

UPP TIMES

The Progressive Voice of the People



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REVIEW OF ESTIMATES 2019-2020

Now that the estimates have been laid in parliament, what have we learned?

TRANSPARENCY?

Just like many other aspects of Government the Estimates of Revenue and Expenditure leaves anyone examining them guessing as to the rationale for its projections and the precise nature of the proposals contained therein.

The Central Bank of Barbados' last Quarterly review however does provide a backdrop against which the Estimates can be examined. What the Government has been able to achieve thus far is the appearance of an improvement in the public finances of the country based on ceasing payments on foreign debts and deferring or restructuring local debt obligations. The Central Bank Report also reveals a contracting economy across all of the productive sectors. Increase in foreign exchange was largely as a result of policy and project loans from international financial institutions. The UPP believes this to be unsustainable.

AMBITIOUS REDUCTION IN DEFICIT

In examining the projections for 2019-2020 Government projects a deficit of \$32,369,072. In Government's 2019-2020 Estimates there is a projected increase of revenue of 7.2% and a decrease of expenditure of 29.7% over 2018-2019. This projection is rather ambitious given that over the past ten years Barbados has been unable to realise such a small deficit. Deficits have been more in the range of \$1,500,000.00 over the last ten years. In the 2002-2003 Estimates it was anticipated to be \$228, 000,000 and in the 2006-2007 Estimates \$525,052,501.

It is the view of the UPP that since the Government has not developed any semblance of a growth strategy achieving a reduced deficit will be borne by the working people of Barbados through layoffs and an increase in revenues through taxes and levies.

The people of Barbados can only guess that the political expectation is that such draconian measures can be introduced in the first few years of an administration; starving the country in the first few years and then dispensing largesse in the last few years leading up to an election. The Fast and Feed approach is not healthy for the body and will not be wealthy for an economy either.

“The art of progress is to preserve order amid change and to preserve change amid order.”

- Alfred North Whitehead

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Estimates of Expenditure and Revenues laid. More hardship on the horizon?

Bus-ted on Bus-fares

The conditions associated with IMF endorsed economic recovery programmes always include a component of staff cuts in the public service and bus fare adjustments. So the intention to implement an increase in fares comes as no surprise to the United Progressive Party.

The BLP 29 of Parliament should hang their heads in shame for endorsing this proposed burden on the already suffering average citizen. Since coming to office the Mottley administration has only given Barbadians increased taxation resulting in a higher cost of living.

Such an increase will place yet another massive burden on the poorest, many of whom have just been laid off by this BLP Administration. This while tax payers continue to endure the cost of a larger government and its consultants.

Public transportation is considered a critical service in every country, including Barbados. The cycle of economic deterioration cannot be remedied in any way by inflicting additional costs on our people.

The government still has not identified measures to grow and improve our economic conditions which is actually the solution to the woes of the nation. The loans which have been signed off thus far have only served to plug the leaks but not build measurable capacity.

This scorched earth approach to reducing deficit where the poorest are suffering the most does not augur well for national development.

On a Point of Order

One of the most glaring numbers revealed during the Estimates debate was the realization that \$21 million has been allocated to pay government consultants over the next financial year. This compares to \$206,000 in the previous DLP year. How can such large government further burden the public coffers during a period of belt tightening? Must only the average Bajan make sacrifices?

NUMBERS NOT ADDING UP



COMPANIES TO PAY LESS TAX

The Tax System in Barbados has been overhauled. The maximum corporate tax rate is now set at 5.5%. This is an increase from the 2.5% maximum tax rate for international business companies and a decrease from 30% for domestic companies. There is now a significant disparity in corporation and individual tax rates. The individual tax rates being an allowance of \$25,000, then 16% up to \$35,000 and 33.5% on income between \$35,000.00 and \$50,000.00 and 40% over \$50,000.00. It is left to be seen whether there will be any individuals who will carry out their activities through a company and benefit from the lower tax rate.

INTERNATIONAL TAX REVENUE MAY NOT REBOUND

Despite uncertainty in revenues from International Business the Government projects an increase of taxes on income and profits of \$162,853,969. In order to achieve this however the Prime Minister in her Ministerial Statement of November 20th, 2018 stated that a number of initiatives were to occur and implemented at the start of the new financial year of April 1, 2019. On the domestic side what is certain is that Government will lose corporation tax.

The UPP believes the Governor of the Central Bank's projections for little growth in 2019. The BLP is not setting out a growth strategy. The prospect for increased corporation tax is slim because there is uncertainty in the international business sector and a dramatic drop in taxes is expected from local companies. Therefore, the only way to achieve such a dramatic deficit reduction outlined in the estimates would be to impose an even bigger tax burden on Barbadians.

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