselves is that it is not an area that you can say with certainty that attacks one fiscal authority to interpret the legislation in a particular way.

The other complication, Mr. Speaker, for the benefit of Honourable Members who have spoken, in particular, is that residence for the purpose of tax legislation is not always interpreted in the same way, even in the same country because residence or fiscal residence under a Double Taxation Treaty may be determined in a different way from residence under the domestic tax legislation. Those are the problems that confronted us.

In those circumstances, the Ministry, with the help of its consultant, and with the help of a whole host of dedicated civil servants, let me say this, Sir - and I join with the Attorney-General in saying it - worked beyond the call of duty persons who are in the Ministry of International Trade, some of whom are present in this House, Mr. Allman and others, the Supervisor of Insurance and the Chief Parliamentary Counsel, and assistance also came from the Commissioner of Inland Revenue.

They all got together with Mr. Brewer the Consultant, with people from the private sector who are interested and, particularly, Mr. Ben Arrindell who is a tax expert here, Mr. Chris Towner, Mr. Chris Evans and a few others.

Let me explain why I was roped in for the benefit of the Honourable Member for St John. It is not out of the Government favouring any of its backbenchers.

I have been invited to be a member of the Advisory Committee on International Business. Therefore, if you are going to be on a Committee, you have to work. You do not go on the Committee and just sit down as though you are there for your name's sake. Obviously, I was asked to assist and I was delighted to assist with whatever limited knowledge that I have and to make it available, particularly in a very difficult area of tax law in which we are all still learners. There are other persons as well who have made a contribution.

I have explained for the benefit of Honourable Members the reason for the legislation and the importance of the legislation. I think I have refuted, as strongly as I can, the allegation that the Government was sitting down and doing nothing about it. I do not believe it was late in doing anything about it. The Honourable Member wants to be noticed - I have taken notes down - stating that they must show an ability to react swiftly. The Government has reacted reasonably swiftly in this position and it

has considered 3 or 4 options. The question which we had to determine in our minds is which option is more likely to be acceptable to the Canadian tax authorities.

The suggestion was made that we should have sought a tax ruling from Revenue Canada. But it is very difficult to do this particularly where we find ourselves now as an offshore sector in competition with Quebec as well, a province of Canada. Do not believe that the jurisdictions want their foreign affiliates to maximize, their profits and would allow them to go offshore for certain purposes. The moment that they can attract them on shore as well and still get that foreign business, then they are in competition with us. We have to be very careful, Sir.

Basically, the important changes being made are to so reorganize the legislation so that there is a liability to tax. Even if the tax rate is zero rated for a period of time, the point is that these companies now become liable to tax. That satisfies the sort of test that is spoken of in the Crown Forest case in which Mr. Justice Iacobucci made the ruling. We would hope that this legislation, therefore, stands the test of time, if it is challenged in the Canadian courts. One thing that will happen is that we will not see a mass exit of exempt insurance companies from Barbados come year end. I think they are all impressed with the way in which and the speed with which the Government has answered their problems, the earnestness with which the Government has attended to the matter and the fact that the Government is prepared to spend money, as it has had to spend money, to go for the best foreign expertise, in this case, that it could find because there are not many people who are versed in the implications of Double Taxation Treaties and Conventions. I believe that the industry knows this.

The opportunity has been taken not only to make some corrections to the legislation in technical ways, but to strengthen the assurances which we are giving to these exempt insurance companies. They now have an entitlement to a guarantee subject, of course, to the House by negative resolution saying whether or not that guarantee or assurance should be given. Another guarantee or assurance will now appear in the exempt insurance regulations. The guarantee or assurance has been extended to 30 years and it is a strong marketing tool that will help us to answer the obvious attack that would be levied at us by our main competitors out of Bermuda, because we are competing with Bermuda for this type of insurance business.

It is important, therefore, that we reassure those that we have and also be able to continue to attract those that are still to come to say that when Barbados gives its word here in its Parliament and through its Government, that word can be relied on no matter what time may follow and no matter if there is a change of Government

Hence you will see that the Honourable Member raises the question as to whether or not inflation will not eat away at the \$5 000 but guarantees have been given by both sides of the House that we will allow companies for 15 years to enjoy the level of taxation and exemption which they had, so we have tied into that framework in any event. Therefore we are really merely continuing the work which the Honourable Member has voted for. 3.50 p.m.

I remember him, as a Minister, bringing down some of the guarantees and seeking the House's assurances to these matters. I hope the Honourable Member has not reached the stage in his political life that he would want to go back on some of his good words. I know there are a lot of other bad words, not meaning curse words, but bad ideas that he has thrown before this House, that have got us into problems on taxation in particular, that he would want now to reverse if he had a second opportunity to look at it. On this aspect he can rest assured that when he brought those guarantees down he was doing something good. This Government will not resile on him. We will make sure that we support him in this respect.

Mr. Speaker, Sir, I do not think I need to delay the House very much on this matter. The details of the Bill have been properly and thoroughly explained by the Honourable Attorney General who has led this matter off for the Government. I know that we have incorporated some other concepts that the industry was asking to be made to the Bill and I would hope, Sir, that the Government has some lessons to learn, which it should learn and which it should now follow through on. One is that Members of the House will recognise that if we are going after this business we will have to vote more money in the future in order to promote the business. That is very necessary.

The second thing is that we will have to continue to build up the unit in the Ministry that has responsibility for promoting this business. When I talk about build up the unit, we must build up its technical expertise with lawyers and accountants and also administrative people at the lower level who are going out there and selling Barbados as an offshore sector.

We have constantly to keep under review the laws that we are putting on our statute book. We cannot just go and copy, as has been the practice in the past and still is the practice in some countries, from laws that are being passed in other jurisdictions without paying regard both to our domestic situation as well as to our international commitments under our double taxation treaties in particular. For instance those who follow the offshore business would have read the criticisms being made of international trusts legislation because some of it has

come from jurisdictions that do not understand the concept of a trust and that is one area we will have to revisit.

I would hope that the Government would take to heart the suggestion made by my dear friend, the Honourable Member for Christ Church South, that we should at the highest level now review the whole offshore financial sector legislation and the circumstances in which we are going to be promoting it. I believe that we would do well to buy some of our expertise out of Ireland and look closely at how Cyprus has gone about some of its business in this regard.

We have to be more than a step ahead of our competitors. We have, like Jersey, also to beef up the human resources that are dealing day to day with these problems. We have been very fortunate, Mr. Speaker, in that the accounting and legal professions have by and large carried the cost of the development of this sector. They are not always going to be able to do it. You have had very strong private sector participation in this and the promotion has been guided a lot by their pulling their pockets and going ahead and dealing with the problems as they arise.

I believe that the Government has to set the policy framework to avoid exactly what my friend, the Honourable Member for Christ Church South, spoke of - the overwhelming power of lobbies. Lobbies at various times act in different directions. People who want a no tax situation may be asked to make changes that could affect your double taxation commitment. You have to be careful how sometimes you react to those changes. You have to be able to explain to them that you cannot accept their advice because eventually, although you may get some benefit, the long term effect is the worst for you and there are more disadvantages than there are advantages.

Sir, I would support this legislation very strongly. I also welcome the suggestion from the Honourable Member for St. John that there should be wider House participation. Unfortunately this particular bit of legislation could not, given the circumstances, have gone to a select committee but the Government is committed to select committees. The Honourable Attorney General has a Law Revision Commission that is going in which I believe there is broad participation of the public in revising our laws. I would hope that we would use select committees more often in this area.

Mr. Speaker, Sir, the Honourable Member for St. Michael South Central, having made a disastrous speech, is trying *sotto voce* to prevent me from making a good speech. But he will not succeed.

I want to say, Sir, that the use of select committees will improve the knowledge which Parliamentarians

themselves have and will be an educative exercise for Parliamentarians, because many of us feel that this is to be left to lawyers or tax accountants. I do not think this should be so at all. We have to know as much as possible about it in order to decide because we are the ultimate deciders in here of the legislation and the legal and other framework which we wish to govern this aspect of our economic life. I would hope therefore that by involving the House at the select committee level we will not only get contributions from Members but Members would have the opportunity to be educated in some areas in which we will probably fall short. I am much indebted to you, Sir.

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I rise to make a contribution to this debate on the measure that is before us, the Exempt Insurance Bill. I wish to support the measure although I may do so, Sir, from a different perspective from that which has so far been expressed.

Let me say, Sir, that developing countries, including Barbados, are faced with a very difficult task of maintaining standards of living and earning the requisite foreign exchange in order to do the best they can for their citizens. They do not do so in an international regime that is particularly kind to them. Whenever a developing country may believe that it has found a particular niche or a particular road down which it can travel and earn a decent income, there are threats against those initiatives.

The very offshore sector that we are talking about, Sir, including the exempt insurance sector, is under threat constantly. I include, Sir, the International Business Companies in this. They are under constant threat from centres of interest in the developed countries to try to put an end to companies in those countries which may seek to invest in developing countries. They do so, Sir, by trying to develop regimes of their own, or to support regimes in satellite territories, the end result of which are threats, some of which become reality, against the initiatives of developing countries like Barbados. 4.00 p.m.

There have been rumblings for some time now coming out of the Canadian activities that there was some threat being posed to the offshore regime in Barbados. I believe there were comments made in certain official reports. We have been trying to monitor these to protect the sector as far as possible if we could interpret exactly the line which the interests in that country might have been going.

I wish to commend the Government and the Attorney General for the work done on this particular matter, because they have acted to bring a set of proposals before us which may preserve or protect the continuing viability of these offshore companies. That is a desirable step,

Sir, and both sides of the House should give it support. But I want to say that I am supporting this from another perspective, because I believe that our greatest need in Barbados is to earn foreign exchange, and if there is any area that will cause us deep economic distress, it will be if we fail to protect the foreign exchange earnings that we are able to accumulate now, or if we fail to earn additional streams of foreign exchange. Hence, this particular measure falls into the category of a kind of defensive measure to protect some of the earnings that we garner from the offshore sector. I am fearful that unless we can earn that foreign exchange and unless we can earn from other sources of foreign exchange, from other areas, we will not emerge from the difficulties that have confronted us.

I do not have to speak more forcefully on this particular matter, because I believe that the message will get through. If we are unable to show the necessary will to contain expenditure, we will have to make good the equation by other measures. Sir, I will not develop this point any further on this occasion, because I am conscious that we are dealing with the Exempt Insurance (Amendment) Bill. I simply give a warning. I am in favour of setting up committees. The Attorney General - I am sorry, Sir, he spoke like the Attorney General - but I refer to the Honourable Member for Christ Church West. He was the Attorney General. He spoke very feelingly about setting up these committees. He is speaking now from the back benches of his party. I remember when he was on the front bench. He spoke with equal eloquence on the need to set up these committees.

Aside.

Rt. Hon. L. E. SANDIFORD: What happened? The Member is asking. Perhaps his words were not every persuasive.

Mr. H. deB. FORDE: On a point of order, Sir. For the purposes of the record I must not let him get away with that. The Honourable Member should examine that period and he will find that more legislation and reforming legislation went to select committees than at any other time in his living memory of Parliament, even under his Government.

Rt. Hon. L. E. SANDIFORD: We will check that record. Anyhow, I am not really dealing with that subject, and I did not mean at this season of the year to be controversial in that regard. What I must say, however, Mr. Speaker, is that as you preside over this Honourable Chamber I believe you have a responsibility to ensure that Parliament does not lose its pre-eminent place as the legal, focal point for the discussion of public affairs issues in this country. All kinds of extra-parliamentary bodies are being set up which deal with the main issues that Members of

Parliament must confront, and members of those extra-parliamentary bodies get earlier information about public affairs issues than Members of Parliament themselves. I believe if we are serious about the reform of our institutions, we will have to work out a method whereby Parliament can be at the centre of the discussion. I can well understand the problem of the Government or the Attorney General. He may wish to rope in the Member for Christ Church West, my friend. I help him out in Christ Church West sometimes, Sir, so I can understand why the Attorney General or the Government may wish to solicit his silvery tongued eloquence in these matters. Obviously, the Government cannot let loose the Member for St. George South near such matters nor the Member for St. James North, because they may wish to protect the interests of Barbados very greatly. 4.10 p.m.

I don't know why the Member for St. George South is not involved in these things. I don't talk about the light areas.

Aside.

Rt. Hon. L. E. SANDIFORD: That is promotion. Anybody can put on a decent suit. He always wears a decent suit and goes and says, with others, they are promoting. But this is light work. When it comes to heavy work, he is kept on the sidelines, Sir, I think, Sir, he has a lot to contribute to the politics and administration of this country, but I like him where he is. Leave him there. It means that the Government will continue to flounder if they keep his expertise and...

Asides.

Rt. Hon. L. E. SANDIFORD: ...That is what politics is all about. Those who are out, wish to get in and those who are in, wish to stay in, and that is what the competition is all about. I don't know what gloss you may wish to put on.

Sir, I believe that this is a measure which both sides of the House will wish to support and I certainly give it my support. Thank you.

Hon. D. A. C. SIMMONS: Mr. Speaker, Sir, I am indeed very grateful to Honourable Members for turning out as they have done today at this time of the season and for having given such heartening support to this amending Bill. In particular, I wish to thank the Honourable Member for Christ Church West and thank him for his contribution which in a sense helps to make us all understand the issues with far greater simplicity than I could ever have put them over.

I think we should be grateful to the Honourable Member for giving of his time, both to the

Advisory Committee on International Business and to the core group set up to deal with this matter. Honourable Members have had the benefit of him having been on an inside track to follow this issue from early this year.

I say from early this year, because the Honourable Member for St Michael South Central made a little point about the time within which this legislation was brought and I think the Honourable Member for Christ Church West in his contribution explained the history of the matter and the necessary lag that there would have been by reason of the court case in Canada that had to determine its proper interpretation of residence within the scope of the double taxation treaty. We had to wait therefore until the decision of the Court was known before we could properly deal with this matter. As I said, Government dealt with it with such a degree of urgency that 2 weeks ago when I was representing the Government in Montreal, on a Saturday, I got a call from my Permanent Secretary about this matter and I had to give the Solicitor General instructions on the phone to contact Mr. Tremblay in writing and set out the terms of reference. It was so urgent that they found Mr. Tremblay in Montreal on a Saturday to deal with this matter and made sure that by the Monday he would have been fully seised and briefed to give his opinion. So there can be no argument that Government sat down on this matter. It is in the nature of things that it is an area where there is susceptibility to more than one view of the law and we had to be absolutely sure when we amended that we were covering all of the arguments that could possibly arise.

The Honourable Member for St. Michael South Central wanted to know if the licence fee took into account the impact of inflation in 15 years. I will not be here in this House in 15 years, and I am sure about that one. The Honourable Member for St. Michael South Central may well be in the House then and may well be the Minister of Finance in 15 years. I can see his concern about the licence fees and inflation, because we all must never forget that when he was Minister of Finance and had to do with fees and inflation and all of those concepts and practices, he is the one who put a dose of taxation on the people of Barbados like they never witnessed before, including proposing taxation on green peas, okras, lettuce and all of that and then blamed it on a typewriter.

Dr. R. C. HAYNES: On a point of order. I will just make 2 points. I never imposed any tax on any green peas or otherwise. That is the first point of order.

Mr. SPEAKER: Please, let us hear the Honourable Member.

Dr. R. C. HAYNES:.... I never imposed any such tax on any green peas, potatoes or carrots or what he is talking

about. The same thing that happened then happened to the Honourable Minister of Finance in his Budget this year in relation to errors. That is the first point.

The second point is that under me, as Minister of Finance in this country, Barbados enjoyed the lowest tax ever, the lowest level of taxation as a percentage of gross domestic product that this country ever experienced in its entire history.

Hon. D. A. C. SIMMONS: On top of that, Sir, \$50 million in taxation net, 2 Budgets, Sir, for they also suffered in April 1987. Indeed, Sir, we won't go down that road too much except to say that when the Honourable Member for St. Michael South was speaking about the need to contain expenditure he had in the back of his mind what the Honourable Member for St. Michael South Central had done to Barbados that forced him to come in here in a Budget and tell the House that he had rescued the country from a shipwreck. 4.20 p.m.

Rt. Hon. L. E. SANDIFORD: On a point of order, Sir. I believe Members are able to make speeches on many subjects but divination is not one of the qualities that the Attorney General...

Mr. SPEAKER: What is your point, Sir?

Rt. Hon. L. E. SANDIFORD: My point is, Sir, that the Honourable Member would be misleading the House when he says he knew what was in the back of his mind.

Hon. D. A. C. SIMMONS: The Honourable Member has not denied it. He says I cannot see in the back of his mind. I would not say there is nothing there, Sir.

The Honourable Member for St. Lucy made a plea to give the small man what he wants. He does not mind us giving the offshore sector what they need but give the small man what he wants. I wrote it down. I want to remind him, Sir, that for the first time in the economic history of Barbados, the Small Business Association now has a fully funded secretariat, that only earlier this week the Honourable Minister of Finance and Prime Minister assured that Association of the Government's contribution of \$2 million to a Venture Capital Fund.

Further, Sir, the Small Business Association now has computer facilities. They have management and a fully equipped office. The small businessmen in Barbados, working through the Small Business Association, are now put in a position to go to the multilateral investment fund for assistance. I want to hear from the Honourable Member what his party has done in similar vein for those people.

Aside.

Hon. D. A. C. SIMMONS: I am reminded that the President of the Small Business Association was seen on television, I think it was Monday night, it may have been Tuesday, no later, saying that what the Prime Minister has done for that Association is like water to the lips of a man in a desert.

The Honourable Member for St. John wanted to know about the Societies with Restricted Liability Act and International Trusts Act. The position is this. The proclamation for the International Trusts Act has been made by the Governor-General. The Societies with Restricted Liability Act is due for proclamation in the first week of January. The Regulations are ready and we would hope in the first week of January to have that legislation proclaimed.

I would only wish, Sir, in winding up to join with the Honourable Member for St. Michael South in agreeing the 2 problems that confront small developing countries, the maintenance of adequate standards of living while at the same time earning requisite foreign exchange. The second point he made was that the offshore sector is always under threat from centres of interest in developed countries. That second point is something we should take to heart. More and more there is an attempt by developed countries to try and over-organise and over-regulate those of us developing countries which are ourselves developing offshore centres,

I just came from a ministerial meeting in Buenos Aires, Argentina arising out of the Summit of the Americas. It was put on by the Secretary of the Treasury, a Mr. Rubin, and that was a 2-day meeting to deal exclusively with money laundering. At the end of it we issued a communique which I will lay in the House next year. There was a press conference and "The Washington Post" correspondent was the first to ask a question and he asked: "How is it that you have Latin America and the Caribbean here, where are the Turks and Caicos Islands and the Cayman Islands who are the biggest recipients of money laundering in the whole region?" We had to point out that, first of all, this was a meeting of independent states and they are dependent territories. But there was an aggression in the question that seemed to suggest that some of these countries have no right in this business and they forget that London is the biggest offshore centre in the world, and there is a lot of pressure, subtle and overt, being put on developing countries, as it were: get in line and behave yourselves otherwise all kinds of sanctions, including the withdrawal of funding and technical assistance will be visited on you.

These offshore centres are important. The principles were developed by the Barbados Labour Party, not to help

businessmen but as a means of diversifying the economy and moving the economy from an agrarian economy to a more diversified economy. We have done well but we have to watch the insidious infiltration of the sector by undesirables. We also have, as the Honourable Member for St. Michael South quite wisely observed, other pressures which would seek to neutralise the operations of the offshore sector, or try to reduce its effectiveness.

We are determined as a Government to ensure that Barbados remains a low tax regime that is willing to do business with clean and legitimate investors. We recognise that in this area, like a lawyer, the best advertisement for a country is a reputation for integrity. We are trying within the limits of our ability to ensure that domestically we put in place administrative, regulatory and legislative support systems to promote the integrity and reputation of Barbados. 4.30 p.m.

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, the Bill was read a second time.

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE

Mr. CHAIRMAN: This House is in Committee.

Clauses 1 to 3 were called and passed. Clause

4, as amended, was called.

Hon. D. A. C. SIMMONS: I beg to move that Clause 4, as amended, stand part, Sir, but in saying that, there is, in the list of amendments circulated, another typographical error which I wish to draw to the Committee's attention.

In line 2, after the word "subsection" there is a bracket which presently has "1". That should be "2", subsection (2). I wish to so amend clause 4 (a). It says:

"by deleting the full stop appearing at the end of paragraph (0 of subsection (1))." That should be subsection (2).

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question that Clause 4, as amended, stand part was put and resolved in the affirmative, without division.

Clause 5 was called and passed.

Clause 6, as amended, was called.

Hon. D. A. C. SIMMONS: I beg to move, Sir, that Clause 6, as amended, do now stand part, Sir. This has been circulated.

Rt. Hon. O. S. ARTHUR: I beg to second that, Sir.

The question that Clause 6, as amended, do now stand part was put and resolved in the affirmative, without division.

Clause 7, as amended, was called and passed.

Clauses 8, 9 and 10, as amended, were called and passed.

Clause 11, as amended, was called.

Hon. D. A. C. SIMMONS: Mr. Chairman, Sir, the Clerk is pointing out to me that the next Amendment on the list is to renumber original Clauses 8 to 15 consequentially and I so move.

The question that Clause 11, as amended, do now stand part was put and resolved in the affirmative, without division.

Clauses 12 and 13 as renumbered were called and passed.

Clause 14, as amended and renumbered, was called and passed.

¹⁵*11 *The remaining clauses of the Bill were called and passed.*

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, Mr. Chairman reported the passing of one Bill in Committee, with amendments, and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, the Bill was read a third time and passed.

Mr. SPEAKER: Order No. 1.

BETTING AND GAMING DUTIES (AMENDMENT) BELL, 1995

Order No. 1 was called - To move the Second Reading of the Bill to amend the Betting and Gaming Duties Act, Cap. 60.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, Sir, the Government proposes, shortly, to submit to Parliament a comprehensive set of amendments to the Betting and Gaming Duties Act, Cap. 60 and, in the circumstances, Sir, as provided for by Standing Order 55 of this Honourable House, I beg to move that the Order No. 1 be withdrawn.

Hon. D. A. C. SIMMONS: I beg to second that, Sir.

Mr. SPEAKER: There being no objection, leave is granted.

ADJOURNMENT

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that this House be now adjourned until Tuesday, the 16th day of January, 1996 at 11.00 o'clock in the morning.

Speaking on the Adjournment, Sir, may I take this opportunity, on behalf of all Members on this side of the House to wish to Your Honour and your family every good wish for Christmas and the coming New Year, to wish to the Clerks at the Table seasons' greetings and to the Reporters likewise, and, indeed, Mr. Speaker, Sir, to all those who have served us over the course of this year. That would include members of the Royal Barbados Police Force, those who cater to us, who organize meals for us and the larger staff of Parliament from the top to the bottom. I would also like to take the opportunity on this occasion to offer to members of the Fourth Estate, the Media, those who cover this Chamber, the best wishes. 4.40 p.m.

Mr. Speaker, Sir, it has been a long, hard year. If I could go through, Sir, and I will not, all of the measures which passed this Parliament in this year 1995 and not only look at the quantity of measures but at the quality of measures, it has been a long hardworking year. I think all of us have pulled our weight in here. We have on all sides made valuable and valid contributions to debate. We have had our moments of confrontation, but in my submission, Mr. Speaker, Sir, this Parliament is really quite tame compared to Parliaments of past years.

In earlier administrations, Sir, I have seen even more vigorous debate than we have seen in here. But it has mostly been with a good spirit. We have taken our positions and felt that we had to defend them but I do not think this is a Parliament in which there have been any terrible quarrels. It is not a Parliament in which people do not speak to each other and so on. I think that there is a good spirit in the Parliament of Barbados, a good spirit of camaraderie and I would hope that this will continue into the New Year.

Some of the Committees have worked. Others have not. I think we are beginning to see a coming together of a number of measures which will permit this Parliament to be even more efficient than it now is and to be able to dispatch the people's business in a more timely manner. So, Mr. Speaker, Sir, on behalf of us all I would say to all, happy Christmas 1995, best wishes for 1996 and thank you to all whose efforts have gone to make a not insignificant year in the life of the Parliament of Barbados.

Hon. D. A. C. SIMMONS: I beg to second that, Sir.

Mr. D. J. H. THOMPSON: Mr. Speaker, Sir, speaking on the adjournment. On behalf of the Opposition I should like to extend gratitude to those who have assisted us during the course of this calendar year in our work here in Parliament and in particular to the staff of Parliament, the reporters and the Clerks who have done a valuable job in servicing the meetings of Parliament and the various Committees and other activities which have taken place during the course of the year.

I also join with the Leader of the House in extending best wishes to you and to all of the Members of the Government for a pleasant and enjoyable Christmas and for a happy New Year.

I have taken note of the comments which the Leader of the House has made about the energy level of debates in the House and in view, not only of what she has said, but in view of the fact that new Members have now become more experienced and certainly want to take a more active role in what is happening in this Parliament, I can assure the Honourable Member that what she may have interpreted, and quite rightly so, as a honeymoon period will come soon to an end. I will undertake, during the course of the year, to compare the legislation produced in this year.

The Honourable Member for St. Thomas was once heard in this Chamber to point out that the number of Acts produced in one year, I do not remember which one it was, did not go past the first notch in his finger and he felt that that was an indication of the quality of that Parliament so I will carry out my own investigation. My notch is slightly larger than his and I hope that it can get to the first notch on my finger. Then we will determine whether we have in fact had a productive parliamentary year. But the essence of the point I want to make is, that certainly, Mr. Speaker, Sir, I look forward to greater lines of communication between the Government and Opposition in planning for the activities of this Parliament and the sittings of Parliament during the course of next year.

There are a lot of items of Private Members' Business which we need to get through. All of them are very

important issues and there are a lot of items on the Parliamentary agenda for which live broadcast of debate has been requested. If there is one plea I would make to the Government, apart from the use of select committees which was one of its promises, I would like to call on the Government[^] in the New Year to honour another of its promises and to get in place as quickly as possible a more effective method for ensuring that debates which are to be broadcast live are in fact broadcast live without us being at the mercy of either the broadcasting facilities, if that is the problem, or of any agents outside of this Parliament.

We would like to see those debates for which we have made that request broadcast at the earliest possible time during the course of the New Year and that will call for a lot of collaboration between Government and the Opposition. I hope that the support from the Government will be forthcoming in that effort. So, with those few words, Sir, again I extend seasons greetings to everybody and my heartfelt thanks on behalf of the Opposition to all of those who have assisted us during the course of this year in our proceedings.

Dr. R. C. HAYNES: Mr. Speaker, in the context of and as an indication of the *de facto* triangulation of Barbadian politics I rise, on behalf of the members and intimate family of the National Democratic Party, Sir, to wish you and your family a very Merry Christmas and a Prosperous New Year. Unfortunately, Sir, the rules of the House explicitly prevent me from praising you for the manner in which you have conducted the affairs of this House and were it not for that specific ruling, Sir, I would have taken this opportunity to do so in relation to your performance over the year.

Aside.

Dr. R. C. HAYNES: Sir, I will not be deflected but I am quite sure that my understanding of Westminster Parliamentary practice is quite correct.

I should also like to wish all Members on the Government side, Front Bench, Back Bench, Happy and Merry Christmas and I sincerely hope a very successful New Year. I have certainly enjoyed this Parliament during this year. I have enjoyed the thrust of debate and I want to assure you that you will come under even greater scrutiny in the years ahead, as the Standing Orders Committee, I am quite sure, will make adequate provision to recognise the effective triangulation of Barbadian politics as manifested in this Honourable House. 4.50 p.m

I also wish the Members of the Official Opposition a Merry Christmas and a prosperous New Year. It is always very difficult after losing an election, but I think that at

the end of the year 1995 I am beginning to see a little more spirit after a loss. I sincerely hope that all of us will be able to enjoy a very successful New Year. Of course, I should like to associate myself with the good wishes expressed by the Leader of the House and the Leader of the Opposition in relation to all members of the staff of this House, members of the media, all those who have served us during the past year. And so, as we no doubt will adjourn very shortly until January 16, I trust that we will take this opportunity to enjoy ourselves as much as possible, and all Members can feel free and be sure that they will well be within the ambit of the law and within the ambit of good social graces if they do all the things that I shall do during the weeks ahead.

Mr. SPEAKER: Before I move the adjournment, let me on behalf of this Honourable Chair take this opportunity to wish all Members a very pleasant Christmas and a happy and prosperous New Year, and to thank all Members for the co-operation extended to me during the past year. Speaking as an old teacher, in fact I would like to say you have been a good class. I am told that during

the next year things will get a little hot, but of course the Chair is always prepared for that. I should like to assure the Honourable Member for St. Michael South Central that the rules of the House do not allow me to single out anyone to thank them for their co-operation, but of course it was very clear that in your co-operation you attempt at all times to give of your best. I do not say that in any sarcastic way.

I would also like to thank all the members of staff, especially the Clerk and Deputy Clerks, and of course the members of our reportorial staff. They always go beyond the call of duty. I know they are very dedicated. I also refer to the reportorial staff of the newspapers.

So on behalf of this Honourable Chair I would once again like to wish all Members the best for the Season.

The question that the House do now adjourn until Tuesday, January 16, 1996 at 11.00 a.m. was put and resolved in the affirmative without division, and Mr. SPEAKER adjourned the House accordingly. 4.55 p.m.

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SPEAKERS IN THIS ISSUE

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