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A STRONG RECORD ON TAX RELIEF FOR VINCENTIANS

Introduction

One of the many responsibilities of any government is to raise the finance necessary to fund the implementation of projects and programs they develop as part of overall policy. During the presentation of every budget, citizens are offered an insight into the extent of the recurrent and capital expenditures of the central government and how the government intends to meet those expenses. It is common knowledge that a government's primary source of revenue is taxes, (although funds are also raised through borrowing) either on personal incomes, corporate profits as well as other levies and fees that are collected through various state agencies. From time to time as circumstances require, governments may increase taxes to offset any increase in expenditure incurred from carrying out its mandate. Over the last 20 years of this ULP administration, taxes have generally gone down with consistent reductions in personal income and corporate taxes. In 2001 when the ULP came into office, the maximum tax rate was 40% and this was also the corporate tax rate. The excise tax, which existed at the customs ranged as high as 65% in some instances and this was additional to a 4% Customs Service Charge (CSC) and customs duty, all payable on most goods imported into this country. It is also of interest to note, that at the same time, while the maximum rate on income was 40%, the threshold on taxable income was \$12,000 annually. All of these percentages and figures must be taken in the context of the very

low wages and salaries paid to public sector workers by the previous NDP administration, giving an indication of the dire circumstances that existed for the working class of this country.

ULP Reduced Taxes and Increased Salaries

Having been reminded of what existed after 17 years of the NDP, let's examine what has occurred regarding taxation and salary increases under the ULP. Keep in mind that in 17 years of the NDP, the maximum tax payable moved from 45% to 40% between 1984 and 2001, a reduction of 5 percentage points. Over the last 20 years this government has increased public sector wages by an aggregate of approximately 33%, with teachers, police, nurses and public servants starting with significantly higher salaries compared to 2001. With those increases, the government has also increased the taxable income threshold, from \$12,000 per year, to \$20,000 per year, this means that individuals making \$1500 a month or less do not pay income tax, as opposed to the \$1000 per month under the NDP. Over the same period, the ULP administration reduced the income tax as well as the corporate tax rate from 40% to 30% with the Tourism sector taxed at 28%. Both the increase of the taxable threshold and the reduction in income taxes meant that Vincen-tians now had more disposable income that could be used for a variety of purposes. The ULP also replaced the excise tax, which varied to a high of 65% depending on the product with a 15% Value Added tax (VAT) on item. Provisions were also made to ensure that certain basic goods, mainly food supplies, were either VAT exempted or zero rated. While the VAT was a new tax, it was not an additional tax as it essentially replaced an existing tax; as such this ULP administration has not introduced any additional taxes over the last 20 years.

Tax Increases for Specific Purposes

Over the last 4 years or so, the government has out of necessity approved a 1 percentage point increase in 2 of the existing taxes; the first was a 1% point increase in the VAT about 4 years ago (VAT is now 16%) and most recently as of the 2021 budget, a 1% point increase in the CSC (now 6%). The first increase, the 1% in the VAT was done to facilitate the establishment of a contingency fund that would serve as an immediate source for funds in the event of a disaster or any type of emergency. The wisdom of this policy decision was borne out in the reality, that this country was able to fund part of the Covid-19 pandemic stimulus and recovery package from this fund that has raised more than \$30 million since its establishment. The second and more recent increase is the 1% point increase on the CSC, a measure introduced to facilitate the development of a fund to pay fees/contributions associated with this country's membership in regional and international organisations. This has become necessary as the occasional administrative lapse, has caused delays in payments of contributions to some organisations that are of critical importance to this country and the region. The Covid-19 pandemic and the effusive eruption of the La Soufriere Volcano, both underscore the importance of having well funded, fully functioning regional bodies such as, the Caribbean Public Health Agency (CARPHA), the Caribbean Disaster Emergency Management Agency (CDEMA) and the UWI Seismic Research Centre (UWISRC), that have proven to be invaluable in assisting this country as we face the double-barrelled challenges mentioned above. The suggestion by the NDP that the timing for either of these fiscal initiatives was bad, has been proven by history to be an incorrect position and once again reinforces the quality of foresight in leadership provided by comrade Ralph and the ULP.

Conclusion

The record of this ULP administration on tax relief is second to none compared to any other administration and we stand proud of that record. Workers in this country are much better off today as they have benefitted from increases in salaries, reduction in income tax and a rise in the taxable threshold on personal income. The occasions that have seen a minimal increase in tax rate, both cases by a percentage point, have been as a result of the establishment of a very specific and important national fund to address emergency circumstances. The timing of those initiatives was not just right, if anything they were delayed for too long.