
THE SENATE DEBATES

(UNOFFICIAL REPORT)

PARLIAMENT 2008 – 2013

THE SENATE

Friday, March 11, 2011

The Senate met in the Senate Chamber, Parliament Buildings, on Friday, March 11, 2011, at 11.15 a.m.

PRESENT

His Honour Senator Sir BRANFORD M. TAITT,
B.A. (Hons.) M.A., M.B.A. (President)

Her Honour Senator Miss K. F. IFILL

(Deputy President) Senator the Hon. Miss M. O. P.
McCLEAN, B.Sc., LL.B. (Hons), M.A., M.B.A. (Minister
of Foreign Affairs and Foreign Trade) (Leader of the
Senate) Senator the Hon. H. LaV. BENN, G.C.M., J.P.,

(Minister of Commerce and Trade)

Senator the Hon. D. W. BOYCE (Minister of State
in the Office of the Prime Minister, with responsibilities for
Energy, Immigration, Telecommunications and
Investment) Senator Mrs. I. SANDIFORD-GARDNER
(Parliamentary Secretary in the Ministry of Health) Senator
J. INCE (Parliamentary Secretary, Prime Minister's Office)

Senator H. A. HUSBANDS (Parliamentary
Secretary, Prime Minister's Office)

Senator P. W. B. GILKES

Senator R. A. HUNTE, J.P.

Senator Rev. Dr. D. L. DURANT, D.D. (Hons.)

Senator Sir ROY TROTMAN, K.A., M.A.

Senator the Hon. Prof. V. E. NEWTON, S.C.M.,
B.A. (Spec. Hons.), M.A., LL.M. (Hons.) (U.W.I.), F.L.A.
(Gt. Brit.), L.E.C. Senator the Very Reverend H. E.
CRICHLLOW, G.C.M., B.A. (Hons.) (Dunelm)

Senator Dr. F. L. CHANDLER, Ph.D., B.Sc. (Hons.)

Senator R. O. MARVILLE, B.A. (Hons.), M.A.
African Studies, M.B.A.

Senator J. A. C. HUTSON, B.C.H., M.R.A.C.

Senator A. R. WORRELL, B.A. (Hons.)

Senator K. D. SYMMONDS, B.A., LL.B.

Senator S.J.O. BRADSHAW, LL.B. (Hons.)

Senator R.G. CAVE, CBE, B.C.H.

Prayers were led by Rev. Father Errington Massiah.

Mr. PRESIDENT: The Senate is in Session.

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

SUSPENSION OF STANDING ORDERS

Senator the HON. Miss M.P.O. McCLEAN: Mr.
President, I beg to move the suspension of Standing Orders
22(1) and 45 for the remainder of today's Sitting.

The question was put to the Senate and agreed to.

PUBLIC BUSINESS

ORDER NO. 1 – INCOME TAX (AMENDMENT) BILL, 2011

Senator the HON. Miss M.P.O. McCLEAN: Mr.
President, Income Tax (Amendment) Bill, 2011 is intended
to provide the legal framework within which the provision
to remove tax free allowances for traveling and
entertainment granted to the employers can come into
effect. This particular piece of legislation is in pursuant of
implementation of the Budgetary Proposals presented by
the Honourable Minister of Finance in his 2010 Budget.

Mr. President, as we are all aware, Barbados like many other economies around the world continues to be challenged by the impact of the global financial and economic crisis of which we have had many discussions in this Honourable Chamber. (5:11) We also are aware that Barbados, like many developing economies, is an open economy, heavily dependant on foreign exchange and the earning of foreign exchange in order to ensure that we can meet our national obligations to imports. Sir, we are, as an open economy, also heavily dependant on imports, as we are a very resource poor country.

Mr. President, as we seek to address the consequences of all those things, we are really seeking to address, at the level of Government, the imbalance between revenues and expenditures. Sir, as such Government is faced with a deficit which has to maintain, and that typically has obtained for several decades since Independence and it is made better or worse depending on the financial climate that prevails in any fiscal year.

Mr. President, the reality is because of the scenario that I painted in my opening comments, we have seen Government's revenues fall but, at the same time, the philosophy, the practices, the programmes and strategies which inform those programmes that are expounded this administration and, again, I would say it is a typical characteristic of a Barbadian economy, that there are significant transfers because of the policies that we have utilised over the years whether these are transfers for educational purposes...

Asides.

Senator the HON. Miss M.P.O. McCLEAN: We are all familiar with the success of our thrust in education as a country which, as I said earlier, is resource poor and, therefore, has to rely heavily on its people as a major resource on which to build this economy and this society.

Mr. President, we also expend significant sums of public finances for health care, for our welfare services, in the maintenance of our physical infrastructure and, overall, Government's revenues are called upon to finance a cross-section of activities to ensure that Barbadian maintain a good quality of life for which many of us have grown accustomed, and notwithstanding the challenges that face many of our poor citizens Barbados, by and large, has been able, as a small country, to demonstrate to the world that we have the capacity to manage our affairs at the level of Government and private sector, et cetera, to ensure that our people can anticipate a reasonable standard of living. Sir, as part of the whole process of generating revenues (8:17) Government relies heavily on personal income taxes and corporate taxes as well and, therefore, it has to find a judicious balance between the level of taxes imposed that is, the level of revenues collected and the level of revenues

foregone and, therefore, as it structures its income tax systems and its corporate tax system, it is that balance that is being struck, the welfare of taxpayers whether the citizen is a corporate citizen or an individual, the balance is struck between their welfare and the welfare of the State meaning the collective of Barbadians.

Mr. President, over the years, again, a number of concessions have been given to corporations and to individuals in the form of tax relief. In this case, Sir, we are talking about allowances for entertainment and traveling and it has assisted companies and, Sir, let us look now, for example, at the private sector. It has assisted companies, perhaps, to enhance their remuneration packages to employees. Sir, in a lot of instances, as people move in organisations, one of the things that you would find happening is that as part of the package, because salaries are increasing and where we have tax bands that change as persons' salaries increase, one of the ways of shielding some of that income from tax purposes was to give allowances for those two categories that I have mentioned.

One way to shield some of that income from tax purposes was to grant allowances for those two categories that I mentioned, among other things. Therefore, the situation Government has found itself with over the years is that in a lot of instances, many Barbadians who are earning substantial sums pay very little or no taxes. There is nothing illegal about that. It is tax avoidance in this case, because they are able to capitalise on all tax free allowances. What that translates into for several years is, the Inland Revenue would, in fact, perhaps, depending on how people manage their deductions, may collect sums of money. As I heard one person describe it, they were actually holding these sums for the tax payer, because by the time the financial term came to an end and people calculated their taxes, they would receive substantial refunds. That created some major bubbles if we are talking about revenues versus expenses, et cetera. In other words, Government would have a challenge when planning to utilise those revenues in the long-term. Now that is one category of employee that is the Private Sector.

I would say, in a lot of instances those figures do not necessary bear any relationship to the individual employee's expenditures on entertainment or traveling. It was just a way, as I said, to enhance the remuneration package to make it more attractive, thus allowing the particular entity to secure the services of that particular potential or prospective employee.

Sir, we have a situation if we move away from the Private Sector employees to Public Sector employees, where some officers are required to travel who typically would find themselves incurring various specific expenses. So the issue of traveling allowance does not necessarily mean that an employee travels but as I said it is another way to do that.

Sir, bearing that in mind and exploring the options available to the Minister of Finance as we seek to generate revenues for the national Treasury, it was felt that there needed to be a revisiting of the significant allowances that would have been granted. It was really and truly identifying one of several options available to Government as the largest single employer in the country, Government could look inwards at the size of the public service, to determine if we should seek to cut some of our expenses by reducing the labour force in the Public Sector. Clearly in this case, this administration took a definitive position not to, but committed to minimising rather than focusing on staff retrenchment as an option, as again we would have been calling for cooperation in the private sector, small operators, across sectors, in the total private sector across subsectors to follow suit, to work together as a society and partners in our economic framework to keep people employed.

Sir, to look at these allowances is to say we will introduce a measure which is not intended to be loitered upon but one which will be reviewed certainly within the life of this first five years of this administration to see how events unfold, and it is done in a way to ensure that there is burden borne across the society, of course by the public and the private sectors. For a large number of persons it would have meant a reduction in their net income. In other words because a percentage of your salary was not now shielded from taxes, it would have meant that your disposal income, the money available to you after taxes are deducted would have declined. Overall, the impact of this would have pretty much served to ensure that there was a spreading of the burden, so to speak, the sacrifice made by citizens.

Sir, overall, it provided another means by which we could seek to bring some closer balance because, as I said, there is a deficit which has to be addressed, and this is one of several mechanisms that can be used to reduced that.

While I focus on the revenues generated by a reimposition of taxes on those allowances, I would hasten to say that the strategies employed by the Minister of Finance would not only be on the revenue side, but in fact at the level of Government, a concerted effort was made in the Estimates and in the Expenditures, even where at the time of the Budget expenditures were already voted for the remaining period of the relevant financial year, we would have been required in our ministries, and of course led by

the ministers, to re-examine our expenditures and to focus on priority areas.

Sir, the reality is, in a lot of instances we are sometimes not as efficient as we can be in terms of expenditure, utilisation of resources. We can look at big things. We can look at small things. Whether it is a saving on our everyday supplies, and if I can use a small item which can amount to a big item, I will have to do the research to see what it cost Government.

Sir, I am also appalled at how we use stationery, for example. We will get a document of ninety pages all copied on one side. When you look at that, if that is a norm, you can cut your stationery budget for that kind of thing in half simply by utilising, in the short-term it might cost a little more investment, in a quality machine to allow the process to work faster, but we can, we have asked, and we have been finding ways to reduce our cost. As I said, in some small areas, and certainly in big areas. I would not detain the Honourable Senate to go through all of those things.

Sir, the critical point that I am making, as we engage in our efforts to bring some balance and rebalancing to our economic situation, or budgetary situation as a Government, we have had to find ways to take corrective action.

Sir, let me hasten to say as well that as we look at these measures, I would want to characterise the amendment to the Income Tax legislation to remove the tax-free allowances, as I said, that is an immediate short-term strategy. As we talk about deficits and differential between revenues and Government expenditures, it is really asking us to move beyond the immediate focus on Government expenditure, but to look at the whole issue of the structure of our economy, because at the end of the day one of the areas in which we can focus most on enhancing our revenue generation through the growth of our private sector, et cetera, is the whole question of looking and addressing the actual structure of our economy. That is something we are clearly doing. As we can see it unfolding before our very eyes, I am sure, Mr. President, that you like many of us would have awoken to the tragic news of an 8.9 earth quake and following that a Tsunami, and Tsunami watch for the entire West Coast of the United States of America, for twenty-something countries in the general region of that country. We saw pictures bringing home to us the stark reality of the dangers of cataclysmic environmental events. It really tells us that as we focus on our economy there are a whole set of adjustments we have to make.

It really tells us that as we focus on our economy there are a whole set of adjustments we have to make because as I started earlier, I mentioned the openness of our

economy that there are some issues over which we have no control but which will have a significant impact on us therefore as a country we have to rethink a number of paradigms. That is a word I do not like to use too often because you know, people talk about paradigm shifts and I am not one to generate buzz words so I prefer not to use them but we need to refocus on what are the key planks of our economy. While we continue to stress those which have worked for us, we also will focus on expanding those areas.

I believe, Mr. President, looking at this piece of Legislation as I said, to remove the tax free allowances, what in fact we will have before us, is an attempt to ask all of our taxpaying citizens to participate in a mix of measures to enhance Government's revenues and in some instances, they also will share in some of the benefits of the cost savings that are possible.

With those words, Mr. President, I beg to move that this Income Tax (Amendment) Bill, 2011 be read a second time.

Mr. PRESIDENT: Senator Cave, you have the Floor.

Senator R.G. CAVE: Thank you, Sir.

Mr. President, I have been one who has been critical of the Government not to take early action on the size of our deficit, so I certainly have no difficulty in terms of supporting the Minister of Finance in taking steps to look to reduce that deficit. I would like to point out though that in his efforts to do so, I think he has taken the savings within probably a young growing group and pretty well decimated them, young people who might be today earning \$100 000 or \$8 000 a month.

Asides.

Senator R.G. CAVE: No, not lawyers. I am talking about young people in the growing professions such as accountants. That area has been hit by not only the reduction in entertainment allowances, travel allowances but also to the allowances from mutual funds and credit unions. There was also a special tax by which people were encouraged to save by taking some of their bonus to put into savings, so the total impact on those folks alone is some \$32 500 in taxable income, which probably when related to taxation, could be around \$10 000, \$12 000 somewhere in that vicinity. So all of a sudden, somebody who is earning \$8 000 a month and has prepared their budgets for that, they have gone out and bought a home, perhaps, but they have not had the cash to buy it, they had to go and buy it by mortgage, all of a sudden \$1 000, \$10 000 a year is gone and everyone recognises the need for the cut in the budget.

I would like to think though that the Minister would be aiming at other cuts within the Government's expenditure. We have the Estimates before us, I have not really read them as of now but I would hope that the action would be taking place in reducing the deficit through that effort, so that some of these things can be restored in a reasonable period of time.

The entertainment allowances are things that happen in the private sector, probably encouraging people, in the case of salesmen, to have a little function at home, rather than having to go out to restaurants and pay the full price. So some of these things people would have to readjust to but it is going to be a very difficult period for a lot of people who have planned their budgets and it is a difficult period.

In the other side of the game, which is not really coming under the Income Tax Act here today, is the savings that goes through mutual funds, public company shares and also bonuses being put into savings and to me this is even worse because those monies were locked away for five years and it encouraged people to save. It would help them in their long term for pensions and truthfully, that is going to be a severe area. I know the credit unions have made a big noise and they were right to do so because, generally, our savings in Barbados is threatened and I would like to that gets restored as quickly as possible. Sir, you have a feeling that people are being severely hurt. I would like to make that point.

In addition to those damages at the same time came an increase in the VAT. Again, I have no difficulty that VAT came along at the same times but they got a huge reduction in their earnings and at the same time, they got an increase in VAT so they have had it coming at them twice. I still support the Resolution of doing what we have to do to cut the deficit but all I plead with the Minister is to let us try and look at some other waste expenditure that we are doing in the Government and try to restore these benefits to the parties as soon as possible.

With that, Sir, I support the Bill.

Thank you.

Mr. PRESIDENT: Senators, I have to draw to your attention that if it is your intention to speak, the rules are very clear. You stand in your place and let the Presiding Officer catch your eye. I have had some difficulty with this because Senators do not seem to be au fait with the rules. I am sorry if it appears that I am being school masterish but sometimes it is necessary to be school masterish, if you have nothing else but pupils.

Asides.

Mr. PRESIDENT: Senator Worrell, you have the Floor.

Senator A.R. WORRELL: Thank you, Mr. President.

Mr. President, I rise to support this Income Tax (Amendment) Bill, 2011. I do it to draw on the context that or make very brief remarks as there seems not to be a thirst for debate on this particular matter today but just to make very brief remarks in terms of why we are here today, in terms of justification, this being the tax on the entertainment allowance and the travel allowance.

When the measure was brought up, it did not go down well with a number of persons as was expressed to some extent by Senator Cave and you did realise that it would indeed reduce the take home pay or money that persons would receive in their hands when they receive their pay cheques at the start of 2011.

Sir, what we must understand is the context in which it was done and the situation which led to this action being taken. Sir, we are all aware of the financial situation within which economies are placed. It is not just within Barbados. Quite frankly, a number of countries have had to take very hard decisions in terms of dealing with their economies and finances.

Mr. President, on my way here today, I was listening to one of the call-in programmes and I heard someone said that Barbadians tend to complain a lot and that maybe if they had lived in other jurisdictions they would recognise that they have to be thankful for a lot of the things we have, so this is something we all need to recognise.

Mr. President, I wanted to focus a little bit on what is happening in the region by giving an example of Jamaica which entered a standby arrangement with the International Monetary Fund in February 2010. The main reason for doing that was because they had to find ways of dealing with their economic situation. Many of the previous administrations in times of plenty went out and borrowed excessively to invest in different development packages and so forth and now everything has come home and these bills have to be paid.

Mr. President, it is no secret that within Barbados we talked about this in the Estimates debates which went in March last year. We recognise that we would have a deficit and we needed to find ways of raising revenues. There was a fall off within the economy and there was a fall off within the receipts from income tax. You do not need to pay a Chief Economist to tell you that if you are going through a recession, you would have a fall off within your revenue. The Government had to take a decision to find ways in which to increase revenue and how to deal with the

expenses that it had to pay in terms of repaying loans and so forth.

From many quarters, there was talk about Government reducing expenditure. What they did not say is that for Government to reduce its expenditure, it would have to look at things like reducing one of its highest bills, which would be wages and salaries. Sir, we should be thankful that we did not take that decision or go that route because at one point in time in Jamaica their unemployment rate was 13 per cent. Thankfully, our unemployment rate has not reach that stage. We also had figures of a number of persons who were unable to repay their loans and you had non-performing loan rate as much as 5.9 per cent in Jamaica. I do not believe that it has reached that level here in Barbados.

Mr. President, the decision was taken in a context that you have to balance, you have to pay your bills and you also have to raise your revenue. We want to keep persons employed and one of the ways of doing that would be to increase the revenue take, for this period of time which is a tough economic time, by taxing the entertainment and travel allowances as a mechanism to increase the Government's revenue.

The situation is also the same in places such as Iceland, which probably had it worse. Iceland is a far more developed country and their unemployment rate... They also entered into a standby loan agreement with the International Monetary Fund but much earlier in 2008 and up to this day they still have a challenge of reducing their unemployment rate and paying the bills because you had a system where countries went into a lot of debt.

Sir, you have a situation where a lot of households are in serious debt so we had to take that tough decision. This is one of things, which I know might seem difficult for some Barbadians. Sir, a lot of analysis was done in terms of some persons who would receive the maximum travel and entertainment allowances. For one area, it is \$7 200 and for the other, it is slightly more. This would result in a reduction of \$400 but generally for most persons who would actually feel the brunt, they do not necessarily get the travel and entertainment allowances up to that level so for them you would be talking in the region of \$100 to \$200.

Mr. President, yes, it is difficult to know that you are taking home less money but you have to look at the situation. If this decision was not made, Barbados could have find itself in a situation where the unemployment rate would increase so instead of a person having \$200 less, they might have a whole month salary less and they would have nothing to argue about.

Sir, we need to recognise that the Government has been making these tough decisions now because we want to take Barbados out of this situation. Even the International Monetary Fund praised the Government for the stance in terms of this and other decisions that they have taken in terms of reducing the debt burden and increasing revenue. Sir, I do not think that this decision was made today willy-nilly or that it was made to place extreme hardships on Barbadians. All of the decisions made by the Government to this date has helped to stabilize the Barbadian economy, has helped to reduce the level of hardship and suffering that persons face and has helped to provide a safety net for all Barbadians and for that I am thankful and will support this Bill.

Mr. President, Barbadians have to recognise that they have to be thankful for the situation they are in and look externally and see that it is not just happening here in Barbados. You cannot have your cake and eat it too. There are times when you have to make tough decisions and it is better to make those tough decisions in the interest of the country instead of making decisions that would only benefit a few. Sir, you have to be able to protect all Barbadians and to make sure that a safety net is there for all Barbadians so that we can continue to some extent to enjoy the standard of living that we have.

Sir, if you look externally, you would see that the situation is hard and even far more grave in some environments. Sir, Barbadians should not get into the habit of crying down everything and complaining, they should look at alternative solutions. Obviously, the family debt burden is an issue but there are ways in which they can come up with creative solutions. I would also challenge the Government side as well to do the same. I know that they are working on creative solutions in terms of dealing holistically with not only the national debt but also the household debt.

Mr. President, we have heard talk about that even within the Budget in terms of speaking with the banks in terms of making it easier for persons in terms of the repayment of their mortgages and so forth because that is also a situation. Sir, one of the arguments that persons use is that they apply for their mortgages on the basis of the travel and entertainment allowances and so forth. Obviously that is an issue, not that the travel and entertainment allowance was there for that but meanwhile persons still apply for mortgages and different loans based on that.

Sir, we obviously have to work together as a country to see ourselves through the situation. Sir, if anything can be done in terms of helping persons to be able to meet their financial obligations in terms of an ease or whatever the case might be you can do that but at this stage the Government needs to increase the revenue intake so that it

can pay the bills, it can continue to pay its employees, it can continue to pay for our health care system, our educational system, our transport system and all of our public systems. We need to find ways of increasing the revenue, so Barbadians should not take it as a bitter pill but realise that it is protecting them in the future.

With those few words, I support the Bill.

Mr. PRESIDENT: Senator McClean.

Senator the Hon. Miss M. P. O. McCLEAN: Mr. President, as I wrap up debate on this, I want to speak to the concerns of persons who see this as hardship and, following on the contribution of Senator Worrell, to argue that at the end of the day we have to look at the total picture.

Mr. President, I would just use some numbers that would have been cited by Senator Cave. I think the Honourable Senator spoke about the impact on some young professionals and used a figure of \$32 500 per year in taxable income that would have been shielded, if I understand correctly, from taxes and there lies the challenge in these difficult times. Mr. President, \$32 500 translates into about \$2 700 a month and that for many Barbadians is a full salary. The challenge therefore really is: Do we continue to do this and run the risk, if we focus on the Government side with declining revenues, having to lay off a number of public servants who would fall into the gross income not the part that is now exposed to tax?

Mr. President, I am telling you, across the public service, if you go to places like police stations, you would see that at the starting levels - and I do not have the statistics in front of me - but you can look at it and see that maybe a constable does not earn much more than that, if at all. Clerical officers and junior officers across the public service and in the private sector would be earning, as a total income per month, what some people are now being asked to be added to the taxable income per month, which means that they are earning sometimes more than that. Sir, I can tell you, I think the figure \$100 000 a year was used, which means that they had \$67 500, which would have been taxed previous.

Mr. President, the point I am making is that the difficulty we face, is that do we protect the general population. Sir, the reality is, if Government does not do this as a short-term measure, then it has to face, as I said before being the largest employer, the option of probably severing people. Sir, that then has a greater ripple effect because they are the ones who pay VAT in the supermarkets, with a proportion of their salaries being a bit higher than the same young professionals because they would have spent most of their money on essentials, they are the ones who will be hardest hit. Mr. President, it will

be a challenge to come up with a mix of measures, because this is only one such measure to address it. Perhaps what we also need to do is to focus beyond this is to find a way to tax those persons who are self-employed and who earn substantial sums of money, that those sums go undeclared to even spread the burden some more but that is another issue in the future or for another debate.

Mr. President, I also want to say something about the credit unions. Sir, as you know, if there is one institution that is dear to my heart, one in which I have participated in all aspects of its existence, as a member, as a volunteer, as a person who markets its to all and sundry, I can tell you that I parted company with the credit unions on this matter and not because I am a Minister of Government and part of Cabinet but because I know what are the fact. Sir, what I can say to you is that in a movement which has a minimum of 100 000 members, the two largest unions representing conservatively about 80 per cent of that number. Sir, between the Public Workers Credit Union and the City of Bridgetown, together they did not have 10 000 persons claiming the allowance. Sir, when I checked the statistics, because I felt it important to do so because I have always lobbied for the credit union, I sat in the midst of members of the movement to say to them, bring the statistics because what I heard, the immediate reaction was a total misrepresentation of the facts. The impression given was that their saving situation was going to decline.

Mr. President, the reality is that of those 100 000 members, a lot of those members do not even qualify to pay taxes in the first instance, and so they cannot claim because they are not earning enough, because of the other allowances where the tax-free levels set in, in terms of their income. Sir, the profiles of the credit unions are a lot of what we call working-class Barbadians or small earners. Those are the backbone of the Credit Union Movement. Therefore, while people like myself would have been hurt by this - and I have to stress that. This impacted on me too, in term of what we are talking about directly and in terms of the credit union allowance. I was able to make sure that I claimed it for the 2010 financial year and we would not have it this financial year. Sir when we look at this, this allowed us to share the burden.

Mr. President, further in the discussion this morning, we will see how it will allow us to share the burden, because we have other options. We could have increased the total income tax levels; we could have increased corporate taxes; we could have laid off people but if people are laid off they would not have an income and therefore cannot be able to spend. They become then a charge on the public purse in another way, because if I am not earning I have to use some other form of safety net, I have to go to the Welfare Department.

Mr. President, I think at the end of the day it is a hard pill to take but it is part of a package of remedies which will allow us perhaps to avoid taking harsher kinds of medicine. I believe it will hurt in the short term, the Government has committed to revisiting this but it is one measure which, when we look at the total range of options, perhaps will have the least pain for the society overall. Mr. President, it may hurt some people but I also believe, if I understood and recall what Senator Worrell said, is that as people would have committed certain expenditures which would now take them to using higher levels of their disposable income, a number of things have to give but what we would hope would, for example, persons who may be challenged with their mortgage payments and the financial institutions will also understand....

Sir, having made reference credit unions, I can tell you in the early 1990s, when I served as Director of the City of Bridgetown, what we did when people were challenged, we did not wait for them to run into difficulty, we encouraged people to come in and we negotiate the terms and conditions of the loans. Sir, some of these negotiations would have been loans for housing and some of these agreements are flexible. I think if we appreciate that we are all in this together, we should also appreciate the need to bear some of the burden and therefore we would find other ways to cast the revenue net.

Mr. President, I just want to reassure that on the other side of the coin Government has been seeking to control its costs. Mr. President, before I close on this particular items, let me say that beyond taxes, Barbadians themselves have to examine their inefficiencies on the job because reference was made to Government conserving. Mr. President, I can tell you that a lot of us are not as productive as we should be therefore making doing business more expensive. I have seen situations where people have looked to investing in Barbados and the issue of productivity is one that we have to deal with because at the end of the day, what will happen is that people will look to get the best for their dollar. Mr. President, whether it is a sales clerk in a store downtown, a supermarket cashier, a person producing a food item or some other kind of item in a manufacturing operation, the attorneys - and there are a few in here who may think we are 'picking' on them - delivering service quickly to clients, whether it is we Government officials either at the level of the political directorate or the public service, looking at how we deliver services to our people, we all have to make our individual contribution to ensuring that we are able to contribute to productivity in a way. Sir, there are costs to local productivity as well. I believe that as we talk about these issues, we all have to recognise that Barbados is at the point where self-examination is critical, as we look to address matters financial because we all impact on the finances of our country in one way or the other.

Mr. President, with those words, I beg to move that this Bill be read a second time, a third time and passed and cited as the Income Tax (Amendment) Bill 2011.

The question was put to the Senate and agreed to.

ORDER NO. 2 – PENSIONS (MISCELLANEOUS PROVISIONS) BILL, 2011.

Senator the HON. Miss M.P.O. McCLEAN: Mr. President, the Pensions (Miscellaneous Provisions) Bill, 2011 is intended to amend the Pensions Act, Cap. 25 and the Statutory Board (Pensions) Act, Cap. 234, to make the traveling and entertainment allowances given as part of the remuneration of officers pensionable, pursuant to the same Minister of Finance's Budgetary Proposals of 2010.

Mr. President, in my contributions on the Income Tax (Amendment) Act, that was just passed, I made reference to the decision by the Minister of Finance to make taxable certain allowances, travel and entertainment, and the intention, therefore, is to provide those persons who would be hit by this change, as we would have heard, with some mediating, so to speak, measure bearing in mind that now, all of it is treated as taxable income and, therefore, to ensure that there is some recovery, for want of a better word, from that situation, to include it in the income to be considered for the determination of pensions. Sir, I think it is only fair that it is now, as I have said, part of the total pensionable income and so a person, for example, if this arrangement continues for a year, that figure would be added to the year's income so that the full gross income would now be fully considered for pension purposes.

Mr. President, if I could just use a couple of number quickly to illustrate: (2:39) Let us assume that a person would have been earning \$100 000 a year, I have used those figures because they are easy, and I know that probably does not apply to a large cross-section of Barbadians but then, again, that is the kind of level in which entertainment and travel allowances are paid in a lot of entities outside of the Public Service and so, it is a realistic figure. Sir, because of the old arrangements where a portion of that was non-taxable, I will use for ease of calculation, \$25 000 of that \$100 000 was shielded from taxes because of the provision. Sir, for the financial year 2010, that person's salary of \$75 000, without the pension would go towards their pensionable income but because we have changed it now and the entire amount is taxable, what you are saying is that for the financial year 2011 for the calculation of pension purposes, the entire gross income of \$100 000 would, in fact, be considered for pension purposes. Sir, as I have said, that really is a mechanism by which some level of fairness and reasonableness is brought to the situation given the changing situation in relation to travelling allowances and entertainment allowances.

Mr. President, again, it is a measure intending to make the necessary legislative provision for the elements of the last Budgetary Proposals of 2010 and, therefore, Sir, it is a straightforward amendment to the legislation which I think is necessitated in order to ensure that proper accounting is made in the laws for the new situation.

Sir, with those few words, I beg to move that this amendment to the Pensions (Miscellaneous Provisions) Bill, 2011 be read a second time.

The question was put and agreed to.

Senator Cave: Mr. President, may I speak.

Mr. PRESIDENT: Yes, you may speak, you have the Floor but I draw to your attention that while a vote is being taken all Senators either participating in the vote or failed to participate in the vote as the case may be. Senator Cave, you have the Floor.

Cave: Mr. President, thank you. Sir, the Leader of Government Business in the House has explained to us the changes for the officers in Government for pensions and I ask a question on this only to know what would happen. I am assuming that these allowances as the Minister, when he first put it in place is expecting that this would not last for a long time and I believe that he made a point that he was hoping that within a period of time that these measures would be taken off. When this thing goes into pensionable amounts, my question is, what happens let us say, within two years, that the Minister is able to change these allowances and bring them back into play, what would happen then to the pension programme. Will it still continue as part of the pension programme or not? Mr. President, I ask these questions because the private sector often takes the lead from the Government and we would need to know what the thinking is.

Mr. President, the other point that I would like to raise is that the Commissioner of Income Tax is likely to view this rather strangely if he senses that it is now an admission by Government that these amounts were really not intended for travel and entertainment but were really, a tax free allowance. My question is whether that will not be an area that the Commissioner of Income Tax would look at. Sir, we have certainly been advised by our people that we should continue the travel allowance and the entertainment allowance for two reasons (1) it is fully expected that Minister may change, as he has promised to do this in a couple of years and (2) that if we were to change this into salary emoluments the Commissioner might, all of a sudden, deem those people to have been taxable in previous years. Sir, I just say that because that is the financial advice that we have received.

Mr. President, the other matter that I would just like to say a word on is the broader basis of pensions since pensions are coming up here. I do not know exactly the Bill but I think it is called the Occupation Pension Benefits Regulations, 2011, which has just been passed. Sir, this Bill has been under consideration now for many years. I do not know if it is five years, seven years or what but it has been draft legislation for some length of time and finally been noted but meanwhile while this was in draft form many variations have taken place in other countries particularly so in the area that we follow in Barbados, that is, the Canadian system. Sir, under the Canadian system and our system, a number of parts of the Act which deems that someone at 65 years old, who is in a defined contributory scheme, at 65 they have to take their monies and go and buy an annuity. Sir, this matter has been drawn to Government's attention, by several letters that I have written myself suggesting that we look to follow the Canadian system more closely.

Mr. President, I say it because in Barbados, particularly now since CLICO has gone into trouble, there are only a few insurance companies that are offering annuities. Sir, they are not competitive and when people retire at 65 years old they have to go to their pool of a defined contributory scheme, withdraw from the scheme which may be earning them good money and deposit into an annuity for the rest of their lives. Sir, annuity rates in Barbados are very uncompetitive. Sir, a number of people in the Private Sector are facing a really difficult period on this score.

Sir, in the Canadian system a person is not deemed to retire at 65 years anymore but deemed to retire, I think, at seventy-one-years-old. So people can continue keeping their money in the Contributory Scheme, paying their contributions towards that scheme until age 71. Further, when they retire they do not have to draw it out as a pool of money to purchase an annuity, but it can be left in the same earnings capacity to be drawn down over a period of time.

Mr. President, I am aware that this matter has been brought to the Government's attention, but it places people in that category in a very difficult position. I would really appreciate if the Ministry of Finance to see if some amendment can be made to that particular Act, to cover pensioners who are being disadvantaged because of it.

Sir, I think that covers the points I wanted to may.

Mr. President, thank you very much.

Mr. PRESIDENT: Senator McClean.

SENATOR Hon. Miss M.P.O. McClean: Mr. President, as I wrap up on this Pensions Miscellaneous Provisions Bill, I believe it is important to I attempt to

address some of the concerns raised by the Honourable Senator Cave. With regards to the decision to continue to identify traveling and entertainment allowances and such, I believe it should be done even though there is no benefit in terms of the tax shield. It is no longer shielded from taxes but it is an allowance which Government has decided to tax. That action, I am not a tax expert nor a tax lawyer, but I believe that by maintaining that action, when a decision is taken you just go back to the status quo, that is how you can describe it. It is an allowance. You are paid the allowance and Government has decided it will tax it for some period of time. Therefore, there is no "tax benefit" in the short-term. To change it and to keep it as a basic salary would probably then create those kinds of concerns. That is why lay persons respond.

Sir, while I cannot respond, I think I would want to thank the Honourable Senator for flagging that issue in relation to pensions. As the corporate landscape in relation to pensions and insurance have changed in Barbados and the region. You are making a very good point because you are talking about the impact of what I would call the end of a pension system where the person has to make a decision about funds. Therefore the recommendation about the system that now obtains in Canada is useful information. Mr. President, certainly I would want to communicate those concerns to the Ministry of Finance and the Minister of Finance to look at the implications for Barbadians.

Sir, as we would have heard from Senator Cave, the options available to pensions are narrow, and if because we do not have any options the returns are low, then at age 65 if a person is forced to remove his or her funds and lives until a hundred, then you can see what are the implications. Whereas a five or six-year continuation, or whatever, may be very beneficial. Sir, I certainly would want to flag that.

Sir, with those words I beg to move that the Pensions Miscellaneous Provisions Bill 2011 be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR Hon. Miss M.P.O. McClean, Mr. PRESIDENT left the Chair and the Senate went into Committee on the Bill, Her Honour Senator Miss Kerryann F. IFILL in the Chair.

COMMITTEE

MADAM CHAIRMAN: The Senate is now in Committee.

Clauses 1 to 4 inclusive were called and passed.

The Schedule became the Schedule to the Bill.

On the motion of SENATOR Hon. Miss M.P.O. McClean, Madam CHAIRMAN reported the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motion of SENATOR Hon. Miss M.P.O. McClean, the Bill was read a third time and passed and cited as the Pension Miscellaneous Provisions Act 2011.

ORDER NO. 3 – MINISTERS AND PARLIAMENTARY SECRETARIES (REMUNERATION AND ALLOWANCES) (AMENDMENT) BILL, 2011

Senator M.P.O. McCLEAN: Mr. President, the recent Budgetary Proposals would have imposed, as we would have debated earlier, a requirement to tax the allowances for travelling and entertainment on Barbadians. While I am not happy that I had to pay them, I am happy to report that, like all other employees the Ministers and Parliamentary Secretaries receiving travelling and entertainment will be so taxed as well.

Asides.

Senator M.P.O. McCLEAN: Sir, want to say that like all taxpayers receiving those allowances, we too will bear the burden and that is in the name of equity and justice. Therefore, Sir, I do not know that I have much more to say than that but that we are carrying the burden equally and we are quite willing to do so. I trust I speak for everybody, nobody said otherwise.

I wanted to emphasise that because I recall, Mr. President, before I sit down on this one that in the immediate hours and days following the presentation of the Budgetary Proposals, there was much talk about exemption for Ministers and so on, clearly because people did not understand or they wanted to say so and it got good media mileage but I just hope that now that people know for sure that does not apply. I mean you said so and so on but once they see the Legislation in the Gazette and so on, they would accept that nothing special was done for Government Ministers and Parliamentary Secretaries.

I just would reiterate, Sir, that like other taxpayers, young professionals, senior executives, of course, our salaries do not compare to those of senior executives, it does not even compare with the bonuses of senior executives, and that is reality. I have been around for a while in business circles and so on, not been around, Sir, that sounds funny so let me take that back. I am familiar with the kinds of earnings and so on of executives.

Mr. PRESIDENT: Do I understand you to be saying that you have not been around?

Senator M.P.O. McCLEAN: Certainly. I have not been around, Sir.

Asides.

Senator M.P.O. McCLEAN: Sir, I have lived long enough to know that so what I can say is that we are bearing part of the burden as well.

With those few words, Sir, I beg to move that the Ministers and Parliament Secretaries (Remuneration and Allowances) (Amendment) Bill, 2011 be read a second time.

The question was put to the Senate and agreed to.

On the motion of Senator M.P.O. McCLEAN, the Senate resolved itself into Committee on the Bill, Her Honour Senator Miss Kerryann F. IFILL in the Chair.

COMMITTEE

Madam CHAIRMAN: The Senate is now in Committee.

Clauses 1 to 3 inclusive were called and passed.

On the motion of Senator M.P.O. McCLEAN, Madam CHAIRMAN reported to His Honour the PRESIDENT, the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of Senator M.P.O. McCLEAN, the Bill was read a third time and passed and cited as the Ministers and Parliamentary Secretaries (Remuneration and Allowances) (Amendment) Act, 2011.

ORDER NO. 4 – THE VALUE ADDED TAX (AMENDMENT) BILL, 2011

Senator M.P.O. McCLEAN: Mr. President, today we would be tasked with debating four pieces of Legislation, this one being the final piece, the Value Added (Amendment) (Bill), 2011. Sir, as I mentioned in my earlier comments, as the Minister of Finance contemplated his budgetary measures and put to Barbadians a package of measures, he sought to undertake a number of initiatives or put in place a number of elements to his Budget which would address both revenue generation and cost savings in several areas.

Mr. President, if we look at the impact of the global economic crisis and we move outside of Barbados we would have seen in England, for example, a decision to address the spectra of the economic crisis in ways which, in a number of aspects, parallel what we would have done in Barbados and what other countries have done. If we talk

about the Value Added Tax or its equivalent, we would see if my memory serves me right, Sir, that figure now stands at 20 per cent in Britain. If we talk about the Value Added Tax or its equivalent, we would see, if my memory serves me right, that figure now stands at 20 per cent in Britain because they like many countries around the world would have faced significant negative fallout from the crisis. In fact, as we look at Barbados, we would realise that because of many of those measures we have been able to cushion the average citizen in substantial ways. What we have not seen is the rapid rise in unemployment that characterised the United States of America economy and the British economy or the high jump in fees of the students in the university. Sir, what we have sought to do is to include in our measures the increase in the Value Added Tax and that has been specified for a fixed period in the Budget. The figure has gone from 15 per cent to 17.5 per cent and therefore when we compare ourselves to an economy which is substantially bigger than ours and where their capacity to earn and so on is significantly greater, we have sought to do this.

I want to emphasize the whole notion of a mix of measures because there were recommendations that this perhaps should have gone higher. I made reference to the vast majority of Barbadians who fall into what I would call average category earners. When we were looking at the tax savings that would have been realised and subsequently lost when we talk about travelling and entertainment, I would have mentioned that there are many Barbadians who earn \$3 000 or less and one of the realities is that when we focus on those persons they are the ones who will spend a significant percentage of their income on a daily basis on items that are required for everyday living, utilities, food, et cetera and therefore to have focussed on VAT alone and taking it higher would have had a greater impact on them.

When we look at the increase in VAT, we recognised that the increase was cushioned by a decision to tax travel and entertainment for some people. We could go back and look at the kinds of earnings that would have been expected from that. VAT is one of those things that all consumers in Barbados would have to pay and therefore I believe that as we look at this, the increase is one that has been reasonable. The Minister of Finance has made a commitment to Barbadians, and I believe that as we look at this we are really looking at it against the background of a mix of measures, some of which we would have been debated here this morning. In fact, I would argue that no one can challenge the decision to increase this to the level that we have given the realities that we face as a nation. I also believe that no one can challenge that to date the policies that we have, have allowed us to contain the level of unemployment but on the positive side to stabilise and encourage and impact positively on the arrival of visitors to Barbados.

I was treated some time, Mr. President, to a long discourse by someone who sat in this Chamber some time ago and who I think sat in the Other Place who is identified as, to use the term we like to use, an economics guru, Economics being the discipline and so I think I would use it that way, who sought to argue or perhaps make a case that we had somehow failed in relation to tourism. They went through a whole set of iterations and came back to say okay the numbers have gone up but the per visitor spend has gone down somewhat not of course saying that the average or the individual average spend had gone down but when you multiply that by the total number you were still in a positive position.

The point I am making is that as we sought to do a number of things we were able to cushion our taxpayers in the area of VAT by increasing it but not increasing it at the levels that we have seen in some of our developed world partners so to speak. We have done it in a way that has allowed us therefore to spread the burden across the economy.

Mr. President, I therefore believe, based on my contributions earlier and what I am suggesting now that to date we have seen that the measures put in place by the Minister of Finance in his 2010 Budget have served to bring some stability to this economy, have served to support our productive sectors and have served to cushion the impact of the crisis on the vulnerable. Sir, at the end of the day, we are better off having done that. Certainly, we see that the increase in our VAT has worked in the overall interest of this country. A time of economic and financial crisis means hardships but we have sought to minimise that hardship by spreading the hardship around our population and it is working.

Mr. President, I am happy therefore to move that this Bill be read a second time.

Mr. PRESIDENT: Senator Symmonds.

Senator K. D. SYMMONDS: I am obliged, Mr. President. I just want to share a few thoughts and articulate a few concerns on this particular matter being ever mindful of the apparent mood of the Chamber that we not detain the Sitting of the Senate unduly.

Mr. President, as we contemplate the Objects and Reasons of this Bill, we are asked to attract our attention to three concepts: First, the intention of Government to increase the rate of Value Added Tax from 15 per cent to 17.5 per cent for a period not exceeding 18 months. Secondly, increase the rate of VAT imposed on the supply of accommodation by guesthouses, hotels, inns or any other similar place including a dwelling house normally let or rented to persons for use as a vacation or holiday home

with effect from 1st May 2011. Third, to raise the threshold for the registration for Value Added Tax to \$80 000.

It is specifically, Sir, to second consideration, that relating to the guesthouses, hotels, inns and indeed dwelling houses which normally would be let or rented to persons as a vacation home that I wish to speak. Mr. President, what is contemplated by this piece of legislation is that the imposition of Value Added Tax at those places of accommodation, which I just alluded to, would be 50 per cent of the tax imposed under Section 2 of this Bill and that therefore would mean it would be 50 per cent of 17.5 per cent, which I think would give us 8.75 per cent tax.

Mr. President, the first concern I have is that this is a matter which was not specifically spoken to. When I checked the Budget presented by the Honourable Minister of Finance in the Other Place, it was not specifically addressed. We have to understand the importance of the context in which a lot of business in Barbados is done and I think we have to be respectful of that context. A significant number of rooms which are used for accommodation purposes in this country are rooms which are not on the so-called European plan but rather are on an all-inclusive type of plan. Specifically therefore, you are talking about a visitor to this island who would come here and prepay usually with a tour operator for accommodation, food and for beverage.

There are a number of chains, Elegant Resorts, a local chain in this country, practices it; Almond Beach Resort, both a local and major chain, practices it. Mr. President, the reality is that you have a situation in which those rooms are often, in practice now... I am not dealing with theory but this is the practical impact, and I try to speak to the issue raised by the Leader of Government Business about way the VAT increase can protect jobs, et cetera. I am hearing all of that but there is another side to the coin. Mr. President, people very often pre-book and prepay for rooms because they are planning to come to Barbados for vacation, and they are moving with their family of five or six, coming from the United Kingdom, Ireland or somewhere, to an already high-cost destination. Sir, we have to face that reality.

Sir, therefore you are in a situation where you have pre-booked via a tour operator, in some instances, either 12 or 18 months in advance. Sir, we are still a democracy which is governed by the enforceability of contract and prices are therefore locked-in in advance. It is very difficult, if not impossible, for hotel operators now to come to the tour operators and say that changes that have taken place domestically, in terms of our tax legislation, which will cause the overall cost of a room to go up, is something that the tour operator should agree to, or that the tour operator should agree to the idea that there should be a variation of that which has been paid already. Very often,

the person who is operating the hotel under an all-inclusive-type of plan is therefore going to have to absorb that lost which will be commensurate with the increase of the VAT on the room.

Mr. President, the reality is that there has, I think, to be an understanding of how this thing causes a ripple effect in the marketplace. There are hotels, which obviously, are not going to be under the all-inclusive-type of plan but will be on the traditional European Plan (EP) approach. Sir, even there you are going to have a situation in which hotel operators will now have, as of May this year, a more expensive room but they too would have been participating at the CHTA Conference held in January 2011, after the budget of November last year, which remains silent on this issue. At the CHTA Conference, you would have had people meeting together as part of the CHTA Group, who would have been marketing this destination and you would have had a lot of advance bookings taking place.

Mr. President, I am made to understand that, in some instances, people would have left that meeting in January with the understanding as to the cost of rooms pre-booked towards December, so you take the small hotelier who may have 30 or 40 rooms, he is in a position where he has participated and benefited from advanced booking but low and behold come May, he now has a different arrangement to put in place for the cost of his room or he now has to absorb the lost because Government is going to call for the VAT.

Mr. President, where does the ripple effect go? Sir, in order to offset the increase in the room, it is likely to be passed, because the hotel can only make it three places (1) via the room, (2) via the food that is being sold on the property, and (3) via the beverages that are being sold on the property. Mr. President, if the food and beverage goes up, as indeed it must anyhow because the input of food and beverage has gone up by 2.5 per cent, as part of the increase in the VAT already, then you are asking them to pass that extra charge, so they do not have to absorb the room loss, onto food and beverage.

Mr. President, I have seen, and I speak now not to criticise the Government but to request... Sir, maybe it is too late in the process because this matter escaped all discussion when we were at the point of the budget, and that is unfortunate. Mr. President, the point is that I am asking that we reflect a little bit on where we are with tourism because this is... Sir, Senator Cave and I talked about international business this week but until the international business horse is fully nourished and fully trained and able to run the full length and distance that potentially it will be able to run, tourism is what is carrying this country, it is the industry that butters the bread.

Mr. President, I say to you, seeking to represent again and having represented a constituency with a substantial coastal presence, part of the so-called platinum coast of Barbados, St. James.

Asides.

Senator KERRIE D. SYMMONDS: Mr. President, in central St. James, there are very largest of hotels. sir, I can tell you, it is not a joke, I have seen with my own eyes - nobody had to come and tell me - there are tourists in Barbados who are already leaving a hotel room on evenings and going across the road to a gas station, in order to buy bottle water or a six-pack of cokes, in order to get pizza, so that they do not have to spend in the hotel, not necessarily...

Asides.

Senator KERRIE D. SYMMONDS: Sir, I am not going to say it has come to the point yet and I do not want any of the pretenders in authority who like to debate me from their buttocks and not from their feet interrupting me while I speak, which you cannot hear, Sir. Mr. President, I want to make the point, we have to be very realistic. It is a reality on the west and south coasts of this country that people are seeing tourists on evenings frequenting the gas stations and mini marts, in order to access little beverages which you will not pay for in the hotel because the prices in the hotel - and we all know it, so let us not pretend, it is something new - a glass of coca cola in a hotel on average is going to be three or four times the cost you get for it in most other places. Mr. President, therefore when we are already passing greater cost onto the food and beverage sector of the hotel industry, you are making it more uncompetitive.

Mr. President, the point I am making, and I am hoping that Government will be prepared at least to listen, even if they are incapable of agreeing, is that you have to accept is that you have, especially on a pre-booked set of accommodation, cost being now absorbed by the hoteliers, they are going to have to find some way to pass those cost on. The hotels cannot simply say they are going to carry it. Mr. President, I made the point on Wednesday, and Senator Cave alluded to his knowledge of the difficulties. I say again, as of December 2010, Almond Beach Resort recorded a major loss of \$20 million. Sir, Almond Beach Resort is not alone, there are other hotels in this jurisdiction that are feeling substantial financial pressure. Therefore, it worries me that we are here coming to pass onto the hotel industry a greater burden by way of the VAT, in circumstances where most of these hotel operators have already booked or pre-sold their rooms via tour operators, who have their problems too and they are not interested in hearing Barbadian hoteliers come a-calling saying there was a hotel and tourism association conference

in January but hoteliers did not know the legislation was going to come in March and therefore the rooms those hoteliers were going to sell in November are going to be more expensive and so let us revisit that. The tour operators are going to say there was a contract and that the jurisdiction is governed by enforceability of contract and they are proceeding according to the letter of the contract.

Sir, I have a second concern and it is that there has to be a clarity of Government's policy and there has to be a consistency of the policy. We all know that the United Kingdom in particular, and, Sir, let me say why I am singling out the United Kingdom. Sir, I am aware of the existence of a study that was done which indicates that the average length of stay, when you contemplate the length of stay and you contemplate the spend of the visitor, Sir, it takes, on average, two United States of America visitors to give to Barbados, financially, the returns of one visitor from the United Kingdom, so the United Kingdom is our preferred market. Therefore, Sir, once you understand that, you can easily agree that Government was right, not only here but across the region, when we sought to condemn the environmental tax which was placed on air travel coming out of the United Kingdom, the so-called advance passenger tax.

Sir, as I understand it, there were three issues articulated by the Minister of Tourism here, and I give them credit because it seems to make sense to me, and when it makes sense to me, Sir, I will stand here and say that it makes sense and equally, when it does not make sense I will say so too. Sir, the point is that we argued that the British tax was going to make the cost of travelling to Barbados too high and, Sir, I think that is clear. We also argued that the cost of travelling with a family, which most of our visitors, when you do the profile from the United Kingdom, most of them are coming here with families in tow, that the cost of coming here from the United Kingdom with a family, when you add the tax on to every passenger, it would make the visit to Barbados prohibitive and, Sir, that seemed to make sense to me. Equally, Sir, we understood that there was merit in defending the jurisdiction, here and across the Caribbean, from being burdened by the imposition of that tax in the United Kingdom because, again, there was the clear understanding that for those of us who rely heavily on the United Kingdom, we were getting virtually a two to one in terms of return from a visitor from the United Kingdom vis-a-vis a visitor from the United States of America.

Mr. President, you cannot approbate and reprobate at the same time. You cannot complain to the British Government that they should not, in defense of their revenue, create a tax impost that, perhaps, could be avoided if you say, carve-out this particular sector (3:14) but in Barbados we do not choose to carve-out the precious hospitality sector insofar as room accommodation is

concerned. Sir, I am not saying that you should say that food and beverage sold in a hotel should not attract tax but I am questioning what is the urgency of adding on an additional one point whatever percentage it is in taxation to rooms in this country, where the jurisdiction is already criticised as being overpriced, where you know the ripple effect of the Value-Added Tax across the board in this country would mean that every good and service paid for by a visitor, and local alike, is going to make the jurisdiction even more expensive.

What then is the net effect that Government expects to get other than hopefully seeing short-term returns in revenue but I suspect would also realise long-term fallout by virtue of the cost reputation of the jurisdiction. Sir, that is the point, you are cutting your nose, in effective, to spite your face. You are making the room more expensive even as you complain with Great Britain that you do not want them to put their taxes on passengers coming here. Sir, you say that the same passenger when he gets here should be staying in a room that becomes more expensive. Sir, I do not follow that. Mr. President, it seems to me to be illogical and I would ask that the Government reflect on it a little bit.

Mr. President, I also have a third concern and it is simply this. I know the member of the Democratic Labour Party consort with a lot of high flyers and the extent of high flight, I think, has been revealed to all in today's newspapers...

Mr. PRESIDENT: I presume you are addressing the President.

Senator K. D. SYMMONDS: of course, Sir, who else would I be addressing?

Mr. PRESIDENT: I do not consort with any high-flyers or any such that I know of.

Senator K. D. SYMMONDS: (5:30)Very well, Sir. The point is though that we have seen the relationship between highflyers especially connected to the Ministers of Finance in the Democratic Labour Party and highflyers in the private sector. Sir, I want the Democratic Labour Party including you, and I am sure you would already know so I do not stress that you need to be taught. I would never seek to teach the Chair, I could not. The Chair is wise and profound in the breath of its knowledge and experience. Sir, I want to make the point that everybody in Barbados does not earn \$80 000 when the month comes. (6:10)

when you are selling your product for less, it means that the service charge also has to be less because it is 10 per cent of what you have sold your product for. Sir, if the accommodation is no longer \$200 a night but becomes \$180 a night, the service charge can no longer be 10 per

cent of the \$200, it would have to drop to 10 per cent of the \$180, and the more you discount, the more that goes down.

Mr. President, Sir, if we go that route, where then does it leave the worker in this situation because as part of what they are hoping to take home, as part of what they are anticipating relying upon, is that little extra to keep them going through the difficult period. Sir, I am talking about people who are earning \$250 a week, not \$80 000 a month now. We are talking about some who are earning \$350 a week. What are we doing, Mr. President, are they not people too? Do they not have to feed themselves too? Do they not have to feed themselves too? It is so burning a necessity that we do this thing at this time and in this way? That is the question I ask of the Government, Sir.

Sir, in my judgement the Government has absorbed and accepted the fact that the Value Added Tax has gone up and no one has taken any issue with that, but if you are going to come now and put the imposition on the very sector, which we are relying upon to lead Barbados out of the difficulty at a time when Barbados is already deemed to be too expensive as a destination, in the context of a time when our competitors in this region are not imposing more taxes, but are finding creative means of doing things like incentive booking to make the rooms in Jamaica and St. Lucia less expensive. Mr. President, what is it that the Government is about? Sir, where is the clarity of policy? Where is the consistency of approach? These are things that I feel have to be asked.

Sir, I am unhappy about it. I am not going to hide my mouth. I am going to tell you that I am not going to support this piece of legislation, because I do not think it is well thought through or appropriate at this time. I have no difficulty with saying that the country needs to raise more revenue. I have no quarrel. I agree wholeheartedly. I embrace and endorse Senator Cave's comments as thought they were my own.

If you are going to talk about the broader Value Added Tax at 17.5 per cent, there is no issue with me. Mr. President, I feel that the sector having especially brought it the way it was brought, where we have already gone through from December to March without putting this imposition on the accommodation sector, what is it that is so pressing about putting it on now? I do not feel that is the way we should go. I am yet to be persuaded that it makes sense pursuing it via that route.

Mr. President, those constitute the substance of my concerns and I am obliged to you for indulging me.

Mr. PRESIDENT: Senator Gilkes.

SENATOR P.W.B. GILKES: Mr. President, I just want to make the point that I think that the Honourable

Senator is a little bit out of touch with what is going on in the world of tourism and how it is affecting the Barbadian market. I think he is living in a begone era, one that went out through the door with the former minister.

Sir, tourism is alive and well. Your concerns about the length and about the bookings...

Asides.

SENATOR P.W.B. GILKES: Mr. President, the Senator's concerns.

Sir, the windows for bookings are no longer six months. People are booking holidays within two to three weeks of going on holiday. The hoteliers themselves have had, since December, to work on and adjust to the fact there was going to be a change in the VAT. I do not think there is any hotelier or any operator that come this time there would be changes. I really cannot understand the confusion or the uncertainty that Senator Symmonds is trying to create.

Sir, on another quick note, the Senator was making reference to the impact of the United Kingdom market, that the visitor spend from the United Kingdom market is much greater than that of any other market. Sir, I would want to assure Senator Symmonds that the United Kingdom arrivals, up to this point, have increased in excess of 12 per cent. I am quite aware of the impact of the United Kingdom market and its value to tourism.

Sir, with those few words I thank you.

Mr. PRESIDENT: Senator Boyce.

SENATOR D.W. BOYCE: Mr. President, I do not intend to detain the Chamber very long on this occasion. I just want to make a couple points. First, I believe that the date of May 1st, the date in this Bill, was a matter that was discussed with the Hotel Association, members of the hotel sector, and the Ministry of Finance. They saw that this was probably the best day to start the tax. It was my understanding that this matter was discussed in canvass with the hoteliers. Senator Gilkes said that the hoteliers would have known when this was going to come down. That would have been known by December when they went off to the Travel Market. The Senator said that this is what they would have to go with, so it would not affect the bulk of the bookings in the winter season.

Mr. President, the second point is, when we discussed the Value Added Tax increase. We need to bear in mind that the Environmental Levy, which was 3 per cent, was removed the same time. In respect of goods it ought to have blunted the impact of the increase in the Value Added Tax on goods, that would have been subject

to the Environmental Levy. Most of the goods used in the hotels would have been imported goods.

Sir, I just wanted to make those two points. In all of these things there is some trade off that has to be dealt with. If you are going to begin to carve out the Tourism Sector you have to begin to carve the other sectors you would need. You would end with such a carve out that would cause you to increase the incidents of tax on local persons. It is a trade off. It is a balancing act. You have to make sure it is not too onerous on any sector, so you come with something like this, which is not going to win favour with everyone, but I think by and large it is probably the best that one can do, as this matter of tax policy is very much a balancing act.

Sir, with those few words I thank you.

Mr. PRESIDENT: Senator Hunte.

SENATOR R.A. HUNTE: Mr. President, I shall not be long. Barbados has been a self-contained Government even in the days of colonisation. Sir, there was always some form of taxation implemented by the Government of Barbados. Sir, since my following of politics I know of no tax implementation that was ever embraced by anybody in society, furthermore the business community.

Sir, I remember in the 1960s, between 1965 and 1975, the business community in Barbados saw the most progressive and developed period in the history of Barbados and for their own businesses. Even though the businesses had benefited tremendously because of progressive policy, they still amalgamated which reduced the taxes that would have gone to the Government coffers, meaning the Treasury, and we still survived.

Sir, Ghana's main industry is Cocoa and they implemented a tax, even though there were problems down on the Ivory Coast, and that was their main industry. It does not say that because you have a main industry, which in this case is Tourism, the fact that it is the main industry, is the fact that you try to get what you can out of it. We are not in normal times, Sir, and I think it is to me, just playing to the window to hear my good friend, Senator Kerrie D. Symmonds pontificating on matters of this nature. There were even taxes in the day when Senator Symmonds' grandfather had a bank. Do you know of that, Sir?

Mr. PRESIDENT: I want you to be very careful as you go.

Senator R.A. HUNTE: Sir, I am not going anyway astray. I do not use privilege to defend or to say anything that I cannot really prove. I mean, I am not being offensive in anyway. I hope I am not, Sir, I do not want to breach any rules.

The point is that we are in serious times and we will get out of it. Barbados has gone through this already. I keep referring to the 1973/74 period when I was a young salesman in town, a two-burner stove that nobody would remember which part of the storeroom it is, when for \$200 and \$300 and that was a lot of money in those days so we will get over this period although I say, and I say in here quite frankly and I say it as a citizen of Barbados.

I have certain visions, Sir, that I am not going to declare here because even to speak in terms of being a clairvoyant is against the rule of Barbados. Nobody is allowed to practice those kinds of things, whether it is fortune tellers it is against the rules. The law does not permit it but I keep saying in here, Sir, that what this world is going through and still more to come, it is very difficult for us not to be affected by it. Every day and every morning you wake up you are hearing new things happening.

I wish to say, Sir, this is not the time for us to play to the gallery. This is about time for everybody to put their hands to the plough so that we can come out of this situation.

With that, Sir, I beg your indulgence on my behalf, if I should express that I am well in support of this Value Added Tax amendment.

I thank you very much, Sir.

Mr. PRESIDENT: Senator McClean.

Senator M.P.O. McCLEAN: Mr. President, we would have heard some contributions on the issue of the Value Added Tax Amendment and I believe, Sir, that we have heard nothing to justify not increasing the Tax. In other words, whatever we heard would lend support either directly or inferentially to the increase. Some concerns were expressed by the Honourable Senator on the other side about matters in tourism and I understand as a person who was born at the beginning of that Platinum coast and who commiserates with the Honourable Senator as he relies on his memory and probably would have to rely on his memory as representative for some time.

Asides.

Senator M.P.O. McCLEAN: I know he needs to represent his constituents.

Mr. PRESIDENT: No Senator has any constituency.

Senator M.P.O. McCLEAN: Sir, that is what I was going to say. My constituency are the people of Barbados, therefore, I exercise no bias and I speak for all of us as I indicated the package of measures which would have been

enunciated in the last Budget. Sir, that package was intended to address the challenges that this country faces and to spread the burden as equally as we possibly can. Therefore, as we speak to this matter I believe we can all agree that hard times require somewhat harsh measures at least on the face of them but we also need to act in a manner that allows us to stabilise our economy and maintain growth.

Senator Gilkes would have cited at least one statistic in relation to the British market, our major market and also the one that poses major challenges, therefore I believe that the Minister of Finance in his proposal in relation to the first item on this Legislation to increase the rate of the Value Added Tax from 15 per cent to 17.5 per cent for a period, not exceeding 18 months, recognises that we have to take some hard measures.

The second element of this is to increase the rate of Value Added Tax on the accommodation sector also recognises that it has to be borne by all those who are a part of this economy, whether permanently or temporarily and I am sure that visitors themselves appreciate, because they see it in their own countries. The people who come to Barbados and I am happy to say that we have thousands of repeat visitors who come to Barbados who understand that there is a small price to pay for the paradise that this country is.

Sir, for somebody who grew up near to what used to be Paradise property we debated only this week, Sir, we realise that we have to keep it this way and we have, therefore, at all times to do what is in the best overall interest of all Barbadians.

Sir, I support the Minister of Finance, therefore, I support the Amendment of the Value Added Tax Legislation to incorporate those two measures I previously mentioned, the increase in the general Value Added Tax from 15 per cent to 17.5 per cent. The increase in the rate of the Value Added Tax imposed on the supply of accommodation in our tourism sector, guest houses, hotels, inns, et cetera also recognising that another compensatory factor, which is to raise the threshold for VAT registration from \$60 000 to \$80 000.

Sir, with those words, as I sum up, I beg to move that this Bill be now read a second time.

The question was put to the Senate and agreed to.

On the separate motions of Senator M.P.O. McCLEAN, the Bill was read a third time and passed and cited as The Value Added Tax (Amendment) Act, 2011.

Senator M.P.O. McCLEAN: ADJOURNMENT

Senator M.P.O. McCLEAN: Mr. President, I beg to move that the Senate do now adjourn sine die.

Sir, while I am on my feet I would like to indicate to Honourable Senators that it is expected that the Estimates Debate in the Senate will commence on March 21, 2011. We would have received our Estimates Documents at our Sitting on Wednesday.

The question was put to the Senate do now adjourn sine die was put to the Senate and agreed to and Mr. PRESIDENT adjourned the Senate accordingly.

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SPEAKERS IN THIS ISSUE

BOYCE, Senator D.W.**Cave, Senator****CAVE, Senator R.G.****GILKES, Senator P.W.B.****HUNTE, Senator R.A.****McCLEAN, Senator M.P.O.****SYMMONDS, Senator K. D.****WORRELL, Senator A.R.**

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EDITORIAL NOTES — NOT PART OF THE REPORT

Prepared with the transcript; for checking against the recording and the Minutes.

EDITORIAL QUERIES

Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.

Q1. Masthead. The session is not stated in the source, so no session line is printed.

Q2. Order No. 1, Income Tax (Amendment) Bill. The Leader moves ‘that this Bill be read a second time, a third time and passed and cited as the Income Tax (Amendment) Bill 2011’, and the source records only ‘The question was put to the Senate and agreed to.’; no Committee stage or separate third reading is recorded. Printed as in the source.

Q3. Order No. 4, Value Added Tax (Amendment) Bill. After the second reading the source goes straight to the third reading; no Committee stage is recorded. Printed as in the source.

Q4. Order No. 2, Senator R. G. Cave. Senator Cave’s speech follows Mr. President’s ruling within the President’s speech block and begins ‘Cave: Mr. President, thank you.’, so it prints under Mr. President’s label. Printed as in the source.

Q5. Time marks in the text. Bracketed times such as ‘(5:11)’, ‘(2:39)’ and ‘(5:30)’ appear inside speeches, apparently recording marks. Printed as in the source.

Q6. Order No. 3, title at third reading. The Bill is cited as the ‘Ministers and Parliamentary Secretaries (Remuneration and Allowances (Amendment) Act, 2011’, with an unbalanced bracket. Printed as in the source.

Q7. Adjournment. The word ‘ADJOURNMENT’ is set as a speech by Senator M. P. O. McClean instead of as a heading. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The Senate met in the Senate Chamber on Friday, 11th March, 2011 at 11.15 a.m., with the President, His Honour Senator Sir Branford M. Taitt, in the Chair; prayers were led by Rev. Father Errington Massiah. On the motion of the Leader of the Senate, Senator the Hon. Miss M. P. O. McClean, Standing Orders 22(1) and 45 were suspended. The day was given to four Bills giving effect to the Minister of Finance’s 2010 Budgetary Proposals.

Senator McClean moved the Income Tax (Amendment) Bill, 2011, which removes the tax-free status of travelling and entertainment allowances, setting it against the effect of the global financial and economic crisis on an open economy dependent on foreign exchange. Senator R. G. Cave supported the Bill as a step to reduce the deficit but said it fell hard on young professionals such as accountants, who had also lost savings incentives through mutual funds, credit unions and bonuses and faced the increase in VAT, and urged the Government to cut other expenditure. The President reminded Senators that they must stand in their places to catch the Chair’s eye. Senator A. R. Worrell supported the Bill. In reply Senator McClean noted that the \$32 500 a year shielded from tax was about \$2 700 a month, a full salary for many Barbadians, and the Bill was passed.

The Pensions (Miscellaneous Provisions) Bill, 2011 amends the Pensions Act and the Statutory Board (Pensions) Act so that the travelling and entertainment allowances of officers become pensionable, as a mitigating measure. Senator Cave asked whether the Commissioner of Income Tax might view the change as an admission that the allowances had been tax-free pay, and urged amendments to help pensioners obliged to buy uncompetitive annuities at 65, citing the Canadian practice of allowing funds to remain until 71. The Bill passed through Committee, with Her Honour Senator Miss K. F. Ifill in the Chair, and was read a third time.

Senator McClean then moved the Ministers and Parliamentary Secretaries (Remuneration and Allowances) (Amendment) Bill, 2011, under which Ministers and Parliamentary Secretaries would be taxed on their travelling and entertainment allowances like other employees. It passed all stages without debate from other Senators.

On the Value Added Tax (Amendment) Bill, 2011, Senator McClean compared Barbados with Britain, where VAT had risen to 20 per cent. Senator K. D. Symmonds noted that the Bill raised VAT from 15 to 17.5 per cent for not more than 18 months and, from 1st May, applied to hotel and other holiday accommodation half the standard rate, or 8.75 per cent; he argued that hoteliers who had pre-booked rooms at the CHTA Conference in January would have to absorb the cost. Senator P. W. B. Gilkes replied that booking windows were now two to three weeks and that United Kingdom arrivals were up by more than 12 per cent; Senator D. W. Boyce said the 1st May date had been discussed with the hotel sector and that the 3 per cent Environmental Levy had been removed at the same time; and Senator R. A. Hunte also spoke, the President cautioning him. Senator McClean replied, the President

observing that no Senator has a constituency, and the Bill was read a third time and passed.

Senator McClean announced that the Estimates debate in the Senate would begin on 21st March, 2011, and the Senate was adjourned sine die.

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