



**LEGISLATIVE COUNCIL
OFFICIAL REPORT**

**RECORTYS OIKOIL
Y CHOONCEIL SLATTYSSAGH**

**PROCEEDINGS
DAALTYN
(HANSARD)**

Douglas, Tuesday, 23rd March 2004

Present:**The President of Tynwald (The Hon. N Q Cringle)**

The Lord Bishop of Sodor and Man (The Rt. Rev. Graeme Knowles), The Attorney General (Mr W J H Corlett QC),
 Hon. C M Christian, Hon. P M Crowe,
 Mr D J Gelling CBE, Mr J R Kniveton, Mr E G Lowey, Mr L I Singer and Mr G H Waft,
 with Mrs M Cullen, Clerk of the Council.

Business transacted

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Legislative Council

The Council met at 10.30 a.m.

PRAYERS

The Lord Bishop

[MR PRESIDENT *in the Chair*]

LEAVE OF ABSENCE GRANTED

The President: Hon. Members, I have granted leave of absence to the Hon. Member, Mr Delaney, for today.

Questions for Oral Answer

LOCAL GOVERNMENT AND THE ENVIRONMENT

Fair Trade initiatives Government purchasing policies

1. The Hon Member (Mr Waft) to ask the Minister for Local Government and the Environment:

What part in the Fair Trade initiatives does this Government intend to play with regard to changing Government purchasing policies within the various Departments?

The President: We have but the two Questions for answer on our Order Paper and I call on the Hon. Member, Mr Waft.

Mr Waft: Thank you, Mr President. I beg to ask the Question standing in my name.

The President: I ask the Minister for Local Government and the Environment, Mrs Crowe, to reply.

The Minister for Local Government and the Environment (Mrs Crowe): Thank you, Mr President.

I think, prior to answering the Hon. Member's Question, it would be helpful if I explained that the purpose of the Fair Trade Foundation is to guarantee a better deal to producers in the developing world. This means a stable price which covers their production costs, along with a premium that their organisation will be able to reinvest either in the business or in social and environmental schemes throughout their wider community. There are different types of Fair Trade products. These include tea, coffee and fruit and they are available from outlets on the Island.

I believe that the Fair Trade Foundation is a very good cause and, certainly, I have been encouraging my Department to purchase these products and, indeed, I sought the views and informed all members of staff by e-mail of the benefits of

Fair Trade products and I am pleased to say I have received very positive replies from the members in the Department, one of which I would actually just like to read to you, if you would not mind. It says:

'Minister, I am committed to buying Fair Trade products and have been trying to spread the word within my Division since my arrival. I attended the Fair Trade evening at Tynwald Mills which was arranged by the Isle of Man Co-op and I am joining the group committed to making the Isle of Man a Fair Trade Island. We have a range of Fair Trade products on display in our Division today.'

so this was to the whole Department –

'Anyone is welcome to come down. It is Stephanie's birthday, so you are invited to join us in some tea and coffee and chocolate. I would wholly support DoLGE becoming a Fair Trade Department and I would urge us all to work to this end.'

So, it is nice to know that at least one member of staff is totally committed to Fair Trade.

But I would add, as an overrider, that I am not, however, responsible for all the Government's purchasing policies.

The President: I call upon Mr Waft.

Mr Waft: Thank you, Mr President.

I would like to thank the Minister for her positive reply. Fair Trade, as you know, Minister, has been moved to the top of the Developing World's agenda and we have to take our part, I would put it to you.

The Isle of Man Government has terrific purchasing powers, with our schools, our hospitals, our local authorities and central Government per se. You have answered, in your reply, with regard to the Department of Local Government and the Environment. There are another eight Departments within Government which all have tremendous purchasing powers. As you say, it is not only coffee, it covers all kinds of things. I would like the Minister, really, to give an undertaking to report back to the Legislative Council within three months, say, on behalf of the other Departments, exactly what role they intend to play, as was in the original Question.

Thank you, Mr President.

The Minister: Mr President, I do understand the enthusiasm of my colleague in the Legislative Council, Mr Waft, but I do think he would have to understand that, at the present time in my Department, I am really afraid that resources are stretched to the limit and, much as I would wish to do this, I do believe that, perhaps, he could lead by encouraging all the other Departments of Government, in the same way that we have encouraged our Department and made all members of staff fully aware of the initiative. Perhaps the Hon. Member himself could lead on this and not expect my Department to take that role.

Mr Waft: Is it not true, Minister, that you sit with eight other Ministers every week and is it not possible for you to talk to the other Ministers and ask their co-operation in what is deemed to be, in my estimation, a fair request of the responsibility for the initiative of Fair Trade on this Island?

The Minister: Mr President, I have no problem whatsoever in raising this and, indeed, I will take along a variety of coffee,

chocolate and tea to the next meeting of the Council of Ministers.

The President: I call upon Mr Lowey.

Mr Lowey: May I ask the Minister not to wait until Thursday to talk, but could she talk to the Treasury Member alongside her, because there is a Value for Money Committee which, perhaps, the Fair Trade... While I am a full supporter of the Fair Trade principle and the ideals that are behind it, the Value for Money Committee has a different agenda. Would she like to comment on that?

The Minister: I thank the Hon. Member of my Department for trying to relieve me of some of the pressure for organising this, but I do think that is a very valid point.

The Value for Money Committee could, of course, look into progressing the ideals of Fair Trade and to become a Fair Trade Island, and I think there has to be a balance there and I do believe that, maybe, that Committee should be looking at it a little more closely.

But I will, I assure you, raise it at the next meeting of the Council of Ministers in order that all Ministers... and, perhaps, even a global e-mail can be done, appropriate to the one we did, which included the website of the Fair Trade Organisation, which, perhaps, many people busy working throughout the day did not know about the valuable work that they did. But, certainly, all members of my Department are now fully informed.

The President: I call upon the Hon. Member, Mr Singer.

Mr Singer: Can I ask the Minister if Departments are buying through a tendering system and the Fair Trade products are, generally, that little bit more expensive than the other products on the shelf, how does one get round that, in order to be able to buy Fair Trade products for use in the schools and whatever? How does one manage to get round the tendering system?

The President: I call upon Mrs Crowe.

The Minister: I do not think it is a case of getting round a tendering system. A tendering system can always evaluate, not only what is the best value, perhaps, for the Island but what might have other benefits, and it is not necessarily always the lowest price that wins a tender for any project in Government.

The President: I think we are widening it out. Finally, Mr Waft.

Mr Waft: Thank you, sir.

Just following the Fair Trade initiative, would you agree, Minister, that by helping the poor producers to become better at gaining access to the markets, therefore, they would be less dependent on overseas aid?

The Minister: Of course, and the Chairman of the Overseas Aid Committee makes a very valid point. We should do all that we possibly can to help in alleviating these countries that, indeed, need our help and I think it is an excellent way in which we can promote that and, particularly the Isle of Man Co-op that has made such a commitment to these products, I do wish them well and I do hope that we,

as a large employer – and many employees – make sure that everyone in our organisation is fully aware of the valuable work they do.

**Villa Marina and Douglas Corporation
Attorney General's Chambers' advice
Justification for Tynwald Question reply**

2. The Hon Member (Mr Lowey) to ask the Minister for Local Government and the Environment:

A. Will you confirm that your Department has used the services of H M Attorney General's Chambers with respect to the Villa Marina saga; and

B. as the annual budget of the Government covers the overall costs for the myriad of services and advice offered by those Chambers, do you not agree that the reason given by the Chief Executive of Douglas Corporation for the manner of his reply to Question 7 on the March Tynwald Question Paper is justified?

The President: We turn then to Question 2 and I call on the Hon. Member, Mr Lowey.

Mr Lowey: Thank you, Mr President. I beg leave to ask the Question standing in my name.

The President: Again, the answer is in the hands of the Minister for Local Government and the Environment.

The Minister for Local Government and the Environment (Mrs Crowe): Indeed, now I turn to my brief, I realise I have answered this myself. The answer to part A of the Question is yes and the answer to part B of the Question is no.

The President: I call upon Mr Lowey.

Mr Lowey: Brevity is always the watchword of my Minister.

Could I then ask the question: would the Minister not agree that the second part of the Question, which she has answered in the negative, is a state of affairs that she believes should exist, can be allowed to exist, and what steps can she take to get the answers for Members of this Council and the other branches?

The President: I call upon the Minister.

The Minister: I think everyone is fully aware of the difficulties I am having regarding public authorities and accountability for public funding. It has been highlighted in recent times, as we know, by an area in the south, but that, nonetheless, does not mean that the pressure for full accountability for all local authorities is uppermost in my mind in the Department. It is unsatisfactory when, once again, we are told, with regard to the first part of the Member's Question, that Douglas Town Council will not answer a Question because, indeed, the Department has not answered their bit of the Question. It is totally irrelevant, as, indeed, the Question relates to.

The second part of the Hon. Member's query is: we can

only do our best. We have limited control over the local authorities to whom we do not... They do not have to have their rates approved by the Department and we are doing whatever we can to ensure financial probity, but, indeed, yes, we need to do more and will be doing more to make sure that we get satisfactory answers to Questions regarding public finance, that should be answered in the way in which Government is expected to answer all Questions on public funding.

The President: I call upon Mr Lowey.

Mr Lowey: Can I ask a supplementary, Mr President.

Would the Minister not agree that there is a growing trend not to give information to central Government, in the outside world? I will cite three instances that illustrate the point: (1) the MEA's lack of willingness to disclose the salary of its chief executive; (2) the lack of the Douglas Town Council; and (3) even when senior civil servants take pot shots at central Government and accuse their employers of cover-ups, somehow we cannot do anything about it. I thought politicians were there *to do* things and make things happen.

The Minister: I believe all the matters – certainly the first, the MEA and the second part that you have alluded to regarding civil servants' behaviour – have been addressed both politically and through other channels.

The piece about the town council I think is rather different, inasmuch that we supply a great deal of funding to local authorities through the Department and, as we know, we provide the housing and we fully fund the housing, and we are talking about many millions of pounds – it is not £5 and £10. We are talking about a great deal of public money, and we must have clarity about how those finances are being spent by all local authorities.

Mr Lowey: I thank the Minister for her reply, sir.

Orders of the Day

Income Tax (Amendment) Bill First Reading approved

The President: We turn then, Hon. Members, to the Item on the Agenda, which is the Income Tax (Amendment) Bill, and it is down for First Reading and it is in the hands of the Hon. Member, Mr Gelling.

Mr Gelling: Thank you, Mr President.

Mr President and Hon. Members, this is the first of two Income Tax (Amendment) Bills scheduled for this year. It is divided into five parts and three schedules.

The first four parts each address a specific topic and those topics are as follows: the first part, the legislation that determines the basis of assessment; the second part, the legislation relating to the completion of returns and the civil penalties applying where returns are not made; the third part is legislation which provides for powers in respect of documents and information; the fourth part is legislation that

deals with anti-avoidance issues that result from differential rates of income tax; and then the fifth part of the Bill makes a number of amendments to existing income tax legislation.

Turning to those parts themselves, I will give yourself and Hon. Members an explanation of what they are intended to achieve.

The first part of the Bill comprises clauses 1 to 7, which will provide for the current-year basis of assessment to apply to all income received by a non-corporate taxpayer. From 1987-88, for that income year, all income received from employment and from Manx pensions has been assessed, using the current-year basis.

It is intended that, from 2004-05, all other income sources received by a non-corporate taxpayer will also be assessed, using the current-year basis. This move will mark a significant simplification of the income tax system, in line with proposals outlined in the amended taxation strategy that was endorsed by Tynwald in October 2002.

Consequential to the move to a current-year basis of assessment, this Bill seeks to change the date on which tax is due to be paid, and will introduce a system whereby a non-corporate taxpayer will be required to make a payment on account of their tax. Consequential amendments to repayments supplement and interest charge provisions are also incorporated.

In order to bring the current-year basis of assessment into effect, the Bill contains transitional measures that will deem income sources to cease and recommence at midnight on 5th April 2004.

Further amendments will be made to the Income Tax Act 1970 that will have the effect of disapplying provisions that are consequential to the application of the previous-year basis of assessment.

The second part comprises clauses 8 and 9, and is supported by schedule 1 of the Bill. Provisions within this part relate to the submission of income tax returns and introduce a new civil penalty to apply in those instances where a non-corporate taxpayer fails to submit a return on time.

This Bill seeks to amend provisions relating to the submission of an income tax return by extending to six months the time limit during which a return must be filed. This part will also require that a return be made and delivered within six months of the date on which an individual taxpayer ceases to be regarded as a resident of the Isle of Man.

Turning to the third part, this part comprises clause 10, which is supported by schedule 2 of the Bill. Provisions within this part relate to powers enabling the Assessor to call for documents and information. These documents may be used by the Assessor, both in relation to the fulfilment of international obligations and for domestic compliance purposes.

The Bill introduces provisions enabling the Assessor to call for documents from the taxpayer, or to call for information relating to the taxpayer but held by a third party. Supplementary provisions set out documents which may not be required and the manner in which documents are to be produced.

The Bill also provides for Orders to be made by the High Court, requiring the delivery of documents by the taxpayer or by a third party.

Further provisions within this part of the Bill deal with situations where documents are falsified, concealed or destroyed and with situations where a warrant might

be required, authorising the Assessor to enter premises. A warrant required under this part is to be issued by a Deemster.

Turning to the fourth part, this part comprises clause 11, which is supported by schedule 3 of the Bill. Provisions within this part introduce anti-avoidance provisions to address the use of loans to take advantage of differential rates between companies and individual employees or participants, or to delay the payment of tax.

Schedule 3 of the Bill includes provisions that define the loans that are subject to an income tax charge under this particular part. The schedule also outlines provisions that apply to small loans and to loans made through intermediaries and further provisions deal with loans that are released or written off and the requirement to make a return and definition of certain terms.

Turning to part 5 of the Bill, this comprises miscellaneous amendments in clauses 12 to 15, interpretation at clause 16 and the short title construction and commencement at clause 17.

If I could, perhaps, go into a little more detail on clauses 12, 13 and 14: clause 12 inserts sections 35C, 35D and 35E into the Income Tax 1970 Bill and extends personal allowances to non-resident individuals. A non-resident who does not wish to lodge a Manx tax return will receive a flat-rate personal allowance of £2,000. A non-resident who wishes to lodge a full return of income will receive the full resident personal allowance, reduced to the proportion which the total Manx income bears to the total world income. The non-resident allowance will be apportioned in those years during which non-residence commences or ceases.

Clause 13 extends the Temporary Taxation Order provisions that are set out in section 15 of the Income Tax Act 1995 to enable Orders to be made in relation to the implementation in the Island, or compliance with international agreements and obligations. Clause 14 deals with the taxation of mariners and removes an anomaly from section 2(l) of the Income Tax Act 1970 by ensuring that personal allowances are taken into account in the calculation of mariners' relief.

Clause 15 includes minor and supplementary amendments to sections 33, 61, 64 and 120 of the Income Tax Act 1970. It also incorporates a new section 81B, which provides for trading profits of non-corporate taxpayers to be assessed by reference to the trader's accounting period.

Then clauses 16 and 17 incorporate interpretation and the short title and commencement.

This Bill amends income tax legislation in relation to four distinct areas, as well as tidying up a number of other minor matters in part 5. It introduces the current-year basis of assessment from all income that is assessable on non-corporate taxpayers. It addresses compliance issues relating to the submission of income tax returns by introducing a fixed civil penalty regime. It introduces new comprehensive powers, enabling the Assessor to call for documents in order to fulfil the Island's international obligations, and the Bill also introduces new anti-avoidance provisions to address the use of loans to take advantage of differential tax rates between companies and individuals.

It is, therefore, providing the legislative support for a number of elements of the developing taxation strategy, which was approved by Hon. Members in Tynwald in October 2002.

So, with those introductory remarks for the First Reading,

I beg to move that the First Reading be accepted and approved by this legislature.

Mrs Crowe: I beg to second, Mr President.

The President: I call upon Mr Singer.

Mr Singer: Mr President, when this Bill was first announced – it was going to another place – I received quite a lot of correspondence – I know other Hon. Members did also – from people within the finance sector, complaining that there had been a lack of consultation.

I think I am right in saying that the Bill was introduced into another place before that consultation had taken place, because it was raised at the briefing meeting that we had.

So, I would like the Hon. Member, if he could, to assure me that the consultation that was promised at that time did take place. At what stage of the Bill in the other place were the results of that consultation given to those Members in order for them to come to any decisions they had to make on the amendments and the Bill that we have got before us today?

The President: I call upon Mr Kniveton.

Mr Kniveton: Yes, thank you Mr President.

I have no particular problem with this Bill. I certainly do not propose to go through all that Mr Gelling so ably put to us this morning. I went through this quite clearly last night and he certainly covered all the points which I grasped last night.

But I think the big subject of interest affecting the ordinary man in the street... The amendment Bill puts in place in this legislation a change in the basis of assessment for non-corporates to current-year for all types of income. From midnight on 5th April 2004, all non-corporate taxpayers will be treated as commencing to carry on any trade or profession and, in respect of all other income previously assessed on a previous year's basis, this will be treated as a new source of income. I think that is, for the ordinary man, the big effect of this Bill.

I can go through the tax-payable dates and repayment supplements, tax-free interest on overpayments of tax for individuals et cetera, and for companies, interest on overdue tax, tax returns and the penalties which we read about in the Bill and tax avoidance measures, and there are so many other things. I will not, at this stage, do that because Mr Gelling has, really, put it forward in a very good manner for us.

So, yes, I do support that Bill.

The President: I call upon Mr Lowey.

Mr Lowey: Thank you, Mr President.

Since we have seen Mr Treasury – Mr Gelling – in his very benign way bring forward this Bill today (**Mrs Crowe:** Benign?) – almost anaesthetising the general public, and that is the biggest fault with this Bill, that it is going to have a dramatic impact on the ordinary man and woman in the street (**Mr Kniveton:** Yes.), and it is by stealth. We have not seen any headlines that it is actually going to hit their pockets – and hit their pockets it will.

I think that we ought to really flag up that this is what this instrument is about and it is backdated, it is starting, the clock is ticking. It is 4th April, which is in a fortnight's time.

Again, like my hon. colleague, we will go through it in the clauses and ask some questions in detail, but I get a feel of the Bill from the mover that there is a carrot-and-stick approach being applied, or should be applied. I see no carrots but I see plenty of stick.

He has emphasised the penalties there will be if the returns are not put in in the very much shortened space of time, and it does seem to me that the emphasis that we are putting on the individuals is not quite the emphasis we put in when we are dealing with corporate providers. I do not notice much of a stick being applied there.

So, is there a change in emphasis by the Treasury in dealing with the individual, as opposed to corporate business, and, if so, why? I think that is a legitimate question that should be asked.

Again, in the explanatory notes – and I apologise to the Hon. Member for not being at his presentation, I was engaged elsewhere at the time – but it is not very well spelt out – or not to me, anyway – about clause 3:

‘The payment on account will be based on the previous year’s agreed income tax liability, multiplied by a payment on account factor.’

Now, that to the man in the street means *absolutely nothing*. But I suspect the practice of it will mean that he will be paying money up front to the Government.

A Member: That’s the idea.

Mr Lowey: And that is the idea, but, again, we are being anaesthetised – or the general public is being anaesthetised – in the way in which it is being presented – or not presented, if I may say so, by the Treasury.

I think that there should be more up-front appraisal of the proposal, and how it will affect the man in the street and he should be told in advance of what is about to happen to him.

The President: I call upon Mr Waft.

Mr Waft: Thank you, Mr President.

I thought the Hon. Member, Mr Lowey, was going to refer to page 14 and the algebraic equation there, (*Laughter*) but I think it is fairly straightforward!

With regard to the consultation which was taking place, or the lack of consultation, I think that has been rectified over a period of time, and the accountants, I believe, have made representation and, as a result, I think, amendments were made by Treasury with regard to this Bill and are encompassed in the Bill we have before us today.

I do have some sympathy with the thoughts of transitional arrangements and the fact that the man in street has to be made fully aware to bring him on board. It is alright us making legislation, but, at the same time, if the average person in the street does not understand what is going on and is only hearing little bits that are reported from time to time, I just wonder if, perhaps, the Member of the Treasury would inform us how the public are going to be made aware of the changes that are taking place for (**Mr Lowey and another Member:** Hear, hear.) the forthcoming year.

Thank you.

The President: I call upon Mrs Christian.

Mrs Christian: Mr President, I am not quite sure

that I am reading the same Bill as the Hon. Member, Mr Lowey, (**Mr Lowey:** Good.) because we all have to pay tax, whichever year it is in, and I would have thought that, for the vast majority of individuals, it is easier to understand the current-year basis of assessment than it is to go through the palaver that we have of assessing this element of last years’, and so on and so forth. So, I really do think that this will represent an improvement for the man in the street.

Now, he has also referred to the carrot and the stick, and, perhaps, the mover would expand a little bit on this. There is an extension of the period of time for making the return, but I do recognise that there is the introduction, against that extension, of a penalty provision. Would the mover indicate why the Treasury has felt it necessary to introduce penalties for late filing of returns and has he any idea how much money they anticipate that they might generate as a result of this, from the penalties, as opposed to the early payment of tax? Although I do not think it makes any difference, actually, to the date of payment of tax, unless they are very late with their return.

The President: Mr Gelling to reply.

Mr Gelling: Thank you, Mr President.

First of all, if I can deal with the point raised by Mr Singer – and, I think, Mr Waft actually answered the question – and that was: yes, there was consultation with the private sector accountants and, as always, I think, when a Bill then comes into form, they look at it more closely than, perhaps, they did when it was sent out for consultation and they did make representations to the Assessor and, obviously, note was taken of some of their concerns.

Now, in the other place, where this went through a few weeks ago, of course, there were amendments made to the Bill and I am moving this Bill with those amendments, as presented by the Keys, where those concerns that the accountants and tax people had have actually been addressed, and some, you might say, were really nitpicking, but, nevertheless, they have been accepted as being a better form that, in fact, makes it more clear. In other words, these, perhaps, would have been in the practice notes, but tax people love to have certainty. They like to see it in the legislation, and, therefore, it was going to be amended anyway, when the September was substituted with October and the five months was extended to six months, so the opportunity was taken also to take note of what they were saying and we have given statutory force, instead of practice notes, within the amendments that were already put to this Bill in the Keys.

So, in answer to the question of Mr Singer, basically – ‘was there consultation?’ – the answer is yes. Again, the first intention was for an Income Tax Bill, but, quite honestly, that Income Tax Bill was going to be enormous and cover so many points, it was then decided to simplify it by bringing this part of the Bill through first, as a single stand-alone Bill, and it will be followed by another Bill this year which will deal with the corporates.

Now, I am looking at Mr Lowey. They are dealt with in exactly the same way. There is nothing adverse to one that is not upheld with the others. It will be exactly the same and, of course, the opportunity, then, is to take that separately. So, it was separated for the very reason to try to take out the confusion, so that here we are dealing with those that are not corporate. I feel quite sure, as it has been raised by a couple of Members, that there will be practice notes and

newsletters, because the situation at the moment and, as it has been for years, is that it has been a mishmash. You have been taking the allowances from the previous year – and this is to simplify it, to bring it all into the same year. There will be some interim problems, I feel quite sure, in getting people onto it, but once they are on it –

Mrs Crowe: Much easier.

Mr Gelling: – at least you are taking the income and the allowances and everything in the same year.

And there is no revenue-raising exercise, I can assure the Hon. Member. This is no exercise to raise more income for Government. It is purely to get a system which, I think, quite honestly, if I went back far enough, was a system that was being called for (**Mrs Crowe:** Yes.) over a number of years, but we could not do it, because we did not have the computer facilities to be able to introduce it.

Mr Lowey: It frightens me even more now.

Mr Gelling: We now have a system –

Mrs Crowe: It is true.

Mr Gelling: – where we can cope with it.

Now, in being able to cope with it, Mr President, it means there will be a period of time where there will have to be some assessment, because the information is not available and this is where the Assessor and his staff will introduce a portion of allowances that will then, obviously, be sorted out when the reality is of those allowances being known.

Now, quite honestly, it is no trick. It is no fund-raising. It will be followed very, very quickly in the autumn, I would hope, Mr President, with the next Bill, but the very reason why it was taken separately was to try to get over the problem that Mr Lowey brings to the fore, and that is that the man in the street will not understand.

Now, obviously, this is in draftsman's language. I would certainly hope that people will understand when they realise that, after this introduction of this system and we are all on the same year, it will be a much simpler and much easier way for them to actually put in their returns.

Mr Lowey: Could I ask, again, for clarity, Mr President – the mover of the Bill to explain in layman's language, please, how it is conceivable to bring two years into one, without asking the person to pay two years in one, which is the essence of what this Bill is about?

Mr Gelling: No, it is not asking the taxpayer to pay two years into one; it is using the information to be able to assess the two years separately.

So, no, the man and the lady in the street are not going to be asked to pay two years' tax upfront. It is going to be a system whereby that will be judged for the following year, and that is why it has been extended for the six months instead of five – September to October – and then a penalty introduced, which, again, Treasury is here to help you. That is the message (*Laughter and interjections*) and we will assist those taxpayers to get through this, because it is in our interests for them to actually get through this interim period to make sure that the system does work well.

So, we will be doing everything, Mr President, that we

can through the tax officers to be able to alert people to the situation, to reassure them that they are not going to be paying twice or paying more than they should.

I have to admit that there will obviously be – exactly the same as there is now – when people do not fill in their tax returns, they end up getting assessed and that assessment often is a little more, perhaps, than what the assessment, or what the reality is, but they will get that back, or, on the other hand, they might get a bill for more.

So, it is going to be no easy matter, Mr President, to get us through that interim period into this system, but the staff in the Income Tax Office certainly are well up to it, and I would say they are up for this change now, and it could very well be that we will have a very smooth transition, hopefully, through and we will be doing everything we can to actually make it that way.

The President: Now, Hon. Members, I do not want to get into a question-and-answer session on this one, but I understand when we are dealing with first readings... Mr Singer, you have a point you wish to make, sir?

Mr Singer: Thank you, Mr President. I apologise for not raising it before.

On the repayment supplement – that is the tax-free interest on overpayments of tax – bills will be paid if someone has overpaid their tax, or has been charged too much, they are paid plus 3 per cent interest. Where it talks about interest on overdue tax, it says:

'Interest will now be chargeable from the due and payable date'

but it does not say the percentage.

Now, I understand from the briefing meeting, I think we were talking about 7 per cent at one time – why should it be different? Why should Government pay less on interest for money they have taken from people that need not have paid and the Government charge them a greater percentage? Why should there be this difference? This does seem to be the money-raising exercise that the Hon. Member, Mr Lowey, referred to.

The President: Mr Gelling, the answer to that point, please, and any other comment that was raised at the debate stage.

Mr Gelling: Yes, if I can do that first.

Again, I keep coming back to Mr Lowey on the point he raised about it is going to raise money, they are going to be paying twice. One years' income will fall out of the account under change. In other words, they will not be having to pay two. That is the confirmation, actually, from my tax expert over there.

And, on the other, I am quite sure, but I will make absolutely sure for when we go into clauses: you are right on 3 per cent, but I think it is 5 per cent on the overdue. It is purely – let us call it 'an incentive' – an incentive for you not to be overdue and for you not to not pay your taxes, but that is what was agreed as being sensible and acceptable. I think it was higher in the beginning. I cannot confirm whether it was 7 per cent, but it certainly –

Mr Singer: But if you've paid your money, why should – ?

The President: Now, now, Hon. Members. Let us not get down...

Mr Gelling: I will, Mr President, make sure that Members are fully briefed on that, sir.

The President: Right, Hon. Members, the motion that I put to Council is that the Income Tax (Amendment) Bill be

read for a first time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.

Now, Hon. Members, that actually brings to a conclusion our Order Paper for this morning and the Council will now sit in committee for consideration of the summaries and the proceedings of the Council of Ministers.

The Council sat in private.