THE

SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 1991 - 96

THE SENATE

Wednesday, August 12, 1992

The Senate met in the Senate Chamber, Parliament Buildings, on Wednesday, August 12, 1992, at 11.15 a.m.

PRESENT

His Honour Senator M. deL. JORDAN, (Deputy President);
Senator the Honourable L. V. H. LEWIS (Minister of Agriculture, Food and Fisheries) (Leader of the Senate);
Senator A. MORRISON;
Senator Mrs. V. C. FRASER, B.S.S., J.P., M.C.F.A.;
Senator A. J. N. PHILLIPS;
Senator the Honourable Dr. C. D. CLARKE (Minister of Labour, Consumer Affairs and the Environment);
Senator Dr. F. W. ALLEYNE;
Senator Miss Y. V. WALKES;
Senator Mrs. M. BARKER-WELCH;
Senator Dr. E. A. SIMMONS;
Senator J. J. PAYNE;
Senator Mrs. A. STRAUGHN, G.C.M.;
Senator Mrs. M. WALCOTT, S.C.M.;
Senator W. LeR. INNISS;
Senator J. G. BELLAMY;
Senator J. A. F. COLE;
Senator T. E. BARKER;
Senator Miss M. A. MOTTLEY.

Prayers were led by Rev. Errington Massiah.

Mr. DEPUTY PRESIDENT: The Senate is in session.

MOTIONS RELATING TO THE BUSINESS OR SITTINGS OF THE SENATE AND MOVED BY A MINISTER

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, I beg to move the suspension of Standing Order 45(2) to enable the Senate to deal with 2 Bills before us today.

The question was put and agreed to.

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, I also beg to move that Senator Amory Phillips be appointed to perform the duties of Acting Deputy President for today's sitting.

The question was put and agreed to.

INTRODUCTION OF BILLS

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, I beg to move the First Reading of a Bill to amend the Land Tax Act consequent upon certain budgetary proposals in order to remove references to foreign companies.

I also move the First Reading of a Bill to amend the Income Tax Act consequent upon budgetary proposals of July 7, 1992. I move that these 2 Bills be read a first time.

The question was put and agreed to.

ORDER NO. 1 – TO MOVE THE SECOND READING OF A BILL TO AMEND THE LAND TAX ACT, CAP. 78A

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, the measure before us today seeks to amend the Land Tax Act consequent upon the budgetary

proposals in order to remove references to foreign companies. The amendment to section 6 of Cap. 78A is necessary if we are not to vitiate the effects of the double taxation treaties and to honour our obligations within CARICOM.

It has long been recognised, Mr. Deputy President, that land taxation may be used especially in developing countries to encourage more intensive utilisation of land. Furthermore, it has long been accepted that the supply of land is given and fixed in the short run. Thus, taxing the rent of land or imposing a tax on the value of land has long been recognised as a form of taxation which is least likely to deter incentives to invest in improvement in the land. Thus, a heavier taxation on land value combined with a lesser tax on improvements may well lead to greater investment in property development.

It is against this background that I invite the Honourable Senate to examine the Supplemental Financial Statement and Budgetary Proposals as presented by the Prime Minister and the Minister of Finance and Economic Affairs on July 7, 1992 with particular reference to property taxation. At that time, the Rt. Honourable Prime Minister and Minister of Finance stated the following will take place with immediate effect.

1. A general tax rate on land at 0.95 per cent.

2. A lower rate for owner-occupied homes on the first Bds$100 000 of value at 0.35 per cent.

3. A tax discount for agriculture at 0.50 per cent.

4. Owners of properties over $100 000 in value will pay the 0.95 per cent rate on the portion of value over $100 000.

The explanations and rationale in support of these measures are as follows:

For owner occupied houses, that is people living in their own homes the rates will continue to be applied on 70% of the improved value. That is, they will not pay 95% of the improved value but 0.95% of 70% of the improved value.

The major rationale behind this is still to encourage housing. By giving favourable concessions here this is an attempt to induce people to own more houses.

Since the ratio of cash income to house values is typically low for aged home owners, the property tax proves especially burdensome unless some relief is given. To this end, the Minister of Finance and Economic Affairs has stated that pensioners occupying their own houses will continue to pay taxes at the rate of 50% of the improved value.

In addition to granting these concessionary rates to pensioners and our senior citizens, owners of hotels will continue to pay 50% of the improved value. A very concessional rate.
11.25 a.m.

Thirdly, it is believed that a heavier tax on land value, with a lesser tax on improvements may well lead to greater investment and production. For agricultural holdings in production with an improved value in excess of $300 000, owners will benefit from a rebate of 0.5 per cent on the general rate of 0.95 per cent. So that is they will pay half of the 0.95 per cent. Agricultural land in production but with an unimproved value in excess of $100 000 will also benefit from a rebate of 0.5 per cent on the general tax rate of 0.95 per cent.

The fifth consideration here is for land which is often held for speculative purposes or as a matter of social custom. That is, when we hold land and do not develop it so that we can leave it in our wills for our beneficiaries. The general rate of taxation here would be 0.95 per cent and this will be applied to vacant land and all agricultural land not in production. The purpose of what would appear here to be a penalty rate, or at least a higher rate, is designed so that these lands will be brought back into production.

Another consideration under the proposals is that chattel house dwellers, those people who live in chattel houses, irrespective of what has been said so far, providing that the chattel houses have a value of no more than $10 000, they will pay no more than $50 per annum for property taxes.

Seventh, owners of rented properties will pay land tax at a rate of 0.95 per cent on 70 per cent of the improved value. The rationale here is to encourage the building of more houses, because if the private sector does not add to the housing stock then of course the full burden of that falls on Government to provide additional housing.

Mr. President, as we continue to develop our property tax regime we must be constantly aware that tax relief (because ever so often we hear that more relief needs to be given)...However, tax relief for investment purposes which does not pay for itself in generating additional economic growth, not only involves revenue loss without compensating gain, but should the relief be given to the high income groups it will tend to aggravate the state of income distribution within the economy. Thus tax incentives to invest may become, not only wasteful but inequitable.

Talking about inequality in land holdings and tax regimes, we only have to take a look at the prevailing tax regimes which exist in some of the Latin American Countries to get a good feel of what really is intended

here and in those instances there are some very glaring inequities within the tax structure, especially property taxes. The inequities further aggravate the unequal distribution of income by encouraging and developing a very poor class and on the other extreme a very rich class, because in most of these other countries, land taxes and property taxes are generally applied to the social services and infrastructural developments and here we are thinking in terms of health, education, schools and road networks.

I am confident, Mr. Deputy President, that we shall not have any debate. We have had many attempts to discuss these measures in the past and unless we are prepared to hear ourselves speak, we should be out of here very early. I beg to move that this Bill be read a second time, Mr. Deputy President.

Mr. DEPUTY PRESIDENT: Senator Barker.

SENATOR T. E. BARKER: Thank you, Mr. Deputy President. Once again we see the Honourable Minister is trying to curtail debate. But, Sir, when we come here on Wednesdays we come to spend the whole day because we are about the people's business and we have not come here to skylark. We are here on a serious mission and if it takes us the whole day, it will take us the whole day.

Mr. DEPUTY PRESIDENT: All right, let us debate the matter in hand.

SENATOR T. E. BARKER: I am just responding to him. I intend, Sir, to use what time is available to me.

Mr. DEPUTY PRESIDENT: All right, I said, let us debate the matter in hand.

SENATOR T. E. BARKER: If I may, Sir. Sir, we are here to discuss what may be considered as minor amendments to the Land Tax Act. It will be instructive, Sir, to read the portion of the Act which is being amended because it is interesting to note that normally in the Senate we note there is a lot of legislation which give the Minister additional powers, because one thing the other side likes is power. Sir, for the first time, we are debating a Bill which is going to reduce the power of the Minister and so I have to wonder why. I will now, Sir, look beyond the fine print and look for reasons. Sir, it will be instructive for us to take note of the particular section of the Act which is being amended and I am reading: Section 6 of the Land Tax Act CAP 78A:

> "Tax shall be levied and paid at such rates as may be specified by the Minister by order, and different rates maybe specified in respect of land used for different purposes and in respect of lands held by a foreign company."

We are asked, Sir, to remove the latter section which reads "and in respect of lands held by a foreign company". Sir, the particular section did not say the Minister shall apply different rates. It says the Minister may apply different rates, so within the Act, the Minister already has the power, if he so desires, to apply the same rate to land, whether it is held by locals or by a foreign company. So why then are we here discussing this particular amendment? I am not sure because already the Minister has discretionary powers so why is the Minister giving up discretionary powers? Is it because the International Institutions, IMF, IADB, and World Bank, especially, have so decreed? Or is it that the Minister has decided that he has too much power and will gladly relinquish some? Sir, I will no doubt go for the former. I believe, Sir, that this amendment is a direct result of the squeeze by the International Organisations.

Sir, it was put here for a particular purpose because I believe strongly that Barbados is for Barbadians first and I well remember, Sir, the words of the late Prime Minister, Mr. Errol Barrow, who as you know was no favourite of mine. But he was a good Prime Minister; he said that we will wake up one morning and find that this place no longer belongs to us that it is owned by foreigners. Sir, this amendment is making sure that his words become true.

Sir, we see on every hand and side Barbados is being sold – I don't want to use the words "sold out" – but a lot of our assets are being sold to foreign companies. Sir, we note that Barbados Telecommunications' shares were sold to a foreign concern. BarTel's shares were sold to a foreign concern. The shares in the Flour Mills Limited were sold and we are looking for foreign buyers for a lot of our companies. Some of the Pine Hill Dairy's shares are to be sold to foreign concerns. I wonder, Sir, what is going to happen when my children and some of us here grandchildren become of age. Are we going to find a Barbados in which we have a share or are we going to find in the prophetic words of the late Prime Minister Barrow that Barbados no longer belongs to us.
11.35 a.m.

Sir, I believe that the Minister should retain his discretionary powers to tax land as he, in his wisdom, sees fit according to the powers given to him in the original Land Tax Act and in the Constitution. I am disgusted, as I am sure Members on both sides are, to see that the international institutions are twisting our arms so much that ordinary practices, policies which have served us well in the past and put Barbados in the place where it was until this destructive regime came into being and policies which made us the envy of all the developing world...My good friend, Senator Simmons, is always telling us of the status of Barbados in the world today. We stand out among developing countries in our standard of living from our rivals and even surpass some of them in the

developing world. Sir, it did not come by accident. It came as a result of planning, foresight and all of that. Are we going to whittle away all of that, Sir, like Esau did in the Biblical times for a bowl of soup? I say, "No, Sir. Barbados belongs to us." I do not want to see our country continue to be taken over in the way that it is being taken over. I think, Sir, we have got to put a stop to this. I am sending a signal to the other side that I will be vociferous in my opposition to any wholesaling of Barbados.

Sir, I have a lot of difficulties with this particular Act because it runs counter to all our established principles and norms. The Land Tax Act was working okay as far as I am concerned. Maybe the rates are too high but I will talk a little about that later. Sir, the point is that the Minister and the Government must not be shackled in its desire to make sure that the land of Barbados is first and foremost preserved for Barbadians. If the Land Tax was one way of ensuring that, I have no problem with that. So I am very much against this amendment.

We can also look at other aspects of the Land Tax Bill because the party I represent...Contrary to what my good friend, Senator Alleyne has said, I am not at the tail end of my party. Sir, in our Manifesto, we said that we would abolish land tax for a residence whose value does not exceed $150 000. This was a year and a half ago and we stand ready to fulfil our solemn pledge to the people of Barbados. All we require is the opportunity. In the olden days, to use a phrase, people like us hardly owned any land. Land was the preserve of the plantocracy and the merchant class. But in this century former peasants have started to own land and that was a tremendous fillip for local Barbadians. They were now in a position where they were land owners. Land tax in those days was to ensure that the rich elite pay for their social and other services. The land tax in those days mainly financed the Local Government. That was the primary purpose to finance Local Government operations. But as time passed on land has come within the grasp of ordinary Barbadians, especially since the Freehold Tenantry Act which my Government had the wisdom to introduce and which people on the other side up to last week were very critical of. It made sure that thousands of people who were previously living on estate land were able to buy the land that they and their grandparents were living on for many years at a nominal rate. They paid little or nothing for it because I think the price was 10 cents per square foot, which we all know is almost a giveaway.

Sir, we are now asking them to pay land tax, something which they never paid in the past. Hence, we note that the rate of land tax is increasing by leaps and bounds. So a whole class of people who by virtue of far-sighted legislation have become owners of land and they are now penalised for owning land. In the Barbados Labour Party, we feel that the time is right where we again must look at the land tax situation. Sir, people of a certain economic status will be exempted from paying land tax. This Government is different. They are making sure that, instead of paying less, persons will have to pay more because of the increase in the rate. But we are committed to the development of working-class people and are still prepared to exempt such persons from paying land tax. Sir, that is the great divide between our two parties. That alone shows the difference in our philosophy and outlook between our two parties and I am very glad that I am where I am.

Aside.

SENATOR T. E. BARKER: Sir, land tax must not be used to prevent people from owning property, because for the vast amount of Barbadians the only thing that they will ever own in their lifetime is a piece of land and a house. All of us cannot own a business because by definition only a few people are going to own businesses. But for the vast majority of people the only thing they will own is a $5.00 or $6.00 square foot of land and a house. Sir, that represents the aspiration of most Barbadians. They want to own their own property. What are we doing, Sir? We are penalising them for being ambitious. That is what we are doing. As a result of the new land tax measures, some taxes went from $800 to $1 700. That is a fact. What are we saying? We are saying that we do not want you to own a house. A house is too good for you and that you must be perpetually renting from somebody or, better still, the Minister was quick to note that people living in a chattel house valued for less than $10 000 would only pay $50.00 in tax. If that is his ambition for people to live in a chattel house valued for less than $10 000, that says a lot for him. What is a chattel house costing $10 000? You are talking about virtually nothing.

Aside.

SENATOR THE HON. Dr. C. D. CLARKE: Sir, on a point of order. I think that the Honourable Senator is imputing certain motives to the statements that I made that I would ask that he retracts that. I did not make that statement. It is downright dishonest.

11.45 a.m.

SENATOR T. E. BARKER: Sir, I am sorry if I have misquoted the honourable gentleman, but he was congratulating his party for bringing in a measure which says that people with a chattel house valued less than $10 000 will only pay $50 tax. I am saying that in this day and age we do not want our people to be living in chattel houses costing $10 000, because we know that a chattel house costing $10 000 is virtually nothing in terms of quality and value. Any good high wind we get will blow the house down. We should be encouraging people to

build sturdy houses which could withstand the elements, but $10 000 in this day and age is nothing to boast about. That is no concession. He should not be paying tax on that at all, $50 tax is nothing for me to give them kudos for. That represents the very lowest end of the economic scale and if you are going to tax him, it says something about the philosophy of that party. I stand by my saying that there is a very great divide between us and I am glad that I am on this side, I am on the side of the people.

Sir, land tax is used in a punitive way and I am saying that this should not be the case. If you are going to have land tax rates, I say you should not have them for the people at the lower end of the scale. I do not see why a person should be paying $2 000 for the luxury, according to this Government, of living in his own house, especially when land valuation is arbitrary.

Let me explain to you, Sir. Ten years ago a person would have built a standard house – 3 bedrooms, 2 bathrooms, no frills – maybe for $70 000 to $80 000. Now it may go up to $200 000. The book value of $200 000 does not mean much to him, because as far as he is concerned if it was worth $2 million he could not sell it. If he is going to sell it, where is he going to live? Talking about having a property valued at this amount of money is irrelevant, because to the person the value is immaterial. He sees it as somewhere to live and the value is only incidental, because invariably he is not in the business of selling it. Most of us will only own one house in our lifetime, and to talk about selling it, if you sell it you will have to buy another one at some inflated price. So when the valuer puts such a high value on the property, all he is doing is giving a book value which is of no benefit to the owner, who will then pay tax on that inflated value, but is only of benefit to the Government.

Lots of people who built houses 10 or 15 years ago find now that the Land Valuation Department is going to give them massively high valuations on their property. Hence they are called upon to pay extremely high land taxes.

Aside.

SENATOR T. E. BARKER: Sir, the Honourable Senator said they should give away the property. I will not respond to that, because it is an aside.

Mr. DEPUTY PRESIDENT: Thank you. You should not have recognised an aside. Proceed.

SENATOR T. E. BARKER: Sir, the point I want to make is that the valuation of property needs to be looked at again. I know people are going to say that if you are selling it you would probably be selling it for more. But that is a big "if". Most people do not sell their property, so we have to look at another way of assessing properties for land tax purposes. If the person sells, then the Government will get their piece, because there is something called the property transfer tax. If the person sells, the Government will say: "Yes, you have realised $200 000 from the sale of this house, therefore give me some." I have no quarrel with that, but I have a problem where I am not going to sell my property but year after year the Valuation Department is adding on and causing me to pay enormous amounts of money in land tax. Sir, we need a better system. Since we have the property transfer tax which will take care of increasing land values, and where the property transfer tax is a tax on realised earnings (because you only pay the property transfer tax when you actually sell the property and you get the money in your hand, then the Government takes some of it)...The land tax is not like that; it is based on a notional figure and it does not reflect the ability of the home owner to pay. That is the difficulty we have.

I feel, Sir, a different method needs to be instituted which would be fair to a home owner who, 20 years ago, built a house by his own labour at a very low price, and is now saddled with an enormously high valuation. That is something which, when he reflects, the Minister can think about. It is a point that is worth some further investigation and study. Even the Minister will concede that.

It brings us then, Sir, to the vexing question, again in section 6, which says that the Minister may apply different rates in respect of land used for different purposes. The Honourable Minister in his presentation mentioned the fact that agricultural land is subject to a 50% rebate. I hope I have not misquoted him as I do sometimes. We have agricultural land taxed at a certain rate, residential land at another rate and even the hotels are taxed at different rates. So the Minister then taxes property according to the use to which that property was put. It is necessary then for us to have a proper land use policy in this country, and that is one of the failings of this administration. They do not have a proper land use policy.

Sir, I read the IADB document which indicated that most of the restrictions we have on land should be removed and the land should be used in the most economical way. Sir, I have problems with that, especially since I note that that statement was made by people who do not know anything about our culture, our history or who probably do not care about it either. What they would like is that all of our land be open to speculators and that we would end up like other countries where every bit of food that we consume would be imported. It is known that agriculture is a loss making enterprise. All the agricultural land can be used for different purposes and can probably realise greater earnings. But what would happen to our food security? We would be in a situation that we are now finding ourselves where we have to import sugar and we are thankful that

the Minister of Health is vigilant. Sir, I don't want that for my country.
11.55 a.m.

If we do not have a proper land use policy that will result. We will become one massive waste land. Agriculture is not the most profitable use you can put to land. Everybody knows that. This is a point I have been at with the Government for a long time. It has to sit down and decide how best to use the little land that we have left. It is allowing international institutions to come here and dictate land use policies to us. That has to be wrong. We have brought our country with little or no help from the outside world to the state where it was. We are not going to let them come from wherever they be with their own motives and destroy our country.

I don't want our citizens to be just bellboys or waiters at hotels or caddies on golf courses. I don't want that for my people. When we are allowing these institutions to foist their own policies on us this will result. I am repeating my call to Government to sit down and have a proper land use policy. Only a few months ago, we got documents in the House which designated certain lands in Christ Church as agricultural lands. That was the Town and Country Planning acting under the Constitution. That was their prerogative to designate certain lands as fit for agriculture, certain lands for industrial and for recreational purposes. We also got a document showing certain lands designated for certain purposes. That was a document of the House and was given to me in my capacity as a member of this Honourable Chamber.

I strongly believe that if we are going to deviate from that document that Parliament should be involved in that process. If I was given a document designating certain lands for agriculture and there is a deviation, especially a major deviation, Parliament should be involved in that process. I am sure all of us in here will agree with that. The people's representatives should be involved. But what do we see happening? We see Cabinet taking it upon itself to change land use in this country in a nilly-willy way without proper planning or proper foresight. Sir, it has to be wrong. The people's representatives must be involved in that process, especially when it relates to major land use changes.

That is the difficulty I have with the Government's land use policy. We are not certain of what is happening. We see some of the best agricultural land in Barbados, near Mt. Tabor, going into housing. We see some in Cottage and you have to be amazed to see the depth of the soil there that that is going into housing. Who is buying the houses? Only this week we read in the newspapers where one developer is saying that the people in Barbados cannot afford to buy the houses so he is advertising in the United States for people to come here and buy the houses; the $300 000 price tag is too much for people here. We are taking our land out of agriculture and we have to import sugar and other subsidies for people away to come and buy our land. It should not be so. The Minister of Agriculture always feels that I am at him but that is not the case. When I speak, I speak from my heart.

Mr. DEPUTY PRESIDENT: I don't understand your language, Senator Barker, that you are "at".

Senator T. E. BARKER: Which language, Sir?

Mr. DEPUTY PRESIDENT: That you are "at the Minister of Agriculture"? I cannot object to it because I don't understand it.

SENATOR T. E. BARKER: Sir, he might feel that I am trying to attack him. That's what I meant. He understood the language.

Anyway, the point is that the Minister of Agriculture who, I am told opposed the project has got to...

SENATOR the HON. Dr. C.D. CLARKE: On a point of order. The Minister of Agriculture has not spoken in here on this debate.

Mr. DEPUTY PRESIDENT: You cannot impute improper motives. All right.

SENATOR the HON. L.V.H. LEWIS: Mr. Deputy President, I would like to move that those words be struck from the record.

SENATOR T. E. BARKER: Sir, which words are the Honourable Member referring to?

SENATOR THE HON. L.V.H. LEWIS: That the Minister of Agriculture opposed some project. The Minister of Agriculture has not spoken.

Senator T. E. BARKER: I will withdraw it. The whole of Barbados knows the truth but I will withdraw it.

All I am doing, Sir is highlighting the need for a comprehensive land use policy. If there are to be golf courses and I have no problem with golf courses, the Government should be able to say that it has 300 or 400 acres of land and if they want to develop golf courses which we need there is land at place A, B, C where they can put golf courses. Then, Sir, there would be no confusion, but what has happened is that nature abhors a vacuum and at present there is a vacuum with regard

to land use policy. There is no land use policy so that anything can happen.

I pass Highway 2A everyday and for years land has been taken there to put houses. How many houses do you see? Very few. For years that land which could have been growing food and sugar, instead of our having to import sugar was taken out of agriculture and is into nothing. The result is that there are thousands of house lots that have been marked for development which are unsold in development areas across the country and still we are encroaching further and further into our good agricultural land.

Sir, the Minister and the Government need to reassure Barbadians that in 20 years time there will be something called agriculture in Barbados. At present, we need the assurance because we don't know what is happening.

With regard to the land tax on agriculture, given that the profits from agriculture have been declining over the years there is a strong case for Government to make further concessions when it comes to agricultural land and to further reduce the land tax on agricultural holdings given the perilous nature of that...

Asides.

SENATOR T. E. BARKER: Mr. Deputy President, can I speak without being interrupted?

Mr. DEPUTY PRESIDENT: You are not supposed to hear asides. I very often don't hear them. If you speak a little more slowly.

SENATOR T. E. BARKER: Sir, my hearing is very acute and I can't help hearing them, Sir.

Mr. DEPUTY PRESIDENT: I see. All right. Just speak a bit more slowly and we'll understand you a little better.

SENATOR T. E. BARKER: The present furore with regard to the Kingsland development is a result of Government's inability to think clearly and to articulate clearly a land use policy. The Minister, according to the Act that we are discussing, the Land Tax Act, the Minister is taxing land according to its use and I am saying that first of all the Government has to determine what use our land resources are going to be put to.
12.05 p.m.

Sir, we are talking about the future of our country. There is a lot at stake here. Quite a lot. If there is one failing of this Government it is with regard to its land use. It is a major failing and I hope, Sir, that they would see the folly in their ways and before we become a forest, they put in place a workable and a sensible land use policy so that everybody in Barbados would know before hand, I cannot do this, I cannot do that, I cannot do this here because it is all there like the laws of the Medes and Persians; it cannot be easily changed.

So, Sir, with those words, especially the words of caution. As I said before I have difficulty with this Bill because I am not sure that it is in our interest at this time, especially, Sir, when revenues are declining – especially, Sir, when we have to tax people left, right and centre – to be giving special concessions to foreign firms.

Sir, I don't think it is correct because it removes the Minister's right to charge them at a higher rate. That is what it is doing. And, Sir, I suspect they are charged at a higher rate at present. Can we afford to forego that income? I am not sure we can, especially when we are making people who own a little chattel house, costing less than $10 000 pay tax. I don't see why, if you are making them pay tax, why we are reducing the tax on the foreign companies. So, Sir, I have difficulty with the Bill but I hope that my other observations on the whole land tax issue will be taken in the spirit in which it was said. I thank you.

Mr. DEPUTY PRESIDENT: Senator Alleyne.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, this Bill before us, Section 6 of the Land Tax Act seeks to amend it and essentially what it does is to address the issue of the rate which is chargeable on land. I am not sure how Senator Barker managed to get around to golf courses and that kind of thing. Perhaps the Senator has a mind which I cannot comprehend. It is certainly an act of futility on my part to try to comprehend it too.

Since we are addressing the issue of the rate which is chargeable on land *per se*, Mr. Deputy President, land is essentially a store of value, that is what it is in Barbados. In Barbados a good 80 per cent of the land, in spite of what Senator Barker has said, is owned by about 120 families. If Senator Barker would check the most recent agricultural census which is available – I think one is due now – but the most recent one will show you that.

There is a pattern in Barbados where propertied people marry propertied people. A lady who inherits a plantation does not marry a man who does not have anything in land. Land combines with land. So you get a lot of interlocking plantations. Of course there are a few exceptions to the rule.

Mr. Deputy President, the whole issue of land taxation has to be addressed within the general ambit

of taxation in a country. There is nothing which is so special about land as a resource which sets it apart from the income generated by labour or the income generated by capital. I am suggesting, Mr. Deputy President, that land generates income because land is capital and the income from capital should be taxed in the same way income from labour is taxed. That is my basic submission. Because in essence a tax system, if it is going to be effective and promote the maximum rate of economic growth, it should be neutral. Don't set about at a general level to have a biased tax system as presently exists in Barbados and I will demonstrate, Mr. Deputy President.

If you look at our industrial incentive legislation in Barbados, a lot of it is biased and it produces the wrong effect. I am just doing this to demonstrate the point which I am making about neutrality of our tax system. When you tell a manufacturer, when you give him accelerated appreciation on plant and equipment, when you give him incentives which are related to the value of his initial investment and plant and so on, what are you encouraging that investor to do? You are encouraging that investor to invest in capital intensive equipment and that can only take place at the expense of labour, in a labour surplus economy, and mark you, where you have a surplus of unskilled labour.

I heard Senator Barker speaking a lot about agriculture. I am not going to get into that. There is a time for that. He is talking about unutilised land and so on but I am sure Senator Barker is wise enough to know, within Barbados, the market for agricultural labour is a rapidly contracting one. The average age of labour in the agricultural market is certainly in excess of 55 years. The last census it was around 55 years and what has been happening, certainly from my knowledge of what is reported in National Insurance, the old workers have been dying out and we have not been replacing them. The market has been contracting. This business of unutilised land is not just a matter of saying the labour is there and you go and get it. The labour is just not available. That is a fact of life.

I was making the point, however, about the desirability of ensuring that at the ground level the tax system is neutral. If a Government wishes to achieve specific goals it should target them in a specific way. Don't try to fashion the tax system at the ground level so as to generate certain biases. I am totally opposed to that.

The rates of land tax in Barbados, in spite of what Senator Barker has said, have been relatively low. I believe Senator Barker puts himself in a dilemma when he says, "I am not going to sell my house and then every year the Valuation Department is increasing my value". I believe, Mr. Deputy President, that Senator Barker should reflect a bit. It is quite possible he might say something outside of Parliament and there might be a forced sale of his property. You have to consider these things.

I recall some time ago, the Government was acquiring properties. I think it has to do with the runway extension. And the very persons who were quarreling prior to the Government initiative and saying my valuation is too high, these are the very people who started making noise by saying that theirs was too low. You cannot have it both ways. I am saying, Mr. Deputy President, you cannot have it both ways. So I would just caution the goodly Senator. 12.15 p.m.

SENATOR T. E. BARKER: On a point of elucidation, Sir. I acknowledge the Honourable Senator's point but I also said that when the property is sold that Government will get their share by virtue of the Property Transfer Tax Act. That is the point I am making that whenever it is sold Government will get their piece.

Mr. DEPUTY PRESIDENT: Thank you, Senator Barker.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, land in the possession of anyone generates a potential income and notice that I said "potential". If the owner chooses not to put that land to productive use, that does not mean that the owner should not contribute to the general revenue. Even if you do not sell that land, it has an imputed value because you have to look at the alternative. If you did not hold it yourself, you could have put it on the land market. We need to recognise these things and I think that the amendments do recognise this, because you will notice that the adjustment for owner occupied houses is a two-tiered structure. One might quibble about the extent to which the concession on the first $100 000 is adequate. One might question that. But there is a recognition that when a property is not up for sale there should be some concession with respect to the rate which is levied.

We have to be careful as responsible people in this Senate in dealing with this issue. Barbados in 1992 is not Barbados of 1972. It is common knowledge that there are persons in Barbados who cannot afford to deposit the monies which they get hold of in the banking system. There are some people like that and, therefore, they have to seek alternative means of depositing that money. In that respect, Mr. Deputy President, land becomes a bank and people lend banks. You can clean money by acquiring a plot of land. You can pass it through my friends, the attorneys. Of course, they do not know that it is uncleaned and then it comes out clean at the end of the day. You have to be careful with that. If we cannot hold them when they put the money in the bank and get the interest from it, we have to take it somehow. When I say "we", I mean whatever administration is in office.

I am very much in support of this discount for land which is used for agriculture and I mean land which is under cultivation. If you have agricultural land and you do not wish to cultivate it, put it on the market and rent it out. If you do not want to put it on the market and rent it out, sell it. Land is a national resource. That is what it is. Land cannot be classified in the same way in which you categorize houses or motor cars. You can build motor cars and houses. You cannot build land. The most you can do is marginally adjust a land area by land reclamation which is very costly. Land, first and foremost, is a national resource and therefore you have to use the tax system to ensure that land is put to its most effective use as far as the society is concerned.

Senator Barker made some comment about food security and I am not sure what he means by food security. But I believe that it is necessary to comment on something that he said about food security. My understanding of food security, Mr. Deputy President, is that it is an attempt by a country fully cognizant of the cost of pushing domestic food production beyond a certain level. That country attempts to put itself in a position where in times of emergency it is still able to provide at least a modest amount of supplies for its residents. We talk about war in a country when there were hostilities worldwide as in World War I. However, I wish to say that in the context of Barbados an emphasis on food security is being foolhardy. It is being foolhardy because it flies in the face of the facts. In Barbados if you look at our food import bill, there are about four items which dominate that food import bill and there is little or nothing we can do to reduce the quantum. I refer to meat and meat preparations, fish and fish preparations, cereals and dairy products. There is little or nothing that this country can do to make a significant dent on that component of the food bill. Our contribution is mainly in the area of vegetables and that is seasonal. But in the context of a common agricultural policy in CARICOM which recognises that some countries are better endowed in food production than others, it makes sense to pursue a regional food policy and therefore think in terms of regional food security and not national food security. Therefore, whatever efforts we make with the food security in Barbados, the national effort should be part and parcel of a regional approach. To talk about food security in a national context is to defeat the very goal which you set out to achieve.

I am not sure what Senator Barker meant when he talked about land use policy. I have spoken about land use policy up and down Barbados and I have written about it. I speak from a trade professional position. I have never been satisfied with the land use policy of any Government in Barbados. That includes the Labour Party Government and it includes this Government. I have never been satisfied and I speak from a strictly professional position and this is not to say that my position is superior to the Government's position. It is different. So I am not going to buy this argument which Senator Barker is advancing about his government and I am not sure what he means by "his government", because the only person who speaks about my Government is the Prime Minister. I do not know what he means. The Governor-General can speak about my Government too. Those two people can speak, so I do not know which one he is. But the fact of the matter is about this notion of the ordinary people being involved in the land use policy, I do not think that Senator Barker was serious when he made that point. Because the ordinary person does not have the kind of training to make sense of the inputs of the land use policy just like a lot of this discussion which I hear on the golf course. Somebody came to me and asked me, "Why have I not heard you say anything on the golf course?" I said that I do not know anything about it and that is true. I do not speak unless I have the facts or unless you out to slander somebody or indulge in a rumour. I do not have the facts on it. Therefore, I am not in a position to comment on it. Straight and simple, that is how I operate.

Mr. Deputy President, this particular matter pertaining to the amendment of the land tax rate is not a continuous issue if you understand that it is taking place within the general reform of taxation in the country. You have to take it in that context and if you understand the objectives of the whole tax reform process. Basically, I understand the tax reform process is trying to simplify the taxation system, to enhance the administrative efficiency of the system and to rationalise it. This tax reform measure fits into that general framework. I have no difficulty in supporting this particular Bill.

12.25 p.m.

Thank you, Mr. Deputy President.

SENATOR Miss M. A. MOTTLEY: Mr. Deputy President, I just wish to make a few comments on this Bill before it goes through. These relate to the question, I believe, Senator Barker and Senator Alleyne raised in respect to the land use policy.

It seems a little strange to me, Sir, that one would seek a tax policy or to use for the basis of your taxation of land the use to which the land is put and that having done that, that is done in the absence of a proper land use policy being in existence. I would say, Sir, and to that extent I would agree, that all Governments in Barbados have not given this question of land use sufficient attention, particularly given the constraints of an island as small as ours that has developed as rapidly as we have developed, even though we have been able to control population growth; but the fact is that land is a limited and scarce commodity.

There are a number of things that disturb me, because this is in the context where land to a Barbadian is as sacred as you can get. The only thing perhaps that is equally as sacred is his life and an education. Land, as well as an education, has always been the process of social upward mobility in this country since the days of emancipation, and it disturbs me when in 1992 this Government has taken, in my opinion, what is probably the most retrogressive step that any Government has taken since independence in terms of the raising of land tax as a means of raising revenue to subsidise a lot of programmes that need rethinking in this country.

I am one of those who very strongly support the proposition that land, particularly land under a certain value, should not be taxed at all. You should not penalise a man for owning land, particularly when in the context of black Barbados, land has become the major investment of the average black person in this country. While it is possible for you to go and pick up your money and invest in other areas and still get allowances, and tax allowances, the few that do still exist, it is unfair and retrogressive for you to raise the level of taxation that is attached to the one investment that is common throughout all of black Barbados and throughout all of Barbados generally, but particularly black Barbados when you are and have been talking for the last 2 to 3 years in this country about the process of economic enfranchisement or economic democracy or whatever you want to call it. That is the avenue the majority of them use to have and participate within the economic democracy of this country, and for you now to come and rather than easing the burden of taxation to encourage that investment you are going further and raising the level of taxation again, Sir, substantially, particularly in the context where their own management of money is posing them problems, given all the other increases that have taken place in the economy in the last 2 years, but also concomitant with that you drop the level of taxation for land tax for foreign corporations from 2% and 3% respectively to the same level virtually that the average black Barbadian is paying.

Mr. Deputy President, that cannot be right. You cannot tell me that in 1992 you are prepared to penalise black Barbadians in this country, young Barbadians in this country and even the older ones who have saved and are now putting aside to buy something to pass on as part of the patrimony, and now you are saying to them that that whole process must become as difficult as possible for them to participate in. At the same time, because you have squandered away foreign exchange in this country, and you have allowed the productive sectors to decline, you are now rushing and panicking and hoping to attract foreign investment, and one of the means by which you are hoping to do it is to follow the dicta of the IMF and drop substantially the land tax payable by foreign corporations.

All of us in here would subscribe to the fact that if you had money today and you had to make your first major investment, that investment would be your home and land. The majority of Barbadians over the age of 40, not only with a first investment, but with a second, third, fourth, fifth and whatever else they can avail themselves of, use that. I am not saying that in terms of our national development we must encourage only the purchase of land, because I am one of those who very much feel that there is the need for the reindexing of the productive sectors, and that one of the purposes of fiscal policy which this Government seems to have forgotten is the ability to carve out the kind of economy and the kind of development you want your country to pursue over the next 20, 30 years by the use of fiscal policy.

One can still encourage areas of investment in other productive areas of the economy, but by the same token that does not mean that you have to discourage investment in land, particularly when at the end of the day if you get laid off from your job, if you have a piece of land at least with your house secured, you can sleep at night and you can go in the backyard and plant something and live off that food or the income derived therefrom.

All of what has been fought for since the days of emancipation has been threatened by the single action of the Prime Minister of this country when he chooses to single out land tax to increase to allow him to get more revenue simply to be able to finance things that have resulted from his own negligence in the conduct of affairs within the Ministry of Finance. I am saying that price is too high to ask people in this country to pay. For those of us who may have property already, so be it. You can learn to adjust. But what about those now who are seeking to acquire a stake in this country, who not only have to face the headache of substantially increased land taxes, but who are facing a 2 percentage point in increase in mortgage interest rates, if you are so lucky as to get a mortgage, who are faced with an increase in the cost of building materials, an increase in the cost of laying pipes for water and all of this in the context of your saying that you are prepared to advance the cost of economic enfranchisement of black people in this country.

Sir, this is not so much a partisan political issue as an issue that affects essentially the development of each and every Barbadian. I am not speaking on a party, political level, because if I were I would be waving the Barbados Labour Party's Manifesto and talking about the fact that we said we were going to abolish the first $150 000 on land taxes. That is not the purpose for which I rise here today, because I must tell you this, Sir, and I must be very frank with you, there are a number of things that are happening in this country as a result of the absence of leadership in various domains whether it is in the Law Courts,

whether it is in the Police Force, whether it is in Parliament, wherever it is...And it worries me greatly because a number of people who are my age are asking themselves the question whether they have reason to remain in this country? Am I to be given an opportunity in this country to make something of my life in the same way that many of you who are sitting in this Chamber now have been given that opportunity over the last 40 years due to the efforts of men and women who have sat in this Parliament, men and women who have worked in the sugar cane fields of this country, who have worked in the hotels and throughout this country but yet the demoralising effect of removing from Barbadians the free and easy access of owning land in this country by making the cost of doing so prohibitive and by also coupling that with the increase in user fees in education and user fees in transportation thereby making it more difficult for them to have access to that other dear love, education, is striking a serious blow to the psyche of this country and particularly to the psyche of those people whom you ask to increase their productivity.

That is the fundamental flaw of the IMF as an institution and indeed of the policies adopted by this Government as a result of consultations with that institution. That is the reason why we should not have allowed ourselves to be in the position to be dictated by an institution that does not care whether the young black Barbadians, or the young white Barbadians are prepared to put their shoulders to the wheel and work for this country. They do not care and this Government has allowed that institution to dictate policies that will say, "Yes, I will make it more difficult for you, the Bajan, to own land but I am going to make it 300% easier for the foreign corporation to come and own land in this country." There must be something fundamentally wrong when we are prepared to sit down in a Chamber and agree to something like that. There must be something fundamentally wrong when we are prepared to say to those people out there who want to make that first investment to have that real tie with this country and to ensure that there is that spiritual bond as well that takes place when one buys land that that must not happen to them but some institution formed in some other part of the world, yes, whose foreign exchange we may want but not at that cost. Not at the cost of penalising Bajans. There are other areas of development open to us. There is so much that needs to be done within the existing productive sectors that continue to show decline without our having to resort to those measures.
12.35 p.m.

I am making this appeal not in the name of the Barbados Labour Party, but I am making this appeal in the name of all of us out there who are now trying to become part and parcel spiritually, physically and every other way of this country. Those of us whom you then look at and say, "Put your shoulder to the wheel. Do the best in times of difficulty!" But when you tell me that, Sir, I have to be able to bring the inner strength from inside of me and I am not going to be able to bring any inner strength from inside of me if you damage my psyche, and you damage my psyche when you flog me in the presence of those who are strangers. Senator Clarke I see will not be one of those. Knowing my knowledge and how he cares about black Bajans in this country to participate in such errant nonsense as to allow a system that would make it easier for foreign corporations to come in here and buy land and make it prohibitive for black Bajans to do so.

Mr. DEPUTY PRESIDENT: I take it Senator Clarke will be able to speak for himself.

SENATOR Miss M. A. MOTTLEY: He will be able to respond. I have chosen Senator Clarke deliberately and not Senator Inniss because I know that Senator Clarke will have the chance to wrap up this Bill.

Mr. DEPUTY PRESIDENT: All right. Senator Clarke will be able to speak for himself so you may continue.

SENATOR Miss M. A. MOTTLEY: Sir, the other thing that concerns me is this, and I don't want to be misquoted after I sit down either in here or outside. So I am speaking very slowly and very deliberately. A lot of people have spoken and placed a lot of views in the public domain and within the very institution of Parliament as to the issue of the golf course proposal and hotel development and residential development at Kingsland in Christ Church. Let me say from the outset that the project itself is not one that should be ignored. The project itself in terms of what it is seeking to achieve...

Mr. DEPUTY PRESIDENT: I am not clear exactly what this has to do with the Land Tax Act.

SENATOR Miss M. A. MOTTLEY: Sir, because it has to do with the use of land which is about to change and the taxation that will be attached to such land if the usage is changed. A very basic point, Sir.

Mr. DEPUTY PRESIDENT: I understand.

SENATOR Miss M. A. MOTTLEY: If it changes from agricultural to residential and/or commercial it will attract a different level of taxation. That is the question. We have reports that the Cabinet of Barbados has approved with certain conditions to be fulfilled.

Let me say that in respect... The project has potential. That is not an issue. There must be other areas of development because a golf course is only an extension of the facilities attached to an hotel in the same way that entertainment, the beaches and other facilities are available. My difficulty is this. For those who see the need

to preserve agriculture, yes, there is a need to preserve agriculture in this country but let us also be realistic and understand this is why Government needs a proper land use policy. Right now you have about 56 000 arable acres in this country. The sugar people themselves have stated that you need about 30 000 in production as you presently have and another 10 000 acres to be able to make that effective in order to rotate. If my understanding of that is wrong I hope someone will correct me.

That leaves some 12 000 to 16 000 acres and it is my submission that the Government must determine what is a proper land use policy because while there is room for development of acreage out of that existing arable stock that it must be specific and deliberate as to what type of development and what type of use you wish to put it to.

Now it is clear that with tourism being our primary foreign exchange earner that in today's world to go and market ourselves in the absence of golf courses would be ludicrous. Let me make those steps very clear. The question is the location. The question is that in the context of proper land use policy that would determine how we are going to preserve that 40 000 to 45 000 acres that we need for sugar and how we are going to use that excess that presently exists.

What I would say as an aside is that it is ironic that a lot of people who have already benefited from the cutting up of land in this country are now talking. But that is an aside and I leave it there. However, that is why I say I want you to listen to me carefully. I have difficulty, from the political end, with the fact that while it may not be illegal to participate in the venture when one is a Member of Cabinet (and it is clearly not illegal; there is no law that prohibits it). I have difficulty with this fact, that at this point in time, in Barbados, when the political culture and the political institutions have been under the gravest possible attack, when the confidence in the political institutions and the politicians themselves, is probably at its worst since independence, that what is required in terms of the conduct of politicians in this country, is behaviour that is above the acceptable standard, that it is like Caesar's wife, above and beyond reproach.
12.45 p.m.

Mr. DEPUTY PRESIDENT: Senator Mottley, that has nothing to do with the Land Tax Act. Nothing to do with the Land Tax Act.

SENATOR Miss M. A. MOTTLEY: And what is required, Sir, when changing the use of land, which is a decision that has gone to the Cabinet of this country because of its potential difference in taxation that someone who belongs to the Cabinet, who will have to determine different levels of taxation...

Mr. DEPUTY PRESIDENT: What has that got to do with the Land Tax Act, Senator Mottley?

SENATOR Miss M. A. MOTTLEY: Sir, it is clear that for whatever reasons the Chair does not want me to deal with this but I am going to stick to it in the process of land taxation.

Mr. DEPUTY PRESIDENT: I repeat, it depends on how you address the subject of land tax. If you address the subject of land tax strictly with respect to land that is all right. I did not mind that.

SENATOR Miss M. A. MOTTLEY: Sir, section 6(1) of the Land Tax Act: "Tax shall be levied and paid at such rates as may be specified by the Minister by Order".

Certain remarks made by SENATOR Miss M. A. MOTTLEY, at this stage, were later ordered to be expunged from the record by Mr. DEPUTY PRESIDENT.

SENATOR J. J. PAYNE: On a point of order. Mr. Deputy President, the Honourable Member is imputing improper motives to a Member of Cabinet and she knows very well that that is not within the rules of this Chamber. I would ask that those remarks, not only be withdrawn, but be removed from the record.

SENATOR Miss M. A. MOTTLEY: Sir, before any remarks are removed from the record, I am asking the Honourable Member to apprise me of any remarks I have made, because I honestly don't know what the Honourable Member who is an attorney-at-law and therefore understands the duty to be specific in one's accusations. I don't know what he is talking about.

Mr. DEPUTY PRESIDENT: All right, Senator Mottley. Will you indicate what you are referring to to Senator Payne?

SENATOR J. J. PAYNE: The Honourable Member made mention of an Evelyn Greaves who is a Member of the Cabinet and a Member of the Government of Barbados. And to the extent that she is implying that he is making some reference to some project in which there is some interest, I think, Mr. Deputy President, that in that respect she is imputing an improper motive to the Minister.

Mr. DEPUTY PRESIDENT: All right thank you. Yes.

SENATOR Miss M. A. MOTTLEY: With all due respect, Sir, I will ask for the record to be read, Sir, because my recollection of what I said referred back to section 6(1) of the Act when it says that the land duties and thing had to be determined by the Minister and

I referred to Mr. Evelyn Greaves as the appropriate Minister. I don't know why... It is obvious that something else has been read in and I said that the Minister is a Member of the same Cabinet that the Deputy Prime Minister is a Member of. Now for some reason there is a lot of protestation and there must be a reason for this protestation.

SENATOR J. J. PAYNE: Mr. Deputy President, the Honourable Member made the statement in the context of referring to Caesar's wife being above this and above that. It is not what you say, it is how you say it and the context in which it is said and how reasonable and intelligent people will understand what you are saying.

SENATOR Miss M. A. MOTTLEY: With all due respect, Sir, the Honourable Member is misleading this Chamber and I believe the only way we are going to settle it is if the record is read. I referred to those things about Caesar's wife long before I went on to deal with Section 6(1) of Cap. 78A and I really do not appreciate the Honourable Member misleading and misinterpreting what I have said. So I am appealing to Your Honour to protect my rights in this matter and to ask for the record to be read as to what I said. If I said anything to impute ... I don't know anything about the Honourable Evelyn Greaves to talk anything about him and I really do not want the standard of what I am saying to be impugned because I am very serious about what I am saying because it is a matter that will affect people in this country, in public life, for the next 30 to 50 years in terms of what happens. I am therefore asking, Sir, that in those circumstances that the record be read.

Mr. DEPUTY PRESIDENT: All right you may have it read.

SENATOR Miss M. A. MOTTLEY: Thank you, Sir.

Mr. DEPUTY PRESIDENT: All right we shall have the section read with reference to the Honourable Evelyn Greaves.

SUSPENSION

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, it is 1.00 o'clock; time for lunch. I know that the Senate is awaiting information concerning words alleged to be spoken by Senator Mottley which were challenged by Senator Joseph Payne and the Chair will give a ruling on the matter when Senate resumes at 2.00 p.m. I beg to move that this sitting be now suspended for one hour.

The question was put to the Senate and agreed to and Mr. DEPUTY PRESIDENT suspended the sitting accordingly.
12.55 p.m.

RESUMPTION

Mr. DEPUTY PRESIDENT: This sitting is resumed.

Mr. DEPUTY PRESIDENT read a section of Senator Mottley's speech and ordered that to be expunged from the record.

Mr. DEPUTY PRESIDENT: We must remember that we are not conducting a trial and we are not supposed to suggest anything that might at sometime be implied to mean one thing or the other. The remainder of your speech, Senator Mottley, will stand. You may continue your debate.

SENATOR Miss M. A. MOTTLEY: Sir, I bow to Your Honour's ruling but I am a bit amazed as to what the intent is. But I suppose that is how one suffers sometimes in terms of not understanding natural justice.

Mr. DEPUTY PRESIDENT: Senator Payne.

SENATOR J. J. PAYNE: Mr. Deputy President, the Honourable Member is again in breach of the Rules of this Chamber. In fact, she is now reflecting on the ruling which the Chair has made in implying that natural justice is not being applied.

Mr. DEPUTY PRESIDENT: Thank you. Senator Mottley, it is important that you accept the ruling of the Chair without such comments. In any event, innuendo is very important when dealingwith matters such as these and that has been taken into consideration. Senator Mottley, you may continue your debate without any further reference to this matter.

SENATOR Miss M. A. MOTTLEY: Sir, I appreciate Your Honour's ruling. I am not sure if Your Honour ruled on the last matter...

Mr. DEPUTY PRESIDENT: I said without any further reference to this matter.

SENATOR Miss M. A. MOTTLEY: On a point of privilege, Sir. I am not sure that a ruling has taken place. I do not know what Senator Payne is last objecting to and in the circumstance, Sir...

Mr. DEPUTY PRESIDENT: That is my privilege, Senator Mottley. I said that you may continue with the debate.

SENATOR Miss M. A. MOTTLEY: Sir, it is also my privilege because it reflects on me and therefore it affects my rights, Sir.

Mr. DEPUTY PRESIDENT: Senator Mottley, in any event, if you are surprised at my ruling and as long as it does not go beyond that as I said, I have no objection to your being surprised. You may go ahead and finish your debate.

SENATOR Miss M. A. MOTTLEY: That was my intent.

Mr. DEPUTY PRESIDENT: All right, you may continue with your debate.

SENATOR Miss M. A. MOTTLEY: Your Honour is not giving me a chance to continue with my debate. Sir, as I was saying before on reflection of Section 6(1) of the Land Tax Act, Cap. 78(a), tax shall be levied and paid at such rates as may be specified by the Minister by Order. It is my submission, Sir, that where land is being subjected to a change of use the application had to be made in this instance to the Honourable Minister with responsibility for this area which happens to be the Honourable Evelyn Greaves. The fact that the two last names are the same has nothing at all to do with the matter and my only point is this. It relates to the Deputy Prime Minister's involvement as a Cabinet Member in a Cabinet who has responsibility for making a decision. While the Deputy Prime Minister may have absented himself in relation to a decision which would have been made in accordance to Section 6(1) of this Act, that fact alone given the current political climate in Barbados and given the current lack of confidence among the people of this country in the political institutions and the politicians in this country signify that it is highly imprudent and unwise for someone to remain an active participant in an organisation, that being the Cabinet, who is charged with the responsibility to give a decision as to whether certain permissions will be given or not.

Sir, I am not saying that it is anything contrary to the law because an examination of this Act and other legislation in our country will show that it is not contrary to the law. But it is at a time when this country badly needs confidence in the people who lead it, whether it is in the Church of England, Parliament, Courts or the Police Force or wherever. All this has succeeded in doing is to cause people to lose further confidence within the political system of the country when the Cabinet can make a decision in accordance to change land use where one of the participants in it legally without any questions being attached to his integrity. I want to make it clear that I am not questioning or impugning the integrity of the Deputy Prime Minister but I am questioning his judgment that he should remain as part of that body at a time like this when that confidence needs to come and to be built again and when the Cabinet of this country, Sir, in whom a significant amount of confidence needs to be reposed that the questions are then circulating as to all of the dealings.

Sir, I am saying in all seriousness that it is not a question of whether my saying that Ministers should not be involved in business activity or whatever or anything to do with land tax, land use or whatever. I am saying simply this that where the decision revolves around a determination that needs to be made for the first time as with this relating to a change of use and that person belongs to the body, any appearance at all that everything is not as I referred to earlier totally without question, even if it is not illegal but totally without question, only serves to further damage the political culture and political institutions in this country and further serves to make the people of this country cynical or those who are already cynical to move to the stage of apathy, Sir. I am saying to you that when one balances the fact as to whether one person should remain in office or the damage that is being done to that whole system and culture which cannot be solved overnight and which will take a full generation to work out and to rebuild that trust and confidence, something is fundamentally wrong. It may well be, Sir, that people are paying for being too honest. Let me make this clear that the Deputy Prime Minister is a man who I believe has a certain amount of integrity and whose integrity I would not seek to question. I am questioning his judgment and I am saying very clearly that perhaps yes he could have gone and hidden behind a dummy corporation as others have done in this country who were involved in politics and who sought to fool people about their involvement, particularly relating to matters pertaining to land use and the cutting up and subdivision of land. But he came and disclosed his interest. Having said that...

Mr. DEPUTY PRESIDENT: Senator Payne.

SENATOR J. J. PAYNE: On a point of order, Sir. I have sat and listened very carefully to what the Senator has been saying. In fact, Mr. Deputy President, I think that I should quote the Rule under which I rose much earlier.
2.25 p.m.

It is Order 34 Rule 8 which states as follows:

> "(8) The conduct of the Governor-General or Officer administering the Government, Members of either House, Judges of the Supreme Court of Judicature shall not be raised except upon a substantive motion moved for the purpose."

As long as you raise the conduct of a Member of either House, whether you raise that conduct with reference to improper behaviour or otherwise, it should not be raised except by a motion, and the Honourable Member is speaking about Ministers in the context of the falling of confidence in politicians.

Mr. Deputy President, I submit that the Honourable Senator is in breach of the Rules of this Chamber.

Mr. DEPUTY PRESIDENT: Thank you, Senator Payne. Senator Mottley, I must point out that I was aware of that Standing Order. In fact, I had it opened when Senator Payne drew it to my attention. But I would point out also that while you may in any event make a passing reference to any such matter, you cannot make it a point of your debate. So I would suggest that you do not go down that road. If you do, then I shall have to rule you out of order; but one is permitted *en passant* to make a passing reference, which you have done. I say you do not go down that road, you continue.

Incidentally, Senator Mottley, I have taken all the time into consideration and I have given you back your time. You have 3 more minutes.

SENATOR Miss M. A. MOTTLEY: As Your Honour pleases. I would only wish to say at this point that perhaps I should invite Senator Straughn to sit down next by me so that Senator Payne could go up there. But then again I do not subscribe to the same views as he does – that a bird in the hand is worth 2 in the bush. I have nothing more to say, Sir.

SENATOR Dr. E. A. SIMMONS: Mr. Deputy President, I rise first of all to support this Bill and to make some comments coming out of some of the statements that were made. I am a little bit saddened that in this Chamber, which is supposed to be the elite of the Chambers in this country, we do not try to keep the debate to the kind of level we should. After all, I am always mindful of the fact that 20 or 30 years from now students at the primary, secondary and tertiary levels will be reading the debates of this time and it will be a reflection on us as adults how we conduct our business. We ought to be very, very careful as to what we say and how we say it, because people living 30 years from now will not understand the social and economic climate in which we are living and they will come to judge us by the statements that are made.

That having been said, I want to make a few comments on the land tax.

Aside.

Mr. DEPUTY PRESIDENT: Senator Barker, I object to your loud asides. You will not repeat them.

SENATOR Dr. E. A. SIMMONS: Senator Barker made some comments as to how he saw the whole concept of land tax. I think I am not incorrect in saying that he preferred the transfer tax.

SENATOR T. E. BARKER: It is not a question of preference.

Mr. DEPUTY PRESIDENT: Senator Barker, on what do you rise?

SENATOR T. E. BARKER: On a point of order. He is misquoting me. I never said I prefer property transfer tax. What I am saying is that the property transfer tax seeks to allow for inflated house values, but the land tax should not. That is the point I am making. He does not understand the point, but he is misquoting me. I never stated a preference for property transfer tax.

SENATOR Dr. E. A. SIMMONS: The point I am making, Mr. Deputy President, is that when I listen to debates, especially from the other side, I get the impression that 166 square miles of land have fallen off the planet earth and we are no longer part of the globe. If you follow what is going on in the world today, the world is going through a severe recession. As a matter of fact, talking about paying land tax, if you look at England, if you look at Canada, if you look at the United States, if they were to depend on property transfer taxes Government income would go down tremendously, because there are lots of properties for sale that cannot be sold because there is not enough money in the system. If you depend on that form of taxation you are going to find yourself with a very serious problem, and we are only part of the whole area.

When we start talking about giving preference to foreign companies coming in, we have to understand what is going on in the world. The United States and England are in a situation where they are trying to attract foreign investment, and they are doing this by granting concessions. The Japanese have gone in and bought out part of Hollywood; they have bought out the Rockefeller performing centre in New York and we are in the Caribbean competing against places like Guyana. Guyana was probably the most rabid communist country in the Caribbean and Guyana is privatising everything and attracting foreign investment. If we are to be competitive, we have to take cognisance of what is going on in the international market...

Aside.

Mr. DEPUTY PRESIDENT: Senator Barker, you will desist from your asides. I have spoken to you before. If you do so, it must be *sotto voce*, but it cannot be loud enough that I can hear you distinctly.

SENATOR Dr. E. A. SIMMONS: Thank you, Mr. Deputy President. I remember a few months ago when the Transatlantic Boat Race went from Barbados to St. Lucia there was a hue and cry that the Government did nothing. The Government sat idly by, did not provide incentives and therefore we lost income. You have to decide which side of the fence you are going to be on; you cannot be on

both sides; you have to take decisions and therefore if the Government in its wisdom has to take decisions to attract foreign capital, Barbados is not the only place in the world. You have to understand that people who move their money move it at a benefit to themselves and we also will get benefits. If you believe that you can sit down in Barbados and tell investors, who want to bring a golf facility into Barbados, what you think is the best place for a golf course and they have to buy it, you have another thought coming, because the people who are going to build golf courses in Barbados know what is the optimum place to build a golf course. If you are going to be in a bargaining position, you have to provide what will probably be the best facilities.

I said that to say this. In Barbados the major earner of foreign currency is the tourism sector. If we are to remain competitive in the tourist sector, and if we are to remain competitive at the upper end of the tourist sector, we have to provide the facilities that will attract people with money. Since the Japanese have come into the market, we know that the business people throughout the world will not go any place unless they can get up at 5 o'clock in the morning and play their golf and then go to the conference facility. That is a fact of life. We will either produce the golfing facilities or we will drop out of the competitive market in tourism, so we have to make a decision.

Senator Barker mentioned something about sugar. We in Barbados have a misguided view about what is going on in sugar. We are propping up a sugar industry that has no future. I say this because I happen to be President of the Lomé Convention. That is the area that buys our sugar at a preferential rate and I am saying to this Honourable Chamber that the days for preferential rates for sugar are coming rapidly to an end, because the European politicians cannot justify to their constituents that they will be prepared to buy sugar for Germany and England at a preferential rate while they are saying, through the GATT negotiations, that they are not giving subsidies to their own farmers. We have to understand that; we cannot continue to sit on the edge of a cliff and wait until everything falls out to make decisions. If tourism is going to be our major foreign earner, we have to be competitive in the market and we have to put structures in place to make us competitive.
2.35 p.m.

I want to say something more. I just happened, along with Senator Phillips, to have come back from the Royal Agricultural Show in England. We had some very instructive information there. We are moving into an age of what is called genetic engineering. In genetic engineering, scientists can now take our mangoes, our tomatoes, our peppers and by using fish genes, chicken genes and even human genes, they will be able to produce tomatoes, oranges, mangoes and peppers. After they have become ripe, they will have a shelf life of 2 to 3 months and remain firm and ripe.

We are in for a serious and rude awakening. Right now in the United Kingdom, England is already taking agricultural land out of production and planting it back with trees for forestry because they have recognised that the land space that was needed 10 years ago to produce 1 000 pounds of potatoes now only needs a quarter of that land to produce the same amount.

We have to understand and we have to read our scientific journals and follow what is going on in the world. I have maintained in this Honourable Chamber, Mr. Deputy President, as Senator Alleyne said in his contribution, that we in the Caribbean have to look to a place like Guyana for our food production. It is cheaper. It is more fertile and it makes more sense. I will say something else as a word of warning. We, in Barbados, have to understand right now that Cuba is being embraced by the European countries and the fact that you saw Fidel Castro sitting in the stands in Spain was not an accident. He was there at the request of the highest officials of Spain for a particular reason. I say that to say this.

Within the next few months, we in Barbados will be competing with Cuba for produce to the European market and I am saying that we in the Caribbean have to work out our strategies very carefully because if we see ourselves in terms of agriculture as competing with Cuba we will be wiped off the map. We have to find some ways in which we see ourselves as complementary and working together. Now, that has some very serious political implications and for our countries, but these are the kinds of decisions that we need to make. These are the things that we should be examining. That is where the survival of our country lies.

There are countries in this world who tell us that we cannot speak to Cuba, but we know that it is in our interest; that if we don't speak to them that we may suffer, we may die. These are serious and fundamental issues. I feel that this Honourable Chamber needs to get involved in these kinds of debates because there are determinations that we need to make and we need to sensitise the public out there as to what is happening.

We are moving into a private sector world. The world is being privatised. I hear Senator Mottley talk about conflict of interest and all of that, but I am 56 years old and I grew up in a country where before independence the people who ran this country for over 350 years were the landowners and they made all the decisions. I have never heard anybody complain that there was a conflict of interest. They were the owners and the political decision makers of this country. I find it passing strange. No, we are not going back there, but if we are talking about privatisation in this country where I was born... If

a Minister of Government declares his interest and lets the people of this country know where he stands, I see no reason why he cannot get involved in the economic activity of this country, just as you are saying under the privatisation scheme people can come from wherever and own a stake in this country and that's a reality of life. We cannot stop it. The whole world is being privatised and the same way the Japanese are owning America and the Canadians are owning Guyana we better believe that foreigners will come and own Barbados and we cannot stop it. What I am saying is that wherever possible it must be done in a particular way, but I don't think that anybody in this country can question the integrity and honesty of the individual who is involved. Therefore we have to be careful in our debates how we write into the records of this country suspicion surrounding people where there should be no suspicion. That is why I thought it was important to make a contribution because we have to examine ourselves.

We need not feel guilty or ashamed if we have to take bold actions. There is action to be taken and it has to be taken. What I would say is that we are going through in this country and in the world serious economic and social changes. There is no legislation that we can bring to this Chamber that can be the end-all of all legislations. The world is in a dynamic stage. There is nothing static about the world. There is nothing static about Barbados. There will be changes and, from time to time, we will have to come to this Honourable Chamber to put legislation on the book to temporarily update what is going on in the world.

We understand that it is the role of the Opposition to be critical and maybe at times even to create confusion, but let us be clear of what we are doing. The Honourable Senator Barker is an economist. I am not an economist. I think he is fully aware of the fact that we are changing the taxation system in Barbados. If I were to follow what he is saying every time we come into this Honourable Chamber to discuss taxation, his attitude is to drop it. You cannot run a country without taxation. He knows as an economist that if you move from direct taxation you have to go to indirect taxation. If you move from indirect taxation, you have to go to direct taxation. At the same time that he is calling for the abolition of taxation he is saying that we should maintain the social standard of living and it cannot be done. There is a price attached to everything. What one has to do really is to try to find a mix between indirect and direct taxation at a particular time because as we move from year to year that mix changes and you have to try to balance the mix between indirect and direct taxation that is suitable to everybody.

Let us face it. Nobody likes paying taxes. What is instructive, as Christian as he is, when we start with the story of Christianity, Jesus Christ was born while his parents were on the way to pay taxes. Therefore, in a Christian community we should not be surprised at taxation because our whole ethic about Christianity is based on our Saviour who was born on his way to pay taxes. So we understand that that is a way of life.

Mr. Deputy President, I just want to interject these few points because I thought that we need to understand what we are doing and I want to give my full support to this Bill. Thank you very much.

SENATOR Mrs. M. WALCOTT: Mr. Deputy President, I want to make a few observations. I agree that there should be some land use policy. The same way in which there are A zones for the safeguard of our potable water supply, there should be in this country areas set aside and preserved for agriculture alone. Had this been the order of the day, I don't think that there would have been such a controversy about the placing of this new golf project.

As far as that golf course project is concerned, I understand that it is on the fringe of the main agricultural belt. It is not as if it is in the middle of the St. George or the St. John valley so it really should not present such a great difficulty because it is on the fringe and agriculture can proceed uninterrupted.

As far as that agricultural belt is concerned, I feel that with the land use policy agriculture should consolidate and concentrate on set areas, and make those areas profitable and as productive as possible. I am told this is possible too. 2.45 p.m.

What I am most concerned about is the lengthy list of concessions that we hear are going to be asked for by the developers. It is ironic that today, when we are discussing various tax bills that our attention is drawn to the wings where this project is because it is not really in here today but it is lingering out there in the wings, but it is also slated to boost the tourist industry and at the same time expecting all these privileges. What I want to know is, how will other similar ventures be treated? And, will this be the pattern for the future? I can see that some considerations have to be put in place and have to be offered, because as the last Senator said, we are in big competition so we would have to offer something. I do hope a reasoned solution will be the outcome.

My other concern about the same golf course is this: I hear that Barbados only needs about 3 golf courses but the plan is for about 5. So why do we have to have all of these and use up all of that extra land if it is not necessary?

I am all for development, Mr. Deputy President, that is projected to help the unemployment situation and improve our country, and this new development will

also enhance our tourist product. It would seem that there is some additional examination of the whole situation that is needed. What I would like to be assured of is that whenever that is done, and if ever it is done, that the appropriate and full information is handed out to the public so that we know of all of the details of why it is there, what are the concessions and how we will benefit. Apart from that, Sir, I support the Bill.

Mr. DEPUTY PRESIDENT: Senator Fraser.

SENATOR Mrs. V. C. FRASER: Thank you, Mr. Deputy President. In supporting this Bill, I should like to make a few points and one is the fact that it is proposed to have a special discount on agricultural land. Sir, I welcome this but I would like to suggest that when it comes to lands for agriculture that the right people get that land. Why I am saying this is because I know people were buying 4-acre lots at the price that they should pay for agricultural land and it ended up in building beautiful agricultural houses and a mile of lawn.

I think, if you are talking seriously about agricultural production we need to look at the type of person that we are going to involve in that exercise. I no longer want to see just what I mentioned, those persons with the 4-acre lots running in grass and making a lot of lawns, not a fruit tree, nothing at all. That is not helping the country in anyway and the fact that they got the land at a cheaper price is really ridiculous. I hope it will be seen to, that if we are going to give people incentives to do agriculture that these incentives will be truly agricultural. I think it is time that people if they are going to be agriculturalists they be full time agriculturists and stop being the absentee farmer who works at a job in town for a very good salary and gets somebody to oversee the land and then there is not the production which they are looking for because they are very absent.

This is very necessary, especially at this time when Barbados is looking for markets abroad. We can find some ready markets abroad only if we decide to work seriously at this whole question of agricultural production. We must also look for new crops that can be grown on the land, crops that are marketable.

One of the problems we find, Mr. Deputy President, is that in Barbados, everyone seems to think that he or she is an agriculturist. We are talking about 2 things – self-sufficiency where you can grow all that you need around your house or in your small plot of land, and then we are talking about the farmer who is growing products that he knows can be marketed successfully, whether it is in Holland or wherever. We must also look for the product that will be suitable and can be beneficial to Barbados, in terms of the money that it draws in. We do not have to look for 10 or 15 crops. Grenada is known as the Isle of Spice and they concentrate deeply on their spices. It brings in money. Barbados does not have to look for 10 and 12 different crops and be confused and over produce and then get frustrated. What is necessary is to look at the crops that we can produce successfully and before you do that you must bring in a proper marketing study. This is also a problem, somebody grows something successfully and somebody else says I have to grow that too. They have not studied the project properly and therefore the thing must be a failure because you have no market for the crop when you are finished growing it.

I would also like to say that the question arose in here about land use policy and so on and some Senators were a bit critical about certain things that are being done now. Sometimes we should look back a bit and see what was done that started to trigger off the confusion that is going on now because history usually plays a very significant part in what is happening now.

I don't know if many people could cast their minds back to the Wildey Plantation area that was one of the best producing plantations in the St. Michael area and we ended up with a Sanitation place up there. I know, Mr. Deputy President, because I was involved in the struggle. They got it renamed as agricultural land and too often we are very distracted from our real goals. We are not like the Chinese who prepare for the their children and their children's children. They do not look at themselves. They look at their future and that is why, in many ways, we can copy many things from them. I am not saying everything. In terms of agricultural development we can copy quite a bit from them and that is that if a particular piece of land is good for a particular crop we grow that crop there; you just do not jump all over the place.

There is also the question of doing research. Barbados has a lot of research. The Caribbean has a lot of research on agriculture. People are looking at folk medicine, herbal medicines. People throughout the world are also looking at new types of diet. You are hearing now about the bean curd and the utilisation of fruits and vegetables. I heard Senator Simmons mention about the new phase of technology. We have seen that and we have even tasted some in China where people are using all kinds of seaweed and so on to make food for people and they are eating them. They are very tasty. We have to get into part of this too.

The question of aquaculture is something that is done on the land. People are making a tremendous amount of profit on agriculture where in the hotels you can have

have your own pond and the hotel can be self sufficient in fish from its own pond. In households and in villages, the same thing can happen.
2.55 p.m.

I am happy to see that we have started an agricultural group in Barbados as part of the Barbados Agricultural Society. I think that it has a great future. But with all the best will in the world and all of these Acts and Regulations passed, we are not going to get anywhere unless we change our attitudes. The biggest problem we have is an attitudinal problem to land use. Many people believe that agriculture should only be done on a subsistence basis and that we should sit down and depend on putting up big structures for tourism and that is the answer.

I think that we had better take a second look. If I can see so many thousands and probably millions of tourists going to China which is so expensive to get there and participating actively in every single tour, it means that there is something more than just buildings, sea and sun. There is a lot more and people are looking at things that you are doing that are indigenous. Using our land to grow many of the crops that we can feed ourselves to get the dietary fibre is very, very important. We must not undermine ourselves by saying that we cannot do it.

Sir, I take difference with a Senator who spoke today and said that there are about two things we have. He was talking about fish and something else. But we can do without a lot of what is imported in this country. We do not need to have a number of things that are imported in this country because we do not need them to survive. We do not need them for the basic functions of life. They are just the sidelines that you buy as a luxury item. We do not need all these cans of this and cans of that. We need good fresh food such as fruits and vegetables and we can afford to say to those imported things go away. When it comes to fish and if we do not produce it in Barbados, there are other islands in the Caribbean that we have long line fishermen and they go to a certain limit beyond the small fishermen and they can get certain types of fish. We have people here who are salting fish and smoking fish. This fish tastes very good and it is well packaged and Barbadians are eating a lot of fish 60 pounds per head per year. That is a lot of fish. It is more than the United States. So if we are fish eating people, I think that we need to put some emphasis on the agriculture and also the food from the sea.

Mr. Deputy President, I believe firmly that agriculture is the way to the future. It is also going to assist tourism. Why? You have seen examples throughout the world where people utilise the by-products of agriculture to make souvenirs and drinks for the tourism industry. Therefore, it is necessary to have a second look at the by-products in this country. We import a lot of mauby. We have a couple of trees here called the colubrina reclinata. We need to do some forestation with those trees and with many of the herbs that we have not been utilising. Many of the herbs that our grandparents used we despise and we have stopped buying them. We are now buying all the various cough mixtures. They are imported and they cost us foreign exchange. Before when a child had a cold, we used the miraculous bush and we found that the Chinese people use that. They will send it to you in a box and you will pay the foreign exchange even for antibiotics.

Let us seriously take another look at agriculture and stop saying that we cannot do this. We have the technologists and technology so therefore we can do these things. We have the land space. It does not take a lot of land to flood the market here with tomatoes or anything. Only a few plantations have to grow tomatoes and it is flooded out. What we can do is to make tomato jam and jelly, tomato bread and all the various things and market them to the same tourists. No tourist comes to a place to buy steak when he can get steak cheaply in his country. They come to taste the indigenous food which has primarily come from the earth. It starts from there as a herb, tuber or whatever and then you take it through its various processes. We can then make money.

Mr. Deputy President, it is highly desirable that agriculture be encouraged as a land use. It is also highly desirable that we look carefully at the persons that are going to reap that benefit. I also should like to say here that the persons who have left plantations abandoned and land abandoned should now be called on to pay the taxes for them and, if they are not going to pay the taxes, you will have to take the land and give it to people who really want to use it. I am very serious about that, because if I do not pay my taxes they will want to sell out me. I do not see why other people should be allowed to owe thousands and thousands of tax dollars to the Government and no use is being made of that land. It is time that we stop talking and implement these things. If you implement them with one or two people, the others are going to run quickly and pay. I think that you saw that with the National Insurance. A lot of people who were not paying ran and paid. So we have to do something to get these people to pay. The Government needs money. If you need money, you are not going to let people be careless and indifferent with money that they owe to the Government, especially in the area of land. Land is one of the commodities that every Barbadian would like to get a piece of. If they are encouraged with various incentives as the Government is trying to do, then put that land in the hands of people who seriously want to develop agriculture in this country.

Thank you, Mr. Deputy President.

SENATOR J. A. F. COLE: Mr. Deputy President, we are discussing this afternoon the Land Tax (Amendment) Bill, 1992 which you would think is a simple matter. In fact, I cannot help but think that it cannot be looked at without bearing in mind the next matter of the Income Tax Act and also those things that are hanging in the wings which will come to be seen soon enough as new indirect taxes. I think we have to look at this not just because we are legislators here trying to put things in their right cubby holes but from the point of view of the man in the street, John Citizen, who is going to feel it in terms of what he is paying out of his pocket. We have already opened a can of worms here today and I would hope I do not make it any worse.
3.05 p.m.

As I say, Sir, we have come to the point where I see our nation builder, a man who 30 years ago was led to believe that governments could do everything. It turned out to be an unrealistic point of view. But 30 years ago, especially in developing countries, it was thought that governments could do a lot more things in terms of pulling a country up than really happened. It seems to me that those people like fishermen, the artisans, the small shopkeepers, the small entrepreneurs were led to believe that they were not really a part of the private sector, they were an extension of the public sector and they would be looked after. And for many years large sums of money were borrowed and the population of Barbados enjoyed virtually free transport, hospitals...and all the infrastructural things were built which made it easier for them. They were not encouraged to think in terms of putting aside $5 a week for a medical plan and little things like this. Now they have had quite a shock in that these things are being taken away from them. It has not been planned that way; it is just the way it has happened. The world has gone that way and they have found that they do not any longer have these perks and so and they have really been left high and dry.

It may appear as if I am wandering a bit, but this is to do with the fact that these people are going to have to pay more land tax if they want to continue their upward push, upward mobility, if they want to see that their children have the things that they never had as children, which is only natural. But they are finding that they are paying back to Government in various taxes. As far as I can see the income tax is not going to be changed much from what it was a little over a year ago, but they will have to pay more land tax, and indirect taxes are going to come. In the end, at the end of every month they will have less money in their pockets, or a bigger minus quantity than they had a year ago.

We have to do a major adult educational programme to help these people not to lose faith and to help them realise that they in fact are the backbone of the private sector, and the country is only going to grow up if they do their part and if they are retrained in certain areas. We talked about attitudes, but this is what we are talking about. It is not an easy thing to change attitudes, but it will have to be done.

I am always quite distressed to hear, as I heard recently, senior politicians using the term "we are doing all we can on somebody's behalf". In this day and age that is close to very negative. When once you provide your roads, your transportation, your health services, your education system and the other basic needs of a society I think the political directorate, or politicians generally, whether they are in power or not, have to stand back a bit and encourage people to get on with their own lives. They must be encouraged. What I am saying is that these taxes are reaching the point where they could well be a disincentive.

With this re-educational thing it is not going to be very easy, because many of us are still bound by the idea that work is something to do with servitude. Years ago we talked about working for so and so. In fact, you are not working for so and so. The biggest mistake a man can make is to believe that he is working for somebody; he is working for himself. He is going to learn skills; he is going to learn disciplines; he will learn things that he can sell. So we have to get those negative things out of our minds.

Years ago Eric Williams of Trinidad was alleged to have said (I never heard him say it but I have heard many people say that he did) that this Massa' thing done. But did Mr. Williams tell his listeners that a new master was now in power and that master was answerable to himself? That is, the citizenry of Trinidad. Was that said? I do not know, but I am only saying that we have to be very careful in this re-educational programme that we send the right messages and that we do not disenchant people and put them out of step.

I do not see Barbados being rebuilt by legislation or legislators. It is going to be built by the people who built it therein the first place. We have to encourage them and we have to do everything possible so that they can see (to use a term very much in vogue at the moment) light at the end of the tunnel. If we do not do this, Sir, Barbados is not going to have a turn around in this economy, short term or short to medium term. It is going to end up like Jamaica or Guyana. Twenty years down the line we will be still searching. Jamaica went all over the world and came back to where it started. It looks as if Guyana will not be developed by the people in Guyana but the people outside of Guyana. I would like to think that Barbadians put Barbados back where it was.

My real concern with this Land Tax Bill and the one which is coming behind it is that it is going to put

further impositions onto the people who are going to be asked to rebuild the country, and I am just hoping that we do not ask too much of them.

I thank you, Sir.

SENATOR A. MORRISON: Mr. Deputy President, I rise to support this Bill and I should like to make reference to the aspect of land use policy which has been mentioned by a large number of Senators in this debate.

Before I do that, Sir, I should like to make a few remarks about the unfortunate things which have been said in here about some deal involving the Deputy Prime Minister. I am not here to defend any Deputy Prime Minister as such, but from the tenor of the speech you may say it is nothing illegal. The Deputy Prime Minister is a man with integrity and I should like to think that I know he has always been actuated by the highest motives. All I would like to say is that reference has been made to his judgment. I do not see how somebody can make reference to someone else's judgment and I in this matter would rely on the integrity of the Deputy Prime Minister and also his ability to always have been actuated by the highest motives and in this respect I do not see any difference in his character.

As far as land use policy is concerned, Sir, I have heard Senators say that there was a lack of land use policy having been exercised by both parties. I can say, with respect to the Democratic Labour Party, that we have always pursued some form of land use policy over the years.
3.15 p.m.

Barbados is a very small acreage and one cannot be too stringent in actual rigidity in marking out land usage. We have tried over the years to identify the areas which are best used for agriculture. In this regard, the Government has always had a water use unit, what we call an irrigation unit, which has been able to identify where water is available for irrigation, and we try to frame our policy to suit where water is available in Barbados.

It was very well defined in 1976 when we lost the elections, and we had actually come up with areas such as Gibbons where there is a great amount of water beneath the surface of the earth which can be used to irrigate 100 acres in Christ Church all year around and which could feed the whole of Barbados. That project was abandoned by the Barbados Labour Party when they assumed office in 1976. It was a plan whereby we were going to put in all of the necessary inputs. We even had earmarked officers from the Ministry to give advice to farmers by way of production targets.

Also we had been informed by the same water use unit so that we would not allow farmers to use their own wells to overpump and, by so doing, deplete the amount of water in the area because overpumping would eventually pump sea water into the irrigation system.

We had earmarked 3 or 4 wells which would be owned by the cooperative and we would sell from those wells.

Mr. DEPUTY PRESIDENT: When you say "we", to whom are you referring?

SENATOR A. MORRISON: The Ministry would have had a cooperative formed at the time in the Gibbons area where you would not be allowed to pump your own well, but you would have to get water from the common source which would be the cooperative sector. Just as you get potable water to your house for domestic purposes, it would be marketed in the same way and they would be told how much water to use to irrigate, what crops to plant and things like that. That would have been the kind of *pro forma* pattern which would have informed the whole Spring Hall project in St. Lucy.

The Barbados Labour Party, at the time, abandoned that project and so plunged Barbados into the kind of haphazard agricultural development for 10 years which never got off the ground. We never got anywhere and that is the sum of the whole thing, Sir. We have always had a policy. We have been accused...And I am glad to hear Senator Mottley say in here today that the pieces of land owned by small people have become sacrosanct, but she does not know how small people came to own land in this country. I have been maligned over the years for allowing certain agricultural subdivisions whereby people have been able to own a spot of land in this country.

The Democratic Labour Party's record is clear. We have been given all kinds of lashes. If we had not allowed subdivisions to take place, what small people who own land would they be able to talk about? You all should be ashamed to talk about small people owning land and it is sacred when the Labour Party has never made it possible for the average man in the street to own a spot of land in this country. When we released land, the outcrop of Oistins, the Kingsland Development which now has myriad house spots, at that time people were hungry for land. That was poor agricultural land. Oistins was already shut out because there was no land in Oistins. If you had to extend the capital, you had to go on the hill. We got licks for days on that permission to subdivide that 100 acres which has proven to this day to be one of the best developments in the history of this country.

At the same time, the same Labour Party having inherited a plan already worked out for Oistins Development put all those plans aside and we have seen the eventual development in Oistins now where they moved everybody off the seaside to open up a whole window to the sea to enhance a particular business.

Asides.

Mr. DEPUTY PRESIDENT: Senator Barker, this is not a prayer meeting which is punctuated by amens or hallelujahs. It is only at prayer meeting that you punctuate with amens and hallelujahs. You continue to interrupt the substantive speaker. I do not wish to have that. Senator Morrison is on his feet. I have spoken to you twice, Senator Barker, and I will not speak in the same fashion next time.

SENATOR A. MORRISON: Mr. Deputy President, I welcome his intervention because he will go back and tell the person, whom he has to tell, who developed Oistins for his own advantage.

Mr. DEPUTY PRESIDENT: We have rules which must be observed.

SENATOR A. MORRISON: ... and when you are reporting back to your seniors you will call the names, not me.

Mr. DEPUTY PRESIDENT: Senator Morrison, ignore the asides of Senator Barker. That is not the standard of debate I will have in this Chamber. You will continue with your debate and stick to the substance of the matter.

SENATOR A. MORRISON: Sir, I always do. I have been talking about what happened in the development of Oistins. It is all factual. It has been developed and houses were perfunctorily removed in Oistins to open a whole panorama to the sea which only served to enhance a particular development. I don't have to call any names. Today, we do not have a complete development at Oistins.

I would like to make this further point, Sir. The Government to which I belong has never applied to the Town Planner for subdivision of agricultural lands. It is the estate owners who have always applied for first subdivisions. In the 1970's, in that same Christ Church area, where it was a policy concomitant with the owners of the plantations at the time and also the sugar factories where they even attacked Government's policy and said in open debate that the sea rocks were approaching in Christ Church.

It was a wicked policy at the time by the Sugar Producers' Association which shut down Searles Factory in order to force the Government's hand to release more estates in Christ Church for subdivision. Searles suffered eventually to the detriment of every small farmer in that area. At that time, Searles was the best producing factory in Barbados when it comes to the actual returns of sugar to tonnes of cane reaped. They put the thing at Foursquare and, eventually, the same people shut down Foursquare and went to Carrington. All of those things were being done to influence the Government of the day to release more lands in the same Christ Church area for development.

We have always had a policy, and we have always identified that we would grow sugar canes in the areas of high rainfall and which are best suited to sugar cane production. We also said in the Christ Church area, St. Philip parish, St. Lucy parish which have lands which are marginal for agriculture, very shallow top soil. The only time Christ Church, St. Philip or St. Lucy produce canes of any quality is when we get, not a heavy downpour of rain, but a constant sprinkling over the whole period. Then we get real good crops in Christ Church – the best sucrose content ever in the history of Barbados because of the nature of Christ Church soil. We said we would grow cotton in those marginal lands and use some other light cropping like cassava.

We have always had a land use policy. I don't know about the Barbados Labour Party. I am just trying to outline to this Chamber that we were never lacking in foresight as far as land use policy is concerned. We knew the areas of Barbados where we could grow certain things. We knew that we could not put any heavy agriculture in Christ Church. The lands are flat. It was very convenient to even grow vegetable production because the whole history of vegetable production in Barbados is related and has been carried out in the Christ Church area. Small farmers in St. Davids, Zandy Yarde, and the Kings in Cox Road, St. Davids, they grew vegetables. At that time it was not known for an estate manager to grow vegetables in this country. A few small people grew vegetables the hard way and made their names. You do not understand what is going on.

3.25 p.m.

In those days we encouraged small farmers to get involved in agricultural production because we saw it as the way out. Our main thrust at the time of diversification in agriculture came from the Democratic Labour Party not from the Barbados Labour Party. The word diversification in agriculture was unknown to the Barbados Labour Party until recently. I don't know if they knew that the word existed. We had a man here by the name of Dr. Eavis who is the first man that produced peanuts and onions here in large quantities. The first phase of onion growing here in Barbados was of a phenomenal nature. It was like an end-all, the great panacea for our agricultural woes,

until we were hit by the thing called onion blast; if not, today we would not be tottering with low returns in agriculture since we had made such a break through in onion production and peanut production in this country in those first 3 years. We tried many solutions like in the case of the yam plants with the anthracnose disease which we find hard to eradicate; but these things happen.

When we talk about agricultural production, we may plant but our efforts may be thwarted by all kinds of insect pests which we have no control over and for which the experts are unable to find a solution.

The research which you talked about...We cannot do any real research; we do not have the money or the things to do it with. We have to do something called adaptive research. We have to see what has been done in other parts of the world and then try to adapt it to our conditions.

Sir, we have pursued the kind of policy with our agricultural development. We have also identified that we can produce on 49 000 acres of land all of the sugar we need for Barbados, for export and for home consumption. As a matter of fact when we produced the record amount of sugar in this country in the year 1969 or 1965 I think it was, we produced 260 000 tonnes of sugar on a mere 51 000 acres of land.

Sir, the City of Bridgetown is on the most water we have in this country. The City of Bridgetown has been built on a shelf of about over 200 feet with which we could irrigate the whole of Barbados and grow the biggest sugar canes in the world. The town happens to be developed in the wrong place but because of land use again and the strategic part that land plays in our development we lose a lot of good land to the development of cities.

The Democratic Labour Party discovered by our same water use project that the next best amount of water in Barbados is in Wildey in Christ Church. But that was after the Labour Party had already committed the Pine to housing development and they had done a lot of things in the Pine. They also put the Sanitation Authority up there and the whole situation was compounded because it is very near to the St. George valley. We could have pumped water from Wildey. There is 100 feet of shelf water up there in Wildey and we knew that. We tested it and we could have used that water because as I said, sugar cane depends on rain fall and nothing more. If the rains do not come at the right time the sugar crop is nothing. If you are able to irrigate sugar cane all through the year you will get bumper crops of sugar every year.

Sir, the Labour Party has never paid much attention to these things but the Democratic Labour Party has tried to draw a line between development and what is good for agriculture and things like that. The land area in Barbados is so small we cannot have a rigid line for land development and say this is reserved for such. But it was the attitude of the plantocracy towards subdivision that has more than ever influenced what has taken place with land in this country. Take Lowthers for instance. A good plantation over the years, but Lowthers has not been worked for years now because when Frere Pilgrim was subdivided, at the time some owners felt that they did not see why they should work Lowthers any more and good agricultural land was allowed to run in grass and then permission was sought to subdivide. Many areas in Christ Church have been left abandoned as a result. The particular point was pursued by the Sugar Factories Limited at the time and it has dampened and even eradicated any small farmer's love for sugar cane production in this country because it was foolishness to grow sugar cane and then have to wait a whole week before the canes were taken to the factory. But, Sir, those small farmers could cope with those pressures. You will see, Sir, that it is not what Government wants to do but things have happened in this country in agricultural development which have tended to show that Government has no choice at all because when plantation workers refuse to work the land and refuse to go into certain kinds of agricultural production and leave certain lands lying fallow, or allow canes to come back for ninth and tenth crops... They plant a first crop now and that is there for the next 9 or 10 years. The ratoons come back year after year and they come back poorer and poorer and they say they are working the land. But that is not working land, Sir. After 5 crops there is nothing.

Sir, there are other ways and means which they adopt which tend to nullify Government's ability to be able to get farmers to react in the right way to agricultural production and thereby when certain lands become available on the market and they ask for subdivision the Government spends a whole lifetime resisting applications for subdivision of estates. The time will come, Sir, when land must be alienated from agriculture because of the development of the country and we would expect the Government in its wisdom to examine these applications carefully and arrive at decisions.

Sir, part of this land tax policy would tend to penalise the ones who do not work their land and also will give certain bonus points to people who are working their lands in order to keep them in cultivation and for that, Sir, I cannot find any fault with that policy. That policy probably started around the time when the Labour Party introduced a kind of penalty on poor people when they should be exercising the penalty on plantations that have a lot of land uncultivated, but they were more prepared to put hardship on the small man because he was not working his acre of land at the time and he had to pay some kind of penalty and so they imposed the penalty on the persons who could not really pay. At that time it was a short-sighted policy because the Government had no ploughing equipment

when the Labour Party was in power and they could not get their lands ploughed. There was no help by way of extension services and then they were penalised because they did not work the acre of land which they had by way of a penalty on their tax bill. Sir, when it comes to anything that is iniquitous you can always associate it with the Barbados Labour Party, that is, when it comes to small people. They have always done that consistently and without any kind of regard for the people they are supposed to be hurting.

Sir, I just wanted to say that we, in the Democratic Labour Party, have always tried to enunciate some kind of land use policy but we cannot be too rigid in what we have enunciated because the country is small and we have to have a fluid policy, despite that we have guidelines which are marked out, yet the country has to be sufficiently fluid to accommodate other competing interest for the same land and that is our policy, Sir. Thank you, Sir.
3.35 p.m.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, I am somewhat disappointed and very, very saddened by the direction in which this debate has gone today. I thought that it was a rather simple matter of looking at the incidence of the tax burden and its impact on the economy as a whole. Unfortunately, those on the other side have ceased the opportunity to destroy by innuendo and by association the character of other people in public life. I have had occasion in this very Chamber...

SENATOR T. E. BARKER: On a point of order, Mr. Deputy President. The Honourable Minister said those on the other side and I take it, Sir, that includes me. Sir, you have heard me in this debate seek to assign anything on the character by innuendo or by anything? I would ask the Honourable Minister to withdraw that accusation about me.

Mr. DEPUTY PRESIDENT: Your name has not been mentioned, Senator Barker.

SENATOR T. E. BARKER: He said those on the other side.

Mr. DEPUTY PRESIDENT: I repeat. My ruling is that your name has not been mentioned. You will take your seat.

SENATOR T. E. BARKER: With all due respect...

Mr. DEPUTY PRESIDENT: I repeat that your name has not mentioned and you will take your seat.

SENATOR T. E. BARKER: On a point of privilege, Sir. The Honourable Senator said those on the other side.

Mr. DEPUTY PRESIDENT: I repeat that your name has not been mentioned.

SENATOR T. E. BARKER: Sir, I want to make my point of privilege with all due respect.

Mr. DEPUTY PRESIDENT: I have heard you on a point of privilege.

SENATOR T. E. BARKER: I have not finished the point of privilege, Sir. What I am saying, Sir, is that the Honourable Minister said those on the other side.

Mr. DEPUTY PRESIDENT: You are repeating yourself. I have heard you say that.

SENATOR T. E. BARKER: Sir, I have not finished my point of privilege.

Mr. DEPUTY PRESIDENT: Well, go on to something else. You are just repeating yourself.

SENATOR T. E. BARKER: No, I am not repeating myself. If you will allow me to make my point of privilege. Sir, the Honourable Senator said those on the other side have sought to destroy the name and character of a person by innuendo or so. I have not in this debate said anything to reflect on the character of anybody. Sir, I take it as an affront on me and my rights to be fairly heard and represented. I take a strong exception to this matter. The Honourable Senator has to withdraw those words.

Mr. DEPUTY PRESIDENT: Senator Barker, you do not direct me what I must do and I will say that I have heard you. The Honourable Minister has not named persons here. There are a number of persons who have spoken and therefore you will take your seat.

SENATOR T. E. BARKER: Sir, with all due respect, he said those on the other side and that includes me.

Mr. DEPUTY PRESIDENT: Senator Barker, if you continue, I shall have to take more drastic measures. I have ruled and therefore you will take your seat. Senator Clarke, you may continue.

SENATOR THE HON. Dr. C. D. CLARKE: It is most unfortunate that after we seek to more or less impugn the character and integrity of other people that we react with such vehemence when it appears to be coming in our way. I have heard in this Chamber today it being said in the course of the debate that we are not attacking the character of the individual. But we are attacking the judgment of the individual, but by associating the two things at the same time we are sending out over the airwaves and hope that they are recorded. It is all right.

I am not saying anything about your character but I am talking about your judgment when the intent or inference is left to be drawn because something was spoken at one and the same time there was nothing about the character at stake. I have had the occasion to say in this Chamber that we have been over time attacking all the institutions in this country and no country will withstand the test of time unless we have respect for the institutions in it and the people in authority whoever they happen to be who have the responsibility for running the country at this point in time. We cannot afford to make fun of our institutions. We cannot afford to make fun of our people. The opportunity was presented here on a platter for us to review a matter of great import to this country. That is the tax system. I had occasion a week ago to introduce part of the tax regime and that was with the withdrawal of the levies. This was part of the tax system and to hear Honourable Senators get up in here today and pretend to be addressing one part when they clearly understand that this is part of a larger issue is nothing but downright dishonesty and I have no other word for it.

Sir, as I understand it, we said earlier and it was said in the Other Place that the purpose of the taxes would have been revenue neutral. That is that after all of the changes within the tax structure that the amount of revenue received will remain the same and the taxes will remain revenue neutral. That is the only neutrality that I know of taxes.

The purpose of taxation, as I understand it, is to raise revenue, to allocate industries and to re-distribute income. When I opened the debate in here today, I was at pains to state that we were removing the differential in the rates of taxes held by foreigners as opposed to locals because we were pursuing a policy of developing more double taxation treaties in order to attract certain industries.

Mr. DEPUTY PRESIDENT: Senator Clarke, there is one thing. If I heard you correctly, I think you did say that Members are dishonest and I should like you to withdraw that statement.

SENATOR THE HON. Dr. C. D. CLARKE: My apologies, Sir. I was dealing with it within the context of an electoral dishonesty rather than in terms of financial dishonesty. I withdraw it unequivocally. I have no intentions of impugning the character of anybody in here and I withdraw it. I was dealing with it on an intellectual level really. I have no other evidence of anything. But again, I wholeheartedly and unequivocally withdraw it.

The question of the differential and the withdrawal and, as a matter of fact, equalising of the rates and taxes was a matter to be consistent with the double taxation treaties which are being signed between this Government and other countries in the world. The purpose of engaging in these double taxation treaties is to encourage investors from those countries with which we have double taxation treaties to invest in Barbados. If we are talking about taking the economy through a structural adjustment, then we must find new industries. We must also find new ways of doing old things and these will not be achieved since we do not have them in our own resources but through the encouragement of investment opportunities into this country. So it is less than being intellectually honest to imply that this was an attempt to give the country away.

On the other hand, we are also dealing with the question of the Pine Hill Dairy and the sale of shares. When that was introduced in this Chamber, the impression was given that these shares were being offered to the market solely to foreigners. As I understand it and if my memory serves me correctly, these shares are being offered to Barbadians living overseas to induce them to make an investment in their homeland. That is the thrust of the whole package.
3.45 p.m.

Aside.

SENATOR THE HON. Dr. C. D. CLARKE: Yes, but mainly, dealing with the foreign aspect, it is to induce Barbadians who are living overseas to invest in Barbados and own a part of their own country.

Senator Barker raised the question, to which he objected, as I understand, of his house being evaluated at higher and higher levels over time thereby necessitating his having to pay higher taxes.

Mr. DEPUTY PRESIDENT: Senator Clarke, I know that you have unreservedly withdrawn the statement about Members being dishonest, but I have been looking at my Standing Orders here and according to my Standing Order 34(3) and (4) it is equally offensive to refer to them as being intellectually dishonest, so I must ask you to withdraw that as well. I have been giving it some thought before saying anything and looking at my Standing Orders I have come to the conclusion that that should be withdrawn, because it should not form part of the record.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, it is not my intent or intentions to do anything to be offensive to this Chamber or to disrespect any Honourable Member of this Chamber. If any of my statements happen to be offensive and outside the Rules of this Honourable Chamber, I withdraw them without any debate or without any reservations.

Mr. DEPUTY PRESIDENT: Thank you.

SENATOR THE HON. Dr. C. D. CLARKE: On the question of Senator Barker making the statement that

his property is being increased in value every year by the valuers and he has no intention of selling his house, I think the lesson which Senator Dr. Alleyne attempted to give him should have been beneficial. But in case he has missed it I would hope to go over it again.

Land is a rather strange commodity. One, as Dr. Alleyne pointed out, it is a fact of production on which you expect a return along with labour and capital. Dr. Alleyne pointed out that you accept the taxation on these other factors of production. Why not on land? Under the levies small people fell into the net of the levies and these levies were introduced, not by the Democratic Labour Party, but they were required to pay the levies and there was no howl and cry. In addition, land is also a store of value and when Senator Barker goes into the bank to borrow money he is very happy to hear that his property has increased in value, so that he has more collateral and can borrow more money if he so desires. What we are saying here is that there is an increase in the land value and it is also expected that from the sources of land there are certain services – and I think it was Senator Barker himself who identified the services – where there is Local Government which are usually met from property taxes. I also identified some of them in the introduction.

I believe Senator Walcott raised the question of what sort of incentives are being given to other golf courses, and to the best of my knowledge I believe the incentives being given to this golf course are similar to those given to the Westmoreland project and to other projects which are coming on stream.

We must recognise that there are other people out there. People have no special particular interest to come to Barbados overnight. We must make Barbados attractive enough to pull them to Barbados in order to invest in Barbados rather than invest in another territory.

There was no problem at all associated with such efforts when these efforts were directed towards attracting manufacturing businesses. We recognised that in order to have businesses established in Barbados we had to give fiscal incentives – 10-year tax holiday, exemption, duty free importation of raw materials, *et cetera* – because we wanted the businesses to come here and we recognised that we were competing. Today we are also competing for investment dollars in Barbados and, recognising that tourism has reached a plateau and is not likely to go beyond that, unless certain additional infrastructure is put in place, infrastructural development which the Government cannot afford to put in and may not be desirable for the Government to put in, as a consequence and recognising the benefits that will derive from such infrastructural development, and the additional impetus it will give to tourism product, then of course we must see this not in isolation but as a total package, then, and only then, should we weigh the costs and benefits, and if the costs are by far greater than the benefits, then of course we should say no to the project. Until we have done this total analysis, the cost/benefit analysis of the project, then of course to speculate that it will not pay, or that 2 or 3 will be sufficient cannot stand the light of day.

It has also been suggested in here today – and I think I am dwelling a little too much on the golf course project – that there was very little thought given to the change of use of the land. As we are aware, it is the Minister of Housing and Lands who has responsibility for approving such applications. In this particular case, and recognising the problems that were likely to arise from it, there was a hearing, consultants were brought in, people were asked to comment on it. And although the Minister himself had, and still has, ultimate responsibility for the project, he took it to the Cabinet to apprise the other Cabinet Members of what was being discussed. To insinuate therefore that there was actually a change of use of this bit of land without adequate hearing is really erroneous and very, very misleading indeed. I will not ascribe any motive for the misleading in this particular case.

With that Amen, Sir, I beg to move that this Bill be read a second time.

The question was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, this Bill has been certified as a money Bill. I therefore move that this Bill be now read a third time.

The question was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, I beg to move that this Bill do now pass and be cited as the Land Tax (Amendment) Act, 1992.
3.55 p.m.

ORDER NO. 2 – TO AMEND THE INCOME TAX ACT, CAP. 73

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, this Bill is but part of a larger tax reform package that has been coming before us, and although it tends to represent the largest part of the whole tax reform package, as I said on other occasions, the overall effect of the Bill is intended to be revenue neutral.

First of all, we must take a couple of steps backwards and look at the development of the tax system in Barbados. Over the years, at the presentation of the annual Budget, there have been some measures affecting the tax

system and its structure. This has grown over time like Topsy. Because of this unplanned growth, the total system became unwieldy, difficult to administer, costly to administer and provided opportunities for all sorts of tax avoidance. Coupled with this, we discovered that the tax base was shrinking as greater and greater allowances were being made, structural changes in the system were taking place as we moved from direct taxes to indirect taxes, the regressiveness of the system became greater as those of the lower socio-economic brackets were required to assume a greater and greater share of the tax burden while those in the higher brackets were able to bask in the varied and many tax deductions allowed under the system.

In an effort to introduce simplicity and equity into the system, it has been found necessary to review the system. I want to make it clear here because it has been said explicitly here today that the tax structure that this Government is introducing was decreed by some bodies outside of this country. Any taxation being levied in this country falls solely within the purview of the Minister of Finance to the extent that anyone is free to make... As a matter of fact, when this Government, as early as 1988, just before budget time, engaged in inviting people to give inputs before the budget was prepared to determine what measures and what relief should be given and what should be included within the budgetary proposals...This actually happened in Barbados and yet nobody ever accused the population of Barbados of determining the tax structure.

If other institutions are consulted, or if there are discussions with other institutions, I think it is very misleading to indicate or to imply that those other institutions are determining our fiscal structure in Barbados. It is just not true.

I am very sorry that at this point in time we are not able to look at the whole thing as a total package because what is happening here is that we are debating the same concept over and over again and each time, like the 6 blind men of Hindustan who went to see the elephant and they only see one part, one was holding the tail, the other an ear and yet they fail to grasp the whole elephant. I would hope that some of my learned friends on the other side would have been able to see what the whole thing was all about.

This new tax system that is being recommended is so designed to introduce simplicity into the system by reducing the number of tax bands that used to exist from 5 to 3, maintenance of revenue by ensuring those people who were able to use the loopholes and avoid taxes could be brought into the net; to ensure that the incidence of taxes will not fall heaviest on those least able to afford them, that is, by introducing fairness into the system. Because the system grew like Topsy without any particular logic the cost of administering that system became prohibitive. This system as recommended seeks to make the administration of the system cost effective. In addition it seeks to widen the base so that all citizens will pay their fair share of taxes.I have not touched on the question of evasion because that is criminal activity and is a measure for the authorities who are entrusted with the collection of taxes to ensure that those people who seek, not only to avoid taxes which is perfectly legitimate but to evade taxes to be brought before the Courts.

As I said earlier, the simplification of the tax structure is reducing the 5 existing tax bands. Under the current system you have a 20% rate up to $15 000 and over then a 30% rate $15 001 up to $25 000, a 40% rate, a 45% rate and a 50% rate. The maximum rate will now be reduced to 40% and this will start at $25 001 and over. There will be one band beginning at $13 000 at 20% rate and $15 001 starting at 30%. So the rate at $15 001 up to $25 000 will remain as it was under the existing system and 2 other bands will be removed. This will simplify the system.

Most itemised allowances and deductions will be eliminated and the itemised deductions for allowances as they stand now are as follows: personal allowances; child allowances; dependent relatives and housekeepers. These fall into category B. Under category A, you have covenanted subscriptions to charities and pension contributions and the other deductions under category C are life insurance premiums, self, spouse and child, medical expenses, national insurance, widows and children, covenants to individuals, alimony, gardener, household help, mortgage interest, house insurance premiums, repairs, improvements to chattel houses, prescribed improvements, solar water heating systems, rents paid for dwelling houses, savings with cooperative societies, trade union subscriptions, political party subscriptions by Parliamentarians, shares in a public company, shares in a private company.

It is expected that the deductions listed under A will be retained for 1992, that is the covenanted contributions to charities and pensions and a further item included in that to cover covenanted subscriptions to dependent relatives or incapacitated persons. Another area of note is that pensions will now be taxed. However, individuals 60 years old and over in receipt of pension would be permitted to claim an allowance of $20 000 as a basic deduction.

Interest income will now be subject to a final withholding tax of 12.5% and banks and financial institutions will be asked to give effect to this. Dividends will also be taxed at the rate of 12.5%. The corporate income tax will be increased to 40% but this will compensate for the removal of the stabilisation tax. It goes up from 35% to 40%. The individual stabilisation tax will cease after the 31st December 1992. I would also like

to draw to the attention of this Honourable Chamber the amendments which have been passed in the other Chamber and which have been circulated and which have been read as part of the draft Bill that has been circulated to us.
4.05 p.m.

Since we have touched upon the tax structure in the earlier debate and in the last week, I don't think I need to say anything more on it at this point in time. I beg to move, Mr. Deputy President, that this Bill be read a second time.

Mr. DEPUTY PRESIDENT: Senator Straughn.

SENATOR Mrs. A. STRAUGHN: Mr. Deputy President, my contribution to this debate will be conditioned by two main realisations. First, taxation results from the activities of life. It is not easy to divorce recommendations or amendments, one form of taxation from another since human beings are taxed, their earning power is taxed and all income generating activities are taxed. The second realisation is that the documents under debate today, and a particular document which has already been made a document of this House, a document titled "Reform of the Direct Tax System," these documents are very interrelated. The one substantiates the other. I shall therefore, in my presentation, refer to both of them.

The documents, Mr. Deputy President, are replete with economic truisms – example, page 4 of this document and on other pages we have expressions like, one taxpayer's relative advantage in the system must inevitably be the other taxpayer's relative disadvantages. One good or service is relatively favoured by others and it becomes relatively disfavoured by others. These economic terms enhance the literary component of any document and especially in this particular case. The documents were also replete with expressions and terms like eliminate, cancel, repeal, abolish, equity, base broadening, ability to pay. These expressions all have very great significance for the document under review.

Mr. Deputy President, in this context therefore, I shall like to make a few references. The first one I want to make is to the section which deals with taxing on pensions. I made a reference to this before even although this particular document was not under debate but I made reference to it at another time in the context of what had been recorded in this particular document and those of us who have it may turn to page 35. There are not many of us, as I see, Mr. Deputy President, who have it in their possession at this time so I crave your indulgence to cite a particular section of it. The section comes on page 35 and in the second paragraph of this page. It says:

> "The Mission also heard numerous stories of individuals whowould retire, then simply take a second job to augment taxfree pension earnings.".

It goes on:

> "The current treatment moreover undermines the equity of the tax system. Workers pay significantly greater taxes than retired individuals even when the workers have equal incomes, lower incomes or greater responsibilities to care for dependents.".

I submit, Mr. Deputy President, that consideration – and I said this before and it bears repeating, because to me it is very important – consideration must be given to the fact that many of these retired people or pension drawers, if you want to call it that, have extremely scarce resources and society stands to benefit from their re-entry into the work force for continuity and for training and educating others in addition to other things, their services are sometimes irreplaceable. On many occasions, Mr. Deputy President, their services are requested even before their retirement comes into effect.

Further to this, Mr. Deputy President, for every one retiree who re-enters the work force with pay there are many, many, who give invaluable service on a voluntary basis and with efficiency and willingness second to none.

Further to this, Mr. Deputy President, with the rising cost of living and because pensions are fixed when these taxes are imposed there is the dangerous possibility of reducing some pensioners to the state of dependency on those same wage earners that it is meant to protect.

The second area, Mr. Deputy President, is about medical expenses and in this particular document, this comes on page 41 where it is explained, or to use another term, explained away in the paragraph headed "Medical Expenses Deduction".

Again, I crave your indulgence, Mr. Deputy President. Moreover because of existing national health policies the beneficiaries often may be those seeking private medical help outside of the normal health policies provided by the Government and this is the rationalisation that is given for the elimination of the deduction of the medical expenses.

Mr. Deputy President, many of the people seeking private medical health measure it against the value of time. Many of them hold responsible positions in the work place and cannot afford to spend the length of time required in reaping the benefit of this particular public service. This goes to show, Mr. Deputy President, that the population requiring the service and making use of it is disproportionate to those who are employed to deliver the service.
4.15 p.m.

There is also the chance, Mr. Deputy President, more than a chance but a possibility, that the prescribed medications might not be on the list or might have been removed for another reason off the list of those drugs of the Official Drug Service. Mr. Deputy President, I know for sure that public health care in Barbados is about one of the best in this whole world. I myself did an in-depth study of 8 polyclinics in this country in the context of pre-natal and ante-natal care for young mothers and the findings were a revelation. The health service in this country is great but at the same time, Mr. Deputy President, we have to be aware of the fact that all the support systems must work if a measure of this nature is to be as effective as we would like it to be.

The third area, Mr. Deputy President, is about the insurance premiums and this comes in this document on page 40. I think it is common knowledge that insurance is a form of compulsory security. There are pensioners who still pay life insurance. There are low income earners who buy small insurance policies because they depend on the maturity component to help with their short term plans. I know, Mr. Deputy President that the area of insurance employs large numbers of people. These employees also pay income tax and I think, Mr. Deputy President, you might be one who may be able to attest to this. I fear that if this is eliminated then by all the laws of average money from income tax will also be reduced.

Mr. Deputy President, in the light of these efforts and others, some of them very justifiable consisting of a very meaningful reconstruction programme, I must confess that the list of concessions being considered in favour of the Kingsland Golf Course project to which Cabinet has given approval should be looked at a second time. I fear that this list of concessions appears to be seriously out of proportion in money value to any concessions that have been granted before, especially in the area of agriculture and manufacture. In the light of our structural adjustment programme and in the light of the amendments which we are here to debate today, we seem to have some unanswered questions and I think we have some explaining to do. Mr. Deputy President, I fear that we might be creating a precedent and I hope that we will be able to live it down.

On a more simplistic note in looking at the human element a little nearer to home, I have deep respect for those Government servants and others who are saddled with the responsibility of coordinating, converting and embodying these proposals into the income tax return formats. I have great respect also for the Inland Revenue staff who spare no pain in familiarising themselves with these changes and interpreting them and educating the public in this regard. The demands on this staff can be many and grueling in events of this nature. However, Mr. Deputy President, I submit that one particular area of employment must benefit. I can see accountants whose services will be solicited by individuals and businesses to work out tax returns and they will be looking forward to a field day come a few Aprils from now.

Mr. Deputy President, in the face of all the redundancies and lay-offs that we have had in our structural adjustment programme, I think that the statement on page one of this document is almost insulting to the mentality of the average Barbadian. I crave your indulgence again, Sir, to read that particular statement which says: "If workers find that tax burdens are too high to justify their labour effort, they may move to jobs in less taxed sectors or locations or simply not work at all."

Mr. Deputy President, when I think of the expertise and the brain-draining exercise put into effect so that money can be called from some already drained resources, I submit that an exercise as profound as or even more profound than this must be put into the thinking of ways and means of initiating, maintaining and preserving measures of productivity with a degree of permanence.

In the Hotel Workers Week just passed, the display of creativity, initiative, skills and expertise that we were able to witness is worthy of modelling. Displays of this nature should stir and arouse us to do more than talk. On page 3 of this document, we find an expression that is an excellent climax to some of the exercises that we have been going through and it reads as follows:

> "Productive human capital is spent on manipulating tax provisions rather than producing other goods and services."

Mr. Deputy President, we have got to be careful that we are not found doing nothing else but this. I thank you, Mr. Deputy President.

Mr. DEPUTY PRESIDENT: Senator Walcott.

SENATOR Mrs. M. WALCOTT: Mr. Deputy President, with the Barbados economy in its present unhappy state and with the need for a restructuring programme and the introduction of new tax reform measures, I think that we all expect there will be many changes and many of us in most cases will be paying more taxes. However, a situation has arisen to which I would like to refer and this relates to pensioners. Now there is a provision in this Bill, I think it is Section 65, which provides for withholding tax to be deducted from all income derived from dividends, deposits and interest payments.

4.25 p.m.

For those people who are in high brackets this will be a Godsend, because instead of having to pay tax at the

rate of sometimes 40%, they will only be required to pay at 12½%, so a good portion of their income will come off to a lesser tax rate. But I am thinking of the small man, the pensioner who in preparation for his or her retirement has invested his money in shares and put it on deposit accounts and he or she is looking forward to the returns from these investments to provide a living income for him or her. This income he or she gets may not be more than, say, $16 000 to $20 000 a year and every complete dollar, as the Bill refers to it, is going to be taxed 12½%, and it is not refundable, it is final. So the pensioner's allowance of $20 000 which has been made special for the pensioner over and above the $13 000 for everybody else is of no advantage to that person, unless of course he has other income. But I am just using this as an example.

Mr. Deputy President, if you compare such a person with another retiree who has invested his money in a pension fund, or perhaps in real estate where he will get some rents, you will find that the income that person will get from the rents and the pension fund can be treated as part of that $20 000 allowance, and in such a situation where the incomes compare to the other fellow, the same $16 000 to $20 000, he will not have to pay one cent of income tax. So whereas one person has to suffer a 12½% deduction, a withholding tax, on his dividends and interest payments, it is possible for this fellow not to have to pay with the same income.

Who is to say which method of investment is better? Surely this is inequitable. I feel it is a bit unfair that because one person derives income from certain sources, nothing illegal, he is penalised. Never mind it is a small tax, 40%, but this is a small man and this is his only income and the benefits will be reduced. So I submit, Sir, that this aspect of the revised tax system should certainly be reconsidered.

Thank you.

SENATOR T. E. BARKER: Mr. Deputy President, I rise to speak on this Bill, not to support it, because I will not support anything which I consider to be detrimental to my country. I am very clear on that. I will not get in here and support any measure which is not going to work in the interest of my country, and in this respect I would wish that the Honourable Dr. Clarke will make careful note of what I am saying so that when he comes to wind up he does not misquote me or impute improper motives to me.

Sir, the need for tax reform has been stressed time and time again. Especially in the Barbados Labour Party we recognised that the tax system needed a complete reform, so I have no quarrel with the idea of tax reform, because our tax system had got out of line and it was not working as efficiently as it could have been and it was impacting negatively on the wrong people.

There is also need for indirect tax reform. As far as I am concerned, the two of them must go hand in hand, because direct taxation plus indirect taxation plus other minor Government revenues together make up total Government revenues. In our system we like, as far as possible, to equate Government revenue with Government expenditure, and I want to pause there, because I want to suggest that the way to go about tax reform is first of all deciding on an acceptable level of Government expenditure, and having decided on the level of Government expenditure you then look at both your direct and indirect taxation to see how best to realise the funds to pay for this level of Government expenditure. Government expenditure, in my view, must be the first thing that we address as we reform the tax system.

I have spoken on many occasions about Government expenditure and I do not intend to go over what I have been saying for the longest time. But the clear evidence is that Government expenditure needs a complete overhaul, because too many things are way out of line. The point I am making is that Government, as usual, is going about things the wrong way. They always put the cart before the horse. The first thing they must do is to look at the level of expenditure, see what level of expenditure can be tolerated within the confines of your export earnings and also the level of national income within the country. Decide on those first and then try to see how you can get a thousand million dollars to run the country, what is the correct mix between direct and indirect taxation and then you work from there.

That is my first fault with the exercise – that it is not being done in a scientific and in an acceptable and approved manner. It is haphazard, willy nilly and you just decide to change things here and there without a focus or a plan. But the Democratic Labour Party is in Government and they can do things how they want to do them. Given that they put the cart before the horse and what should be brought in last they brought in first, I am going to comment on what they brought in. I just want to make the general point about their lack of competence and their inability to govern properly.

Sir, let us now turn to income tax reform. As far as I am concerned, the tax system in Barbados was working good until 1986. I make no bones about that. The tax system in Barbados was working almost perfectly okay until July 1986. And I want to contend that most of our problems that have been identified by both the IMF and the Prime Minister started as a result of the Democratic Labour Party putting that July 1986 budget into place. That is where the difficulty first started, because for the first time we had a system in Barbados which opened itself to abuse, that is, unlimited mortgage interest and unlimited

house repairs. They have been highlighted by both the IMF and the Prime Minister as a major cause of distortion within the tax system.
4.35 p.m.

Sir, we have warned the Government, time and time again, about that particular measure. To the credit of the Minister of Finance, he changed the repairs a year or so ago and put a cap on it so that you can only claim a certain percentage of the improved value of the house. But nothing was done about the unlimited mortgage interest. The result was that there was tremendous abuse, not by the working class, not by the lower middle class, but by the upper middle class and the upper class. What they did was that any loan that they had at the time, whether for housing or not, they consolidated all those loans and took out one big mortgage on their property and claimed all the mortgage interest on their income tax returns. The result is that they paid little or no income tax.

We, in the Barbados Labour Party, did not cause that, Sir. We warned the Government about that, but it did not take us on, as usual, because we are "fools". It allowed the system to be totally abused. With the house repairs, people doubled the size of their houses and let Government foot the bill. That happened in Barbados. I don't care how much the Honourable Minister is shaking his head, people did that to our tax system. Tremendous abuse. All because the Government would not listen to people who know things.

Not only that, Sir. After July 1986, when the Government saw what was happening within 9 months – 9 months is interesting, Sir, the gestation period – Government came back and in order to make up for the revenue that we were losing introduced another levy and increased the existing levies. Only last week we were talking about levies and I showed the tremendous increase in the takings from levies as a result of those 1987 measures, measures which came out as a result of not only the unlimited interest and repairs but also the fact that the rate of income tax on the higher paid was reduced from 60% to 50%.

When the levies were introduced, there were 4, because there were already 3 in place and a further one came in, and they were only calculated on income up to $2 600 a month. At the time the national insurance limit was $2 600 a month. So the fellow who was working for $5 000 a month would only pay the levies on slightly more than half of his income, but the maid working for $100 a week has to pay the levy on all of her income. That created another distortion within the tax system and the iniquitous condition that you could not even claim the levies on income tax was introduced. So in effect you were paying income tax on money that you never got in the first place.

The distortions in the tax system, the abuse, was a direct result of the 1986 Budget and the 1987 measures. When the Government is talking about tax reform and it is seeking kudos for its tax reform measures, it is only reforming or seeking to reform what it distorted in the first place. That must be noted. It is only seeking to undo what it has destroyed by that Budget of 1987 which will go down in history as one of the most infamous acts ever perpetrated on the people of Barbados.

The need for reform is here, and what does Government do? I will read from the Financial Statement and Budgetary Proposals presented by the Rt. Hon. Prime Minister and Minister of Finance on July 7, 1992. Page 1, paragraph 2 says:

> "It may be recalled, too, that I had set up a tax reform committee within the Ministry of Finance and Economic Affairs to work on the review. That Committee's work was however overtaken by the need for a much faster review in the light of changing economic circumstances. As a result of collaboration between the Government of Barbados and the International Monetary Fund (IMF), a consultancy mission from the Fiscal Affairs Department of the Fund visited Barbados between February 17 and March 3, 1992 to review the system of direct taxation currently in force, including personal, corporate, stabilisation, payroll and property taxes, and to make recommendations for improvement."

Sir, I spoke in here already on the need to respect the people within our own community. Here we have a case where the Prime Minister since 1989, as he said in paragraph 1 of the said document, saw the need for tax reform. He set up a Committee in 1989, and 1992 came, 2 years down the line, and the Committee had not, as far as the Prime Minister said, done the task it was mandated to do since 1989. I wonder what happened to that Committee. Why did it not do the job it was mandated to do and what effort did the Minister of Finance make to ensure that it did the work? I would like to know who was on the Committee because that could be very important. I would like to know whether Senator Alleyne was on the Committee.

For 3 years we have had people within the Ministry of Finance and Economic Affairs working on tax reform and on February 17, we had to bring in experts from the IMF in order to produce a tax reform document. I am sure that if the Prime Minister had come to the university and told us to work on a tax reform measure we would have done it and within a few months we would have had a properly working tax reform system in place. But true to form, call in the experts! The experts came and produced this document, the one that Senator Straughn referred to which is full of inaccuracies, full of error, and shows

utter contempt for our people, with conclusions which are patently false. I encourage Members of this Chamber to read this document and see if the people are talking about Barbados or some other country. This document is an insult to us Barbadians. I go so far as to say it is not even worth the paper on which it is printed. I will repeat that there are people in Barbados who are competent to produce a document which reflects the culture, the ambitions and the aspirations of our people not one which seeks to relegate us to be paid servants. So I have a lot of difficulty with this.

If we want proper tax reform our own people are equipped and could have done it. I remember hearing the Minister of State in the Ministry of Finance saying that the accountants did not help and Government had to run to the IMF for help in tax reform. I wonder if he read this, the Prime Minister's statement, that there was a tax reform committee in the Ministry of Finance. Why then does the Honourable Member blame the accountants when by the Prime Minister's own words the people in the Ministry of Finance were mandated to work on it but, for some reason or the other, did not work and when the time came and they wanted a rush job they had to call in the experts? I have no brief for the accountants, but it is grossly unfair to blame them.

Sir, that's the first problem. The tax reform measures should have been done by local people who understand Barbados and not by people who have their own agenda. What they have done they could have stayed in Washington and do it because it is the same tax measure that they put in Trinidad, the same one they put in Jamaica and the same one they put all over the world because the Prime Minister, on page 7 of the document talked about the country which has removed numerous personal deductions and replaced them by a single personal allowance and he included Jamaica, Bolivia, Columbia and Mexico. I asked myself the question and I am serious about this, must we take these as our examples? I have nothing against these countries. Some of them are very lovely countries and they are trying their best to survive but why must we use these as our examples? Can't we devise our own system? Have these countries, as a result of their tax measures progressed that much that we can say, here is a system that we can use. Sir, remember Trinidad. The IMF caused them to introduce this same sort of foolish tax system and when the PNM got into power the first things they had to do, bring back on mortgage interest allowances and bring back house repairs, albeit (and quite rightly so) with a cap on them.
4.45 p.m.

Why didn't the Prime Minister mention Trinidad then, who found the system that we are now implementing to be flawed. He did not mention Trinidad and Tobago.

Sir, the IMF, in my view did not do a good job with the tax reform. They are following the American model. Reduce taxes on the rich and remove a lot of their allowances. That is the American model, Bush and Reagan and those. That is their model; reduce taxes on the rich and squeeze the middle classes. That is precisely what we have invited them to do because, Sir, they came by invitation. The Prime Minister invited them. He could have invited me, Sir. I am sure I would have got together a team and produced a better document. But, no, he invited the IMF down to mess up our tax system.

Sir, time and time again, speakers in here have got up and quite rightly spoken about Barbados' performance over the years. We have done well as a country and as I have said before we are up in the top league, as far as all the social indicators go. How did we get there, Sir? We got there by careful planning, making our pennies count, by proper management. We got there because the people of Barbados became involved in the management of their own economy. We got there by hard work. Our people work hard, especially the people in the peasantry. We see them progress and we don't know how they progress. We don't know that on mornings 5 o'clock and so on they are getting up and before they go to their rightful jobs they look after their animals in the yard and so on. They got there by dint of hard work, helped, Sir, in no small measure by sensible Government policies. The income tax measures formed part and parcel of our good economic management over the years because, Sir, we have used the income tax in order to improve things like housing, because all the concession that we have given housing have helped tremendously in providing the sort of housing infrastructure that we have here in Barbados. Not only that, Sir, the income tax encouraged people to buy life insurance and life insurance as we all know has helped tremendously in providing for the transfer of wealth because when a person dies and leaves a little nest egg for the generation coming to have something on which they can build.

The development of cooperatives has been helped by the income tax measure that was brought in which encouraged people to save in the cooperatives among other things as my friend Senator Alleyne would say. It helped in a large measure.

Sir, we have built tremendous indigenous organisations. Our credit unions and the way how they operate and the fact that in spite of all the credit unions we have, we hear of little or no failure or malpractices. That is something we can be proud of. How did they get there? They got there, among other things, by our using the tax system to push our development along certain lines.

Sir, the said National Bank has been a help because we allowed the interest that people got not to be subject to taxation. All this, Sir, helped and we have used the income tax for the benefit of the country.

Sir, the people from the IMF don't know that because they don't really care about that. That is why, Sir, I have a lot of problems. The document does not reflect Barbados. Not the Barbados I know and love. Not the Barbados where I see people ...Sir, Senator Straughn read the part about not working because of tax. I never heard of such nonsense yet in Barbados. That might be so in America, not in Barbados. Our people are hard workers. I am serious about that.

Aside.

SENATOR T. E. BARKER: You know that too Dr. Alleyne.

Mr. DEPUTY PRESIDENT: Address the Chair, please.

SENATOR T. E. BARKER: Sir, another point is that the Minister in his presentation has said that the measures are revenue neutral which means, Sir, that at the end of the day the Government will not receive one cent more or one cent less in revenue as a result of the measures. It would have a redistributive effect between the people within the society. The question which we have to ask is this. If the tax is revenue neutral, why the rush? Why could not Government have waited until January next year, the beginning of the tax year? If it is not bringing in any more money, why couldn't you wait until January? There is a lot of confusion now because the tax measures are coming in the seventh month of the year and I am sure the employers have a big headache now. They have been taxing people now for 8 months of the year along a certain rate and now for the next 4 months you are taxing them on another rate. I, Sir, like most of us, am waiting to see what sort of money we are going to carry home at the end of the month because nobody really knows. So why the rush? Nobody has given a suitable explanation as to why the measures could not wait until January. Is it because our international bailiffs are pushing us too hard? But there is no reason, as far as I am concerned, if the measures are revenue neutral, why we could not have avoided all the confusion, bring everything into play on January 1. Perhaps, Sir, when the Honourable Minister comes to sum up he can answer that particular point. I am sure, Sir, he will have a good explanation, knowing how informed he is about these things.

Then, Sir, people have commented on the fact and I totally agree with them that the problem in Barbados is that too few people who should be, on the basis of their income, paying taxes, avoid the tax net. That is a basic problem in Barbados and any measure of tax reform must address, in a substantial way, this particular point. Sir, we have a document consisting of 75 pages or over and the experts from the IMF have not come up with a system which will broaden the tax base, but they call it tax reform. Not one word do I hear about how we are going to get some of the people working for more than yourself, Sir, who pay little or no tax to be socially responsible.
4.55 p.m.

Mr. DEPUTY PRESIDENT: I am not sure if I heard you correctly, Senator Barker. Do you mind repeating that please?

SENATOR T. E. BARKER: Sir, I was saying that there are people who work for more than yourself, Sir, whom we need to bring in and pay the relevant amount of taxation.

Mr. DEPUTY PRESIDENT: All right. Go on.

SENATOR T. E. BARKER: Sir, the level of tax avoidance in Barbados is a serious problem. Only last week we were dealing with the Landlord and Tenant (Registration of Tenancies) Bill which Members on the other side were bitterly opposed to.

Aside.

SENATOR T. E. BARKER: Yes. This sought to ensure that people who owned these properties register them, because once you register them then the taxman would be able to get his hand on them. We got in here last week in the Senate and I remember that one Senator described it as the most iniquitous piece of legislation. All the legislation was trying to do was to make sure that some of the "big shots" on this island stop cheating the taxman. That is all it was trying to do. Sir, we have to be innovative in making sure that people pay their respective tax.

Sir, every week the vast majority of us who are employees have to pay taxes and there are lots of people out there who make it a habit now of using every measure at their disposal in order to avoid the taxman. If a few thousand of them can be brought onto the tax roll, it would mean that I would pay less tax and you would pay less tax because more people would be paying and as a result the rate could be lowered on the other people. I am told, Sir, because I can never get the information because the Government takes the information and keeps it for itself. So I have to depend on second-hand information here and for my friend, Senator Alleyne, to make statements for me to get information as to various things. But the point is that only 26 000 people or so in Barbados file income tax returns and I am sure that there are more than 26 000 people who work for more than $15 000. That is the magnitude of the problem.

Sir, if you are talking about tax reform, you have to find a way. The way that the Barbados Labour Party tried was the registration way and they complained that we made everybody register. We made the carpenter register and we were castigated for that. All we were doing was to try to make sure that everybody who earns an income pays the correct amount of tax and we got lashes for it. But the other side, Sir, has not come up with any idea on how we are going to broaden the tax base. All they are doing year after year is putting more tax on the people who by virtue of their employment status cannot avoid paying taxes through the PAYE system. All they are doing is putting more burden on them and not being innovative in designing measures to bring others into the tax system. I was looking for that in the tax reform measures, but I could not find it because the people from the IMF are not the ones to devise our tax system because they do not know anything about us.

Sir, I have spoken in a general way about the tax exercise. I just want to make one further point. Every time we have a tax reform we seek to decrease the rate of tax on the higher paid people. In 1986, it was removed from 60 per cent to 50 per cent. Now it was further reduced to 40 per cent. As I said before, this is the model tried in America and England. What they are saying is that to avoid tax you can have a lower rate of tax. So all over the world they are going towards a lower rate of tax. It brings me now to this issue. In Barbados, we are now in a structural adjustment programme. We are sending home people left, right and centre. People who have been severed in October last year up to now have not received their severance money yet. We have to cut back on all sorts of things. We are making children pay for school meals. We are making them pay more for books.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, on a point of order. The statement that Senator Barker just made about people who were severed since October and have not received money is not true.

SENATOR T. E. BARKER: Sir, I meant those who were in Government employment who were severed. They have not got their money yet as far as I know. I am talking about Government workers and I should have made that clear. I apologise for not making that clear. Sir, the point that I am making is that you are calling for children to pay more for their books and their school meals. You are increasing taxes left, right and centre and, in the midst of all of that, we are going to reduce the rate of tax on the highest paid people in our country. I find that to be morally reprehensible. This is not the time when all around our social services are disintegrating, when all around the lower paid are having severe difficulties and where people do not know how they are going to send their children to school next month. Sir, on what area will Government be reducing the rate of tax? It will be for the higher paid and for those who work for $5 000 or $6 000 a month and more.

Sir, this is sending the wrong signal to the rest of the community when we are easing those who are better off and we have at least 20 000 out there who cannot find a job and whose children cannot eat properly because there is no money and we are reducing the taxes on the wealthy. This is a typical IMF measure implemented by a typical conservative Government.

Aside.

Mr. DEPUTY PRESIDENT: All right, Senator Barker, address the Chair.

SENATOR T. E. BARKER: I was just conferring with my colleague with your permission.

Sir, I want to go to a few things which distress me about the new income tax proposals. The first is that the family is under attack and this is something that, when I first realised what was happening, to say the least I was aghast.

5.05 p.m.

In the past, Sir, no matter how many children you had you could put all your children on your income tax form and get deductions for each of your children. Now the Prime Minister in his wisdom is saying you can only claim for two children. That has to be wrong. You cannot tell a man or woman how many children to get. In China, one child, but we...

Mr. DEPUTY PRESIDENT: Senator Barker, I am not aware that anybody has limited legally the number of children whom one may father, so I do not quite understand this.

SENATOR T. E. BARKER: Sir, the Government is saying that if you get more than two children they are not helping you with them. You can only claim for two children. That is clear in this document and in the amendments to the Act. Some of us in here have more than two children and for years those who have more than two have benefited by putting their children on the tax form and receiving allowances for their children. Now all of a sudden, Sir, ...

Asides.

Mr. DEPUTY PRESIDENT: Senator Barker, go on, please.

SENATOR T. E. BARKER: Sir, the Honourable Members are making a joke of this thing, but I take the family to be serious. I am very serious about family.

Do you know what you are doing? You are encouraging men not to support their children, and we know that in Barbados already we have a serious problem.

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order, Mr. Deputy President. Nowhere in the presentation has this Government suggested that fathers should abandon their responsibilities to their offspring. I think that when we are debating these things we should not try to make fun of them, neither should we try to mislead the population.

SENATOR T. E. BARKER: Sir, I want to read this into the record, and I will not misquote the Prime Minister. In the Budget which was presented in the Other Place on July 7, 1992, of which each of us received a copy, it is stated, on page 6:

> "(12) The reduction of basic deduction to Bds. $13 000, with allowances of $500 each for a maximum of two dependents in 1993 and $1 000 per dependent in 1994;"

and in the IMF document – Barbados Reform of the Direct Tax System – on page 9, listen to the foolishness that these men from America came down here and wrote as an anti-abuse clause: "Reduce the basic deduction for children under 18 to $2 000." Anti-abuse? You either have children or you don't. Do you mean a man is going to put down 3 children when he only has 2?

Aside.

SENATOR T. E. BARKER: You are not going to distract me, you know. I have a point to make and you are not going to distract me.

Mr. DEPUTY PRESIDENT: Senator Barker, will you address the Chair?

SENATOR T. E. BARKER: Sir, we have to be clear on this. When people can come from America and write that as an anti-abuse clause, "reduce the basic deduction for children under 18 to $2 000", anti-abuse? Sir, you abuse the system by not supporting your children. If they were bringing in a measure to prevent that, because we know that the men in Barbados, unfortunately, have a problem with supporting their children.

Mr. DEPUTY PRESIDENT: Do not generalise like that.

SENATOR T. E. BARKER: Sir, I can generalise because every day in the courts we see hundreds of mothers out there having to go to the courts.

Mr. DEPUTY PRESIDENT: Senator Barker, if you said some men, but you cannot generalise and say the men of Barbados.

SENATOR A. MORRISON: Sir, on a point of order. We are not debating anything about the maintenance of children in this debate...

Mr. DEPUTY PRESIDENT: All right, thank you, Senator Morrison.

SENATOR A. MORRISON: ...and I cannot understand...

Mr. DEPUTY PRESIDENT: Thank you, Senator Morrison.

SENATOR A. MORRISON: Sir, I want to finish the point. It is irrelevant for the Member to refer to people not supporting their children, because that is not the subject of the debate.

Mr. DEPUTY PRESIDENT: Thank you very much, Senator Morrison, that is my job. You may proceed, Senator Barker.

SENATOR T. E. BARKER: Sir, this is a measure on which I think all of us in here are agreed. Let them say they do not agree with me. You cannot tell a woman or a man how many children to have. When a child is born, the State has a responsibility towards that child; he did not ask to be born.

Mr. DEPUTY PRESIDENT: Senator Barker, you may make passing reference to it, which I have permitted you to do. You will not be permitted to continue along that line.

SENATOR T. E. BARKER: With all due respect, Sir, we are discussing the Income Tax Act and this is an important part of the Income Tax Act. I do not think I should only be allowed to make passing reference.

Mr. DEPUTY PRESIDENT: But I am telling you what you are allowed to do. You may make passing reference to it. That is my ruling. You are permitted to make passing reference to it, which I have permitted. I have allowed you to say as much as you can say on that by way of a passing reference to it, but you may not continue along that road. Now, that is very clear.

SENATOR T. E. BARKER: Sir, the child allowance is an important part of the Income Tax Act we are here discussing and, with all due respect, I must be allowed to make more than a passing reference to it.

Mr. DEPUTY PRESIDENT: Senator Barker, I find that offensive. I have told you you may make

passing reference to what you were saying, and that is my ruling. Now you may continue.

SENATOR T. E. BARKER: With all due respect, Sir, I want to continue on that same point, because it is an important point.

Mr. DEPUTY PRESIDENT: Let me hear what you will have to say, Senator Barker.

SENATOR T. E. BARKER: All I am saying, Sir, is that Government should not be here only giving allowances for two children, when a lot of people in Barbados have more than two children. I am saying that you are sending the wrong signals. We have a family planning unit already, the Minister of Finance should not be in the business of trying to limit the size of a family. To bring legislation into Parliament which is telling me that if I have 3 children that I can only claim for 2 of them has to be iniquitous. It has to be wrong. I want each and everyone of us in here to examine our conscience and see if you can support a measure which is telling a man that if he has 3 children the State is only going to give him an allowance for 2, when some of us in here have been the claimants for more than 2 children for a long time but now our children are no longer under 18 we are going to deny others what you have benefited from. I am clear on this. Some of us have benefited from 3 or 4 children and you put them on the tax form...
5.15 p.m.

Mr. DEPUTY PRESIDENT: You are being repetitious, Senator Barker.

SENATOR T. E. BARKER: I don't know why I cannot talk in peace.

Mr. DEPUTY PRESIDENT: Proceed.

SENATOR T. E. BARKER: Sir, at the same time I read a document here which indicates to me that the MP's in the Other Place have allowed themselves, contrary to IMF recommendations, that the amount of money that they pay to political parties be written off now as accustomed. While we are telling a mother that if she has 3 children she can only put 2 on the income tax, we are allowing ourselves the money we give to our political parties to write off the tax. Show me, Sir, the justice in that. I cannot find it.

I want this Honourable Chamber to speak on this matter. Not only that, Sir, the spouse income. If your spouse had no income, you can no longer claim for her. You have to wait until 1995.

Asides.

SENATOR T. E. BARKER: In other words, if a husband has a spouse who is a mother and has no income, they have to wait until 1995 to be able to claim for that spouse. Sir, what are we doing to our families? Some mothers make a deliberate decision that because they have young children they are going to stay home after they have provided a benefit to the country, as far as I am concerned. From the time I knew income tax was devised if the wife had no income the husband could claim $1 000 for his wife, but this Administration, in an age when our families are under serious attack, is going to tell the husband, "You have to wait for $2^1/_2$ years until 1995 before you can claim for your spouse." In other words, it recognises that it is important that the husband in that situation pay less tax than a husband whose wife was working. That is basically what it is. If you have 2 individuals, the one whose wife is working would pay more tax because the justice is that he has more income coming into his house than the other husband whose wife made a decision, either by choice or by circumstances, not to work. That destroys her. I can remember the Honourable Minister talking about equity in the tax system. Show me the equity there!

Sir, this spouse allowance should be put back as quickly as possible because it runs counter to all that is just and equitable in any tax system. I am sure that when the Honourable Ministers in this Chamber go back to Cabinet they will suitably alert Cabinet of the feelings of the Senate in this regard, knowing that they have benefited from the provision in the past that they will allow others to benefit from it.

Mr. DEPUTY PRESIDENT: Speak for yourself, Senator Barker.

SENATOR T. E. BARKER: I am not speaking for myself. I am speaking to the Chamber.

Mr. DEPUTY PRESIDENT: I know, but when you said "Alert them as to the feelings of this Senate".

SENATOR T. E. BARKER: Sir, I am sure that all of us in here feel the same way on this point, including yourself.

Mr. DEPUTY PRESIDENT: Do not attempt to speak for others.

SENATOR T. E. BARKER: Sir, I am presumptuous enough to know that I am speaking for the people in the Senate when I talk about spouse income and dependant children allowance. I am presumptuous enough to know that I am speaking for you, Sir.

Sir, another matter. Maintenance allowance which invariably was paid by the husband or the man was income tax deductible. Now, Sir, it is not. I can see a lot

of problems here and that the lawyers will have a field day because more and more women are going to have to go to them because their menfolk are not living up to their responsibilities. It is happening already because the Courts are full of these cases.

Now that you are no longer allowing the man to write off these in income tax it is going to get worse. I hope that measures are put in place to protect the women because the ones who are suffering are the women. I am sure that we have some Senators on the other side who will want to support me on this measure. Since there is no longer an allowance more men are going to renege in their solemn responsibility to support their children and their former wives. I hope a system is put in place...

Mr. DEPUTY PRESIDENT: I don't quite understand this rationale.

SENATOR T. E. BARKER: It goes like this.

Mr. DEPUTY PRESIDENT: Yes. Teach us, please.

SENATOR T. E. BARKER: Yes. I am a teacher by profession. Before time and a man was made to pay, let's say $5 000 a year, his taxable income is reduced by that $5 000. Now, Sir, in effect he is not paying $5 000 but he will be paying $3 000 and depending upon where he is in the tax band. That allowance is removed so he has to look for $2 000 or so more a year. I am saying...

Mr. DEPUTY PRESIDENT: Do you mean then that there is a greater incentive to work harder? Is that what you are saying?

SENATOR T. E. BARKER: No, Sir. There is a greater incentive to cheat, to renege on your responsibilities. I am all for men living up to their responsibilities. I am a family man by nature but I know that the reality of the situation is that a lot of men in Barbados renege on their responsibilities to their children and their families, especially in cases where the marriage has broken down. All of us know this to be a fact. When the marriage breaks down the men are less prone to support their dependents. I am saying that now that they are no longer allowed to write off this income tax that we will possibly see a greater incidence of reneging on their solemn responsibilities.

I am saying that measures should be put in place to make sure that men pay maintenance to their dependents. The tax measure would have encouraged some because you are not paying the full amount. Now that is removed we could end up with trouble. It is something that has to be looked at very carefully.

I want to move on now to other allowances which have been removed. The mortgage interest – as I said on many occasions, everybody in Barbados wants to own his own house. It is a national, social and cultural thing. In the past I have benefited from being able to put on my income tax form some of the interest that I have paid during the years. No doubt it has been a benefit to a lot of people in the community and even in this Chamber. Without it, Sir, a lot of people may not have been able to have got the sort of housing that they have. In some cases, Sir, because of the unlimited mortgage people have abused it. There has been some abuse. I know that, but Sir, think of the thousands who have been helped by this measure.
5.25 p.m.

Mr. DEPUTY PRESIDENT: Senator Barker you have 2 more minutes.

SENATOR T. E. BARKER: Sir, I need more time. Sir, have I got my full hour? I was just warming up, Sir.

Sir, the removal of this, plus the removal of this measure, plus the removal of the house repairs, plus the removal of life insurance allowances deduction, plus the removal of house insurance, because you get 50 per cent of your house insurance as an allowance, all of these, Sir, are going to impact negatively on the ability of especially the middle and low income people to own their own house. It is something, Sir, that we have to look at again because we want to encourage our population not to depend on the state for housing but to go out there and try to provide housing for themselves. Housing, Sir, is extremely expensive, because a standard house today with no frills, a 3 bedroom standard house is costing $150 000 upwards. And, Sir, interest rates are extremely high – 11 per cent. Sir, these measures have to be examined again because they are going to mean ... One of them at one time may be all right but all of them together is too much to bear. Sir, I would ask Government, although I know they would hardly accede to my request, I will ask them to look at this again because the provision of housing – if the private people cannot do it for themselves they will have to depend on the state. So that the state will either find itself having to fork out more and more money to provide housing for people who should have been able, if the tax incentives were there, to provide their own housing.

I think, Sir, it is working against owning a house and not only that, Sir, given the fact that land taxes as we were talking about this morning have increased so tremendously there is no incentive for a person now to own his own house.

Sir, there is a lot more that I can say, and no doubt there will be other opportunities for me to speak. But, on the whole the document produced by the IMF which

has informed the Prime Minister's presentation is flawed and I think, Sir, that we need to look at it again.

In passing, Sir, I note that on page 7 of the Prime Minister's budget he agreed with the retention of the special regime for foreign exchange earnings. I am glad, Sir, that those incentives that were put in place in 1985 or 1986, the last year of your term in office, which have helped the country tremendously. I am very glad that in spite of what the IMF said, because the document recommends that they be removed, I am glad that in spite of what the IMF said that the Prime Minister still retained them and it vindicates our position on taxation. With that, Sir, I want to say that I have too many problems with this Bill to support it and I encourage the Members of his Senate to join me in a crusade to save Barbados from the IMF and from the DLP.

Mr. DEPUTY PRESIDENT: Senator Walkes.

SENATOR Miss Y. V. WALKES: Mr. Deputy President, I am going to make a few short comments on the amendment to this Income Tax Act that we are discussing here this evening. I want to say in relation to this whole tax reform programme that everywhere in this country that you go you can hear the comment made that Barbados has no resources but its land and its people and for the whole day the Opposition Members have been arguing that the Government should not tax the land. I am wondering if it does not tax the land what else or who else will it tax, if not the people. I want it to be noted that every country has to tax its people so I am not too clear as to what the problem is about.

The Honourable Senator that just sat down spoke about the Democratic Labour Party messing up the system and I want to say that from the time I was growing up I can remember getting involved in the whole question of politics and the area of the budget. Every Government used the system and especially around election time or just before election time to, I call it play with tax system, either to make it better so that people would be keen on voting for that party at the time of election. I always wondered who would ever bell the cat to make the system become more fair and equitable and I did not know that the Democratic Labour Party, at this time would have had the kind of strength. I thought it would have the foresight, but the strength at this crucial period, to want to take into its hands the whole question of reforming the tax system, knowing full well that the kind of comments and the kind of criticisms that we hear here today would be levelled at them at the highest order. Therefore I am saying it is a very brave step that the Minister of Finance has taken to reform this tax system at this point in time.

I am well aware that throughout the world there is a whole tax reform programme going on and therefore we are not unique in this situation. But we have to look at Barbados in the state that we were in and especially in the kind of quality that people have looked forward to reaching and therefore they would want to have the most profits out of what they can earn or what they can possess.

I am saying, in continuing this debate that this tax reform programme which at this point relates to the direct taxes aims to improve fairness and efficiency in the tax system in this country. It goes into the whole question of a 4-phased package that has been devised to work immediately, next by January 1993 and then by 1994 and then post 1994. I am saying that every time you hear the criticisms, you hear people talk about getting things done right now as though they expect the whole system, rather than to take sequence in the phasing, that everything will come to the fore right now and everything will be beautiful. This cannot be, in anything. I cannot understand what is the anxiety of Barbadians that suddenly they have no faith even in themselves to produce and perform but they want to have everything now and to see it right before their very eyes and they seem not to have the patience to understand that everything must take a time to work.

Let me just look at a few small areas in this programme. If we look at the removal of levies and the Stabilisation Tax and we see this benefiting all taxpayers. But especially the low income taxpayers to my mind will benefit because what has happened is that the levies impacted on the poor or the lower income at maybe 100 per cent whereas for others they had to pay a percentage of their earnings. So by removing the levies this would really bring a bigger benefit to the small man who would not be paying income tax either and furthermore if he buys a house within his means it would mean that he would not have high taxes on his property. Therefore I can see this as being very beneficial to the small man. I think this is one of the areas that I hear the Opposition, all of a sudden, looking forward to very much, that they are very much in favour of the small man and they seem to be going down this route without realising that this Government has always had the small man at the forefront of its programmes.

Again, if we look at the allowances and deductions, the measures that were brought to reduce allowances and deductions that would bring fairness to the system by removing discretionary expenditure from some taxpayers. 5.35 p.m.

I agree with the view that tax systems should not be tailored to accommodate discretionary spending on the part of some taxpayers. I can agree with that. If we look at say two persons working for the same salary and taking home the same take-home pay and if we should say that

"A" takes out a big mortgage and in essence "A" would have a bigger take-home pay because "A" would have been allowed to claim mortgage interest since the Opposition is saying that they are very upset about the mortgage interest being removed and if we are talking about having a more equitable system, then we can look at it to see that "B" based on the example that I have just given could have been doing something even more productive in the interest of the country and could not claim any allowances because the person would not have the same discretionary benefits. So that you have the same take-home pay, "B" would not be as beneficial as "A". I am saying that this reform brings equity to the system thus making both persons with the same take-home pay be on an equal ground, if one can say that.

Sir, the reform also brings people who never used to pay taxes into the net because some persons, for argument sake, bought large pieces of land and built a big house on it and then did not use the land for any productive purposes and they did not pay any taxes. I am saying that this type of reform should force or motivate them into producing. To my mind, Sir, this is a way of bringing a measure of fairness again into the system. We talk about fairness and equity must prevail and, therefore, when I look at the system even though in everything there will be some areas that one would want to question because they may not be clear on it (and I can understand that) I have never heard in any Budget any Prime Minister during my (maybe if one could say) short lifetime give all the details of every measure in a Budget. I have never seen the kind of fuss made at the kind of level for the areas of uncertainty that they have tried to bring to this particular one that every little detail must be made very, very clear with a fine pick so that they can understand. Otherwise, people seem to be very upset about it.

The system to my mind tries not only to look at the small man even if we are looking at the levies and the Stabilisation Tax to see if the small man will benefit more, but it looks also at people with high incomes. The Opposition Senator referred to high income people and he was not in favour of that. But I am saying that if you are talking about fairness and equity, then one must try to look overall. High income individuals before were subject to pay taxes at marginal rates of 45 per cent on taxable income between $35 000 and $55 000. Income at $55 000 was taxed at 50 per cent. The capping of marginal rates at 40 per cent effective 1992 will be advantageous to taxpayers with taxable income in excess of $35 000. I am saying that we are not looking only at one side of the coin. We are trying to bring fairness to the system and, therefore, I see nothing wrong with trying to look at other areas where people in a higher income bracket can benefit.

Certain remarks made by SENATOR Miss Y. V. WALKES were ordered to be expunged from the record by Mr. DEPUTY PRESIDENT.

SENATOR Miss Y. V. WALKES: We heard the great cry or the shouts that went on a few minutes ago about the Government telling people how many children to have. That reminds me of questioning the Maternity Leave Act that, when people saw there was a clause where a lady is allowed to have maternity leave three times from one employer, some persons claimed that they were only being allowed to have three children. But it only had to do with three maternity leaves. I am saying that brought to my mind that whole question of how people can misunderstand the system. I do not see this as telling people how many children to have by not being able to claim for anymore than three children at anytime. But people have misused the system before and I am told that people have actually gone out to try to get more children when they realised that they could use the system to get more money. So the emphasis was on paying as little taxes as possible without realising that they were losing more in the final analysis by having to support those children during the year. I am saying that the system has been misused, but the system now cannot be abused as easily because it is a more foolproof system. When you look at it, you can see how people have also misused the system.

Sir, I thought that I would make a few comments on the reforms so that we can have at least a fair view of a number of the areas that Government has tried to deal with on this whole question of tax reform and to realise that Barbados does not stand alone in the world with a tax reform going on. We have to try to make the system work and we have to look for ways and means of trying to find areas where we can produce more to assist in the system. I have not gone into the whole question of the cooperative area, but there are areas where businesses will be able to benefit and to be more productive by utilising the system beneficially.

Thank you, Sir, and I support this measure.

SENATOR J. G. BELLAMY: Mr. Deputy President, we are here debating at this late stage of the day a Bill to amend the Income Tax Act which has resulted from the delivery on Tuesday, July 7th of the Supplementary Proposals by the Right Honourable Prime Minister in the Other Place. It is not usual for the Senate to participate in Budget debates but in the month that follows it quite often occurs that, when the various pieces of legislation that require amendment as a result of the Budgetary Proposals, it affords us the opportunity of making these comments. In that regard I have risen this afternoon to make a few comments.

5.45 p.m.

We have heard a lot of discussion today, much of it, as one has come to expect in this body,

politically motivated. But at this point in time I should like to use the time I have available to highlight one or two concerns in respect of the amendments that are before us. Before I do that, I think it is important to recognise the perspective in which we are discussing these matters this afternoon.

There is a tendency to refer to the IMF on regular occasions and there is a tendency to defend that position. The fact of the matter is, as far as I am concerned, I believe that we find ourselves in this unfortunate position because over the years Barbados simply developed a style of living we could not afford to maintain. This is not peculiar, I do not believe, to either one of the political parties, I believe that this has taken place under both regimes, and those of us who live in Barbados were able to derive the benefits of the living standards that improved greatly over the years. Unfortunately, we have reached a stage where we found it difficult to continue to borrow money in the way we had previously been able to borrow money and because of the tremendous debt we had built up over the years, and also because of the way in which money has been expended, we found it necessary to resort to the International Monetary Fund, which has been titled the place of last resort.

There is no doubt, and I do not believe there should be any question of the fact, that having gone to the International Monetary Fund, and having negotiated a deal with the International Monetary Fund, for want of a better word, in order to be able to maintain the benefits to be derived under such a deal, Governments of countries that negotiate these deals are expected to perform within certain criteria. If these criteria are not met, then the benefits so derived will not flow.

We saw in September last year some budgetary proposals which were introduced and caused great uproar in many areas, even to the extent of creating strikes, people not turning up for work, demonstrations and what not. As a result of negotiation the Government very wisely modified some of the measures that were introduced at that time. As time went on, we reached the stage where the International Monetary Fund submitted recommendations for consideration by the Government with a view to the revision, reform, or whatever word one wishes to use, of the direct tax structure of Barbados. I think it is to the credit of the Government that they did not act on these measures in isolation or in secrecy, but they were circulated, albeit to a restricted number of people; but nonetheless they were circulated and consultation took place.

My only criticism of what took place there is that I do not believe that the time frame which was allowed for consideration of the IMF document was sufficient to really make the sort of constructive comments that needed to be made. I think it was only two weeks that was allowed. As a result of that we have now received by way of the budgetary proposals on July 7 the revision of the direct tax structure.

Let me say at this point, Mr. Deputy President, that I would have liked and would have preferred, as Senator Dr. Clarke said in his opening remarks, if we had been able to consider the whole package at the same time, by that I mean both direct and indirect taxation. But I understand the constraints involved in the revision of the indirect taxation. I would, however, like to encourage that whatever model is finally decided on for the implementation of indirect taxation, complete and full consultation takes place with the so-called social partners in the formation of these measures, so that perhaps we can avoid at the time of implementation of that revision the sort of long debate, criticism and what not we are encountering once again with the implementation of these direct revision measures.

I should also like to state that until and when the entire tax package is laid before us and we all understand the regime under which we have to work, it makes life quite difficult, particularly in the business sector, to plan with any certainty, because we are not certain of what actually is going to happen in terms of taxation. Only as recently as yesterday I understand there was a comment attributed to the Honourable Minister of Trade that as a result of certain representations the whole question of the taxes on the imports for manufactures is being reviewed. If that is so, that would be a very good thing, but I hope we can avoid dealing piecemeal with these things, little bits at a time, and that, as I say, we have the opportunity to truly interact.

I believe, and have always believed, that Barbados, by the hard work of all Barbadians, can come out of the difficult situation we are in. But I also believe that the only way in which we are going to achieve the desired results is if all the players in the game, the so-called social partners, to re-name them the representatives of labour and the employers, perform their roles with efficiency, with dedication to the success of the national goal, and that we all play our respective parts in the same way, because I believe that when we find ourselves in this sort of situation any one of those players is capable of damaging the success of the overall plan.

Having dwelt for a few minutes on some sort of philosophy, and I genuinely believe that is the way we should go, I just wanted to end that part by stating that as a result of conforming, to some extent, or, for the want of a better word, with certain recommendations of the IMF, it is well known that the Government has derived a facility from the IMF to the tune of U.S. $64 million. As a result of that we are also now the beneficiaries of one substantial loan from the World Bank and are in discussions for further structural adjustment loans from both the

World Bank and the IADB. Therefore, like it or not, and regardless of political persuasion, we are in a situation that we really have very little alternative to come out of, other than doing what we are attempting to do. But I believe we should be as clear as possible in the delivery of legislation that will impact on the operation of us all.

In this regard I find that the measures introduced by the budgetary proposals of July 7 contain (and I believe Senator Walkes in her presentation referred to some people who are spending perhaps too much time criticising the little areas that are not clear)...
5.55 p.m.

I believe that it is a bit more than some little areas, and I think that we have to have them clear. If I can cite a couple of examples that are causing concern. I am not sure that the intent of the legislation is really what it says or how it could be interpreted. For example, in the section that deals with allowable deductions from income, we have as a continued allowable covenants to dependant relatives and according to the way in which this amendment reads:

> "The amount that is deductible under this section for an income year shall not exceed 5 per cent of the amount that would, but for this section, form part of the assessable income of that individual for that income year."

I understand that, but I read that there is no cap on the amount that can be covenanted other than 5% of assessable income which would suggest to me that this could possibly be a loophole for people in the higher income brackets to transfer income to relatives. I am not sure that that really is the intention of the legislation.

If we move on to the areas that deal with the 12½% tax on interest and also on dividends, I support the view expressed so succinctly by Senator Walcott about concerns for the small individual. I would suggest that perhaps the only way that this could be attended to would be if a refund by Inland Revenue would be allowed to individuals whose total income does not exceed $20 000, even though the tax would have been a withholding tax at the start. However, I am concerned by the wording of the amendment in respect of the withholding tax on interest because I think we all understand it to mean a withholding tax on interest that is paid to an individual by way of income. But the way it is worded it reads here:

> "Where any individual, company, attorney-at-law, trust company, bank or financial institution pays to a resident person or credits to his account in any income year, interest amounting to $100 or more..."

I am concerned by the fact that it starts off any individual meaning an individual like myself or yourself who pays interest. Does this literally mean that if we pay mortgage interest we are expected to withhold 12½% of the mortgage interest and pay it over to the Commissioner of Inland Revenue? That could be a literal interpretation attached to this wording. I think that these are areas that are confusing and could get us into an awful lot of determination by both the Commissioner of Inland Revenue and, as someone referred to earlier on, provide a lot of work for the chartered accounting firms.

I am also concerned in the area of dividend where it reads that:

> "Every resident company shall withhold or deduct an amount equal to 12.5 per cent thereof from any amount paid by it as dividends ... to a resident person..."

Now, I am informed by my legal brother Senator who, unfortunately has left the Senate – I would have read this as a layman to mean that this means dividends paid to individuals – that the term "person" could relate to a company, because a company under law is a person. I think that it needs to be clarified in respect of inter-company dividends which are not subject to this 12.5 per cent withholding tax. It is areas like that I believe we should seek to have clarified.

There is one other area in which the Prime Minister in his budgetary address refers to the adjustment in due course of benefits in kind such as housing allowance and car allowances but this has not been defined, whereas, I believe, in the past it was defined at the time the changes were made. I expect that at some stage in the not too distant future we can expect to hear again from the Minister in respect of the definition of the changes that will take place in respect of these benefits in kind. It is these sorts of areas which remain to be defined that leave us with some concern as to the total clarity of what has been said and also to full appreciation and understanding of it and the ability to plan properly for the future.

We all want to see Barbados come out of this difficulty and there is a lot of talk that we hear from time to time from politicians and other individuals to the extent that we must increase our foreign exchange earnings capacity and develop our export potential. But it is difficult to really plan effectively to do that task unless we are absolutely clear about the ground rules under which we are operating. It is essential. The attraction of investment into the country requires a clarity and an understanding of the type of tax regime under which that investment is to operate, otherwise we are going to be unsuccessful in attracting such investment. That does not only relate to the initial investment for plant and machinery or buildings or whatever but in many instances it may require foreign individuals who may have to come and live in Barbados in order to conduct the activities of whatever the investment may be and those individuals will need to know

very clearly, before they make that decision to come here, what tax regime they will be working under when they are resident and living in Barbados. I think it is in the interest of all of us that we seek to clarify these measures as quickly as possible.

I am conscious of the fact that since July 7, several of the so-called grey areas of the initial presentation have been clarified. But there remain others to be clarified and I hope that they will be clarified as quickly as possible. Those are my concerns, Mr. Deputy President, and with that I will take my seat.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, this Bill to amend the Income Tax Act is a major effort to reform the direct tax system. There were many comments this afternoon and some of them are well founded. I don't agree with many of the things my friend Senator Barker says, but in good spirit we agree to disagree.

I am mindful this afternoon of a call by the Honourable Member for St. Peter in the other place on the Minister of Finance to remove me from the Senate and from the Board of the Central Bank sometime last year when I made a comment about the necessity to reform our direct tax system. I said then that too few people out of the workforce were paying income taxes and the Honourable Member made a public call on the Minister of Finance to remove me from the Senate and the Board of the Central Bank on the grounds that I get to know too many confidential things and I speak about them.

Mr. Deputy President, here we are this afternoon discussing the same problem. That is why Senator Barker should be glad when I say that he is on the tail end of the Barbados Labour Party because the Honourable Members on the front position... The fact of the matter is that Senator Barker asked a question this afternoon about why the rush to introduce this reform to the direct tax system and why not wait and introduce the indirect tax system reform as well. I believe Senator Barker is being somewhat facetious. I believe he knows it is a monumental effort to reform an entire tax system and that the changes have to be phased. You cannot introduce them overnight. You have to phase them in and there are bound to be teething problems, as Senator Bellamy has so well articulated. What is particularly important throughout the entire exercise is that the level of Government's revenue should be protected. Government has a covenant to provide a certain level of services to the community within a fiscal year and against the background of these recurring fiscal deficits it will be nothing but fiscal suicide to go and reform a tax system and then you further aggravate that deficit. That is why it makes sense to phase it in and get the reform of the direct tax system going.

6.05 p.m.

Perhaps the more important reason why you need to accelerate the reform and implementation of the reforms is that for those of us who take time to look at what has been happening with the fiscal system, the tax system has been encouraging a mal-allocation of resources in our economy and that brings me to one other question which Senator Barker raised here this afternoon.

I seem to recall, Senator Barker was very critical to the point of being caustic about some of the changes, particularly the deductible allowances against taxable income. I have to disagree with him. The fact of the matter is this. One has to make a distinction between perceived benefits and actual or realisable benefits. For those of us who have taken time out to look closely at the system which is now being reformed – that direct tax system – we recognise that a very, very small proportion of taxpayers benefited in fiscal terms from mortgage interest, from savings in cooperatives and I could go on, from house repairs – very few. The income earners who benefited from deductible allowances, like mortgage interest, continuous savings in a cooperative society, house repairs, improvements and so on, these are the taxpayers of middle, upper middle income and above.

I am fairly sure, if you examine the evidence you will find that less than 5 per cent of the 50 000 people saving in cooperative societies benefited from the provision which allowed people to claim against taxes payable for savings in a cooperative society. The same is true of mortgage interest. The fact of the matter is, under the old system you had an option, $15 000 or whichever is the higher and I dare say, from my information again, they charge that I get to know too many things; I don't know enough. The fact of the matter is that in several instances with respect to those allowances less than 90 per cent of the filing taxpayers had an opportunity to benefit from those allowances.

Mr. Deputy President, as legislators, we have to be fair. We also are enjoined to demonstrate to the country that we understand or that we attempt to understand the issues which come before us in this Chamber, particularly in issues as weighty as these before us today. There is a time for politicking but the time is certainly not now. Reform of a fiscal system is far too important to fool around scoring political points.

I heard Senator Bellamy say earlier that in Barbados, over the years, we developed a way of life and then there came a time when we could no longer support it. I agree with him. I think I have made that point in here before. But I would also say that the world moved on and left us.

Ever since the early 1970s when the first oil shock hit the western world and the highly industrialised countries of Western Europe and North America started to invest in technological change and adjust to the disappearance

of cheap oil from the world economy, we in Barbados sat down and believed we were part of God's chosen country. Reality had to catch up with us because we are in a real world. And if we look back you will notice that when the first oil shock hit us we were fortunate; we hardly had external debt. But unfortunately there were many international bankers with a lot of recycled oil money looking for people to lend it to and without any proper evaluation of the projects they made that money available to people. There was no shortage of money to borrow.

The second oil shock hit the world around 1980-81 and by 1982, remember the Barbadian economy was in a tailspin. Any serious analysis will show us that this economy never really got out of that tailspin. We did some external borrowing and this economy borrowed to the point where the capacity of the economy to service its external indebtedness passed the critical point. There are some who would have you believe that on this side there are a bunch of people who are strangers to the truth. Mr. Deputy President, I take serious offence at any such allegation. I was a member of the Board of the Central Bank until December last year, a very active member too. Several allegations have been made against me in my capacity as a director of the Central Bank. The Nation newspaper wrote an editorial (I have it at home; I will keep that for my children and grand children) in which they named me, Dr. Frank Alleyne, that is what they have inside there and said that I was singly responsible for the disrepute into which the Central Bank has found itself. When I decided, peacefully, after untold harassment to take my leave of the Central Bank, they came and asked me why I was leaving. I sleep very peacefully at night now. But I know that the Central Bank, in collaboration with the Ministry of Finance, was seeking to find the best means of raising external finance to service that Japanese bullet loan all during that election period and after. I know that as a member of the Central Bank Board and for any Minister or Ex Minister of Government to get up and say that those who participated in the campaign in 1991 were telling lies, he is speaking for himself; he is certainly not speaking for Frank Alleyne. I know better. I have been brought up to respect the truth. I go further. Any time any Minister of Cabinet can say that he was unaware of the existence of a serious crisis in the country he is not fit to be a Minister of Cabinet.

6.15 p.m.

This business of tax reform is a serious matter. It is a very serious matter. If the fiscal system of this country is not set right, there can be no structural reform of this economy. You have to get the fiscal system right. Getting the fiscal system right is not primarily about preventing a man or woman from getting together and having "X" number of children or from taking this benefit from one fellow and giving it to another. It is about setting up a neutral system in a system of incentives which can shift resources into the avenues which will promote the goals of the country.

In Barbados, if the fiscal system is going to achieve the objective which is most desirable in the first instance, it has to concentrate on doing two things. It has got to stimulate activity in the export sector and it has got to find the right mix of import substituting activities which are not only import saving but which can stand on their own. Regarding this foolish notion that a dollar saved is a dollar earned...I call it foolish because I am reminded of a quote from Sir Frank Walcott who often reminded me that easy lessons are for dunces. Sometimes you have to spend as much as $8.00 in an import substituting process to earn $1.00. This stupid notion that you hear people walking around with that a dollar saved is a dollar earned, it is time we get that foolish notion out of our heads.

I am not going to spend anymore time differentiating between perceived benefits or allowances on the tax system and actual benefits. I think that I have said enough to demonstrate beyond a shadow of a doubt that the system which is now being reformed was a system which worked in the interest of a few. When I say a few, I mean less than 10 per cent of the tax paying public. I make absolutely no apologies for that because the facts support what I say. Any Government which is interested in deepening the level of democracy and development in a country must make sure that the policies which it pursues do not prevent a veil to fool the masses of the people but do in fact have a real meaning for them. That is where I depart from Senator Barker.

Sir, speaking at St. Giles School in July (it was on a Sunday but I do not know which Sunday; it was about a month ago)...I adverted to a tax avoidance practice which is current in Barbados. I know that it is current in Barbados where you have businesses which have invested many millions of dollars in equipment and the tax law allows them to write off the value of that equipment in five years against taxes payable. They write it off, Mr. Deputy President. But in the sixth year they can no longer write off that capital expenditure against taxes payable. So what are they doing? They set up leasing companies, sell their written down equipment, and dump their leasing goods at exorbitant prices. Since there is no capital gains tax in this country, they pocket the capital gains. When they proceed to hire or to lease that equipment from their leasing companies at exorbitant prices, they charge the leasing cost against taxes payable. It is legally proper but it is morally reprehensible.

There is a letter which appeared in the Press by someone whom I do not know by the name of

Steven Williams who claims to tell me that I have a duty to the public to explain my position. My position is crystal clear. If I were the Minister of Finance and had any say, that practice would come to an end overnight. If you spend the five years and you write off the value of the equipment, that is the benefit which you should get. The politicians in this country have got to stop the system where small people are made fools of. The people who use the tax system to evade and make millions out of it are not people like me or Senator Barker or those of us in here. We have to confront these issues.

Mr. Deputy President, I say that the time is going to come if as legislators we do not confront these issues that people are going to take things into their hands. Let us stop fooling ourselves. Do not believe that we have a preserve of knowledge on these matters. The holes in the tax system cannot be exploited by working people. It cannot be and they are not being exploited by working people. It is time that these issues be confronted.

Senator Barker was speaking with some feeling about the reduction in the highest tax rate and suggested that there is a shift in tax incidence on the lowest income group. The evidence will not support that. The tax reform is being phased. Remember, Senator Clarke just last week introduced in this Parliament a Bill which sets out the timetable of phasing out of levies. We also know of the timetable for phasing out the Stabilisation Tax. If I take and admit that what Senator Barker has said is correct that when the Stabilisation Tax is levied on the income of someone who earns $2 600 a month or less that that person is paying the tax on 100 per cent of their income and when the tax is removed there is a removal of 100 per cent of that person's income, that is also true of the levies. Therefore, I invite Senator Barker to recognise that, whereas in the early stages the income tax may go up marginally, there is a much more substantial benefit which will accrue as the Stabilisation Tax and the levies have been removed. Also, too, we must recognise that with the gradual phasing of benefits for children, and notice that the allowances now are much more substantial than in the old system, there are further benefits to be had. I am not going to get into this business where you have two children or four children or what have you. I only hope that Barbadians will be sensible enough to sit down and plan to have the number of children which they can support adequately and provide with a decent prospect in life. That is my only appeal to Barbadians. If you cannot support any decently, decide to have none. If you can have 10 and support them well so that they can be decent citizens in this society, go ahead and do it. But the tax system does not have to allow you to do that.
6.25 p.m.

Mr. Deputy President, I am not sure about the time I have left.

Mr. DEPUTY PRESIDENT: You have 5 minutes.

SENATOR Dr. F. W. ALLEYNE: Thank you, Mr. Deputy President. Hue and cry have been made of this mortgage interest and I need to spend a minute addressing this. I said in 1987 publicly that I disagreed with the decision in July 1986 in those budgetary measures which allowed for hundred percent mortgage interest. It was legally right and morally reprehensible. It allowed some people to claim as much as $40 000 a year in mortgage interest. That was a rape of our fiscal system. It allowed people to build mansions out of the tax system. It was wrong. I told the Minister it was wrong. Unlimited repairs was a fundamental error. It opened the flood gates and now you hear some of them saying: "They encouraged me to go and build these mansions and now have me caught in midair." If you got the benefits then, take the "disbenefits" now. It is as simple as that. But I can never subscribe to a situation in which the tax system is so unfair that it allows those kinds of gross inequities between income earners. A tax system should never present an opportunity where you, because of your superior earning power and access to credit, are able to take advantage of that system over and above the person who does not have that kind of access to credit. It is totally unfair, I am against it and whichever Government reforms it I will support that position. It so happens that the Democratic Labour Party Government has done it.

Senator Barker was making the point about the IMF. I do not know why they like to rope me into these things, I work at the University with him and if he is asking if I am in the Ministry of Finance, he knows very well where I am. I am not defending the IMF, and I agree with Senator Bellamy and Senator Clarke. People from the IMF who come here, the trained tax experts, are not fools. They are not sending people to look into a haystack for a pin. These people have trained minds; they know what they are coming to examine. They are not coming as fools and learning from scratch about fiscal matters; they know what they are coming to do. They are like sharpshooters. I am told Senator Barker was a target man.

SENATOR T. E. BARKER: On a point of order, Sir. He has to withdraw that. I have never yet in my life used a rifle or a pistol, so I cannot be a target man.

SENATOR Dr. F. W. ALLEYNE: Mr. Deputy President, that is a complimentary remark. I am not referring to a pistol or a rifle. I was making the point that very often it is wise, in a matter of weighty as this, to have an outside opinion, particularly when you are dealing with people who bring a wealth of experience relating to fiscal reform in other countries. Barbados is the better because you have had people who are well trained and who bring a wealth of experience to the job from other countries to look at our fiscal system.

To say that the Government just took the thing lock, stock and barrel is to misrepresent the truth. The Minister of State in the Ministry of Finance in a letter to the Press indicated the extensive discussions which he held with institutions and with individuals. I can tell you I was part of that discussion as an individual.

Aside.

SENATOR Dr. F. W. ALLEYNE: You were at the tail end of the other side, we cannot bring you into this. The fact of the matter, Mr. Deputy President, is that the Government has acted wisely, has acted properly on this matter of tax reform. I have said earlier it is a weighty subject. I take fully the concerns which were raised by Senator Bellamy and by Senator Straughn, because in a matter as large as this there is bound to arise areas which you have to fine tune. You cannot have everything right first time round in a matter like this. Furthermore, a Government will have to be conservative, because you have to watch how much revenue you are going to give away.

I believe that so far the Government has done well, because it takes a courageous Government to confront this issue. This issue should have been confronted in Barbados many years ago, not now. I can only hope that the issue of indirect tax reform will be addressed as expeditiously and the issue of structural reform of the major productive sectors will also be addressed rather quickly. But I think in Barbados time is not on our side. Let us not fool ourselves, Mr. Deputy President. We have a great chance to prove to the rest of the developing world that we can get into difficulties and that we can manage our way out. In spite of all the things which have been said about the IMF programme in Barbados, I have looked at it very carefully; I have just completed a major study on it. There is one thing which separates the IMF programme in Barbados from all the IMF programmes I have studied in other parts of the developing world – Central Africa, Central and South America – and that is, it incorporates a level of flexibility which was not evident in the past. Barbados, certainly to the best of my knowledge, is the first occasion in which the IMF has allowed a country to opt for adjustment on the side of expenditure by reducing wages and salaries rather than insisting on outright devaluation of its currency.

This is not *per se* a feather in the cap of Barbados, but it is something to the credit of those who have to manage Barbados at the level of the political directorate and at the level of the Executive in the Public Service, but it offers tremendous hope for developing countries which are similarly placed, because what it suggests to me is a growing empathy by the technocrats in the Fund for the problems of the developing world.

Mr. Deputy President, I can only wish the Government well and give them my fullest support on this Bill. I hope that in the months ahead the issue of reform of indirect tax system as well as the reform of the major productive sectors will be expeditiously addressed.

I am indebted to you, Sir.

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, much has been said. I do not propose to say a great deal, except to comment, like some of the other speakers, that the chickens having come home to roost the Government has taken what I consider to be the wise step to deal forthright with a problem which confronts the people of Barbados.

The problems and difficulties of the tax system did not begin in 1986, as Senator Barker had alleged earlier; they certainly did not begin in 1986. Some of us will go back to 1975 and 1976 when after the introduction of a general sales tax an election was won and lost and the incoming Government forthwith dismantled the general sales tax that had been implemented. It proceeded to implement a series of indirect taxes by different names. It tinkered with the indirect tax system and it introduced myriad levies, most of which were not put into the Consolidated Fund, in the first instance. Year by year it continued to tinker.
6.35 p.m.

I therefore wish to place on record the fact that, as a student of public finance and a public finance practitioner for more than 30 years, I am satisfied that the actions taken by the Minister of Finance in relation to the bold step taken to alter and amend substantially the direct tax system in this country are worthy of commendation and, far from criticism which has been levelled at him, the persons who level the criticism show great evidence of not understanding at all what was necessary in the interest of this country, Barbados, which we all say we love.

The concerns expressed by Senator Straughn and Senator Bellamy are valid. Let me assure them that they have not escaped some of us in Cabinet and indeed some of them have been addressed. It was as a result of some of those concerns addressed about the document prepared by the IMF that the allowance for pensioners was not placed at the same $13 000 from 1993 as other persons because a case was made for the concerns relating to pensioners and, indeed, the points made by Senator Walcott about some pensioners who live partly on dividends and partly on the pension they receive. The Government is sensitive to the concerns and the manner in which the implementation of these direct tax measures will impact on the persons who live in this country.

It was also as a consequence of concerns expressed about the document prepared by the IMF people that amendments were made as recently as the debate in the other place when allowances were retained for payments to cooperatives, trade unions, statutory associations of employees and members of Parliament to political parties in calculating taxable income of income earners. I, therefore, only wish to place on record, and I have to as a member of Cabinet, my support and to state most strongly that the Minister of Finance is to be commended for the very bold action which he has taken which many other persons would have whimpered about recognising that he would have to face up to much criticism.

I support the amendment to the Income Tax Act.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, after the comments from Senators Alleyne and Lewis my job of winding up is a relatively simple one. However, I think I am in a position to address some of the concerns raised by Senator Bellamy.

In connection with dividends, it would appear that the treatment of preference dividends and inter-company dividends remains unchanged. On the question of interest, it seems that banks and financial institutions will be instructed and since it reads thus it would appear as though individuals are not included, but I am not in a position to guarantee the intent based on the readings here.

I would also like to clarify a point on some questions raised by Senator Barker. On the question of the allowances. First of all, Senator Barker suggested that we should broaden the tax base. Well, one of the ways to broaden the tax base is to remove the allowances available to people and bring more people into the net and more people to pay taxes. This was done. The removal of the allowances and some of the deductions would broaden the base and bring more people in. This raises the question of the allowances for children.

Under the current system, allowances are available up to $15 000 to any individual irrespective of the number of children. By January of 1993, the broad allowance will be up to $13 000. So what this is saying here is that people currently earning $15 000 during income year 1992 will be able to claim $15 000 irrespective of the number of children, 1 or 50, and in 1993, $13 000.

Senator Barker's concern in connection with only 2 children after 1993 if he is making over $15 000 and he has 3 children. I thought he would have declared an interest at that point in time, but he did not declare an interest and I recognise that with his income that he stands to lose at least on one kid, but he must also bear in mind on the other side of the same coin and I think he might do less target practising....

SENATOR T. E. BARKER: As a point of clarification, for the record, in spite of what the Honourable Senator said I only have 2 children so I am perfectly within...

Mr. DEPUTY PRESIDENT: Thank you.

SENATOR THE HON. Dr. C. D. CLARKE: I really want to reassure this Honourable Chamber and Senator Barker, in particular, that these measures are not designed to restrict the size of families. Couples are free to have as many children as they want. We are striving for equity within the system and there are people who have no children at all and yet working for incomes in 1993. A man may be working for $14 000 with no children and no allowance and yet an individual with 2 children would be able to claim the allowance.

I beg to move, Mr. Deputy President, that this Bill be read a second time.

The question was put and agreed to.

On separate motions of SENATOR THE HON. Dr. C. D. CLARKE, the Bill was read a third time and passed.

ADJOURNMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. Deputy President, I would like to thank all members who made contributions to the debate today. We have had a long session and we will have some respite from here on because the Senate will not meet again until after the House meets and the House has been adjourned until October 1992.

I now move that this Senate be adjourned *sine die.*

The question was put and agreed to and Mr. DEPUTY PRESIDENT adjourned the Senate accordingly.
6.45 p.m.

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