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MINUTES OF A SPECIAL MEETING OF THE TWELFTH ANGUILLA EXECUTIVE COUNCIL HELD ON TUESDAY 6th JULY 2021 AT 12.30 PM

PRESENT: Her Excellency the Governor, Ms Dileeni Daniel-Selvaratnam

The Honourable Deputy Governor, Mr Perin Bradley

The Honourable Premier and Minister for Finance and Health, Dr Ellis Webster

The Honourable Minister for Social Development, Cultural Affairs, Youth Affairs, Gender Affairs, Education and Library Services, Ms Dee-Ann Kentish-Rogers

The Honourable Minister for Home Affairs, Immigration, Labour, Human Rights, Constitutional Affairs, Information and Broadcasting, Lands and Physical Planning, Mr Kenneth Hodge

The Honourable Minister for Infrastructure, Communications, Utilities, Housing and Tourism, Mr Haydn Hughes

The Honourable Minister for Economic Development, Commerce, Information Technology, Environment and Natural Resources, Mr Kyle Hodge

The Honourable Attorney General, Mr Dwight Horsford

Clerk to Executive Council, Mrs Angela Hughes

IN ATTENDANCE: Hon Parliamentary Secretary for Economic Development, Mrs Quincia Gumbs-Marie
Hon Special Ministerial Assistant to the Hon Minister for Social Development/Education, Mr Merrick Richardson
Financial Specialist, Mr Stephen Turnbull

ALSO IN ATTENDANCE: Permanent Secretary for Finance, Mrs Kathleen Rogers
Tax Consultant, Mr Peter Townsend

Comptroller of Inland Revenue (Ag) Mr Lonnie Hobson
Deputy Comptroller of Inland Revenue, Ms Tameika Fleming

EX MIN 21/217 **EX MEM 21/118 AMENDMENTS TO GST BILL**

In Ex Min 21/108 Council approved the Bill for Goods and Services Tax. The GST Bill received its 1st reading in the House of Assembly on March 23, 2021. The Inland Revenue Department (IRD) has been preparing (systems, processes and staff) to administer GST, to repeal the 5 taxes that GST will replace and to inform the public and taxpayers.

The IMF rate study that was completed generated a number of potential scenarios for consideration, based upon different zero rated and exempt supplies to achieve the required revenue target of EC$79.4m.

If GST is not implemented this may lead to a deficit in 2022 of some EC$22m (Government estimates a target of EC$79.4m, (as per the MTEFP) with existing taxes estimated to raise EC$57m). This would mean raising revenue by other means and/or introducing significant public expenditure reductions to meet public expenditure and debt commitments. With the introduction of GST, there is a risk that the threshold and rate chosen might not produce the required EC$79.4m. The revenue yield will vary depending on the threshold, the number of taxpayers and the rate.

The Ministry of Finance seeks Council's support to amend the GST Bill, as detailed in the paper.

Council:

1) noted that the tax system needs to be modernised;

2) noted that the IMF rate study considered a variety of scenarios and that the revenue forecast to be generated by the rate of 13% is EC$85m. This exceeds the revenue estimate of $79.4m, in order to provide a margin of error, given concerns about the reliability of the data available;

3) noted that when introducing a new measure utilizing a rate which is too low to achieve the revenue targets may erode confidence, especially, if it is then necessary to increase the rate shortly after introduction;

4) noted that revenue could potentially be increased by removing the revenue threshold for the professional services industry within the tax scheme, so that they are required to charge the same rate of GST;

5) noted that the licensing regime needs to be reviewed. Taxes should not be configured to compensate for short term adjustments to energy tariffs;

6) noted the concern raised that GST may impact the tourism market and potentially deter visitors. However, GST allows the recovery of taxes that were previously unrecoverable, therefore the cost base of services may be reduced. Accordingly, it is within the discretion of business owners to alter their base costs to reflect the cost savings, before the application of GST and this will enable them to price more competitively;

7) noted that GST is intended to fund Governments medium-long-term commitments and if revenues are predicted to be impacted in the short-term alternative mechanisms to meet revenue shortfalls will have to be considered;

8) noted that in order for GST to be successfully implemented people have to be educated on how it operates. It is useful for people to have clear examples and with a rate in place it is possible to clearly show calculations and financial implications. Public education regarding GST will be a continuous process up until its implementation in July 2022 and beyond. This is especially important given the economic climate and the concerns regarding GST. With an increase in revenue it is anticipated that it may be possible to sustain targeted social programmes to assist persons in need in the future;

9) agreed that the Ministry shall provide to the Ministers of Government in a user friendly format, details of the benefits of GST to end consumers. The benefits of GST need to be highlighted in an accessible manner. The Ministry shall also provide GST marketing material and graphics for Council's consideration, prior to public dissemination. The first material should be presented prior to the 2nd and 3rd readings in the House of Assembly. Noted that the Ministry will be supported externally with the development of the marketing materials;

10) noted that the configuration of the GST rates by the Government should reduce costs for basic foods items, sanitary products, low electricity consumers, as well as stimulate the fishing, agriculture and manufacturing industries. The tax is also designed to assist and encourage business investment;

11) noted the calculations and projections pertaining to revenue with differing rates of GST, thresholds and numbers of tax payers;

12) noted the proposed amendments made to the GST Bill since the 1st reading, particularly, the introduction of the following:

    (i) the GST rate of 13% and threshold of EC$300,000;

    (ii) a domestic electricity threshold of 130kWh per month, which operates as a tax break wherein consumption up to the threshold is charged at zero rate GST whilst consumption above 130kWh is charged at the standard rate. The aim is not to exceed the rate charged for the existing Environmental Levy which is 7% for the average domestic electricity consumer;

    (iii) exempt status for all water consumption, for health insurance, educational textbooks, equipment and materials and personal effects of returning nationals;

    (iv) a zero-rated status for manufacturing products;

    (v) a zero-rated status for sanitary products (previously exempt) and contraceptives (previously standard rated);

    (vi) enabling legislation to allow GOA to withhold GST charged to it by suppliers to avoid the GST being paid out and then paid back in via the GST return; and

    (vii) an obligation for taxpayers to pay 50% of the disputed GST in advance before an objection/appeal can be heard; and for repayment of the deposit paid if the objection/appeal raised is successfully won;

13) agreed that the GST Bill shall be amended to reflect the GST rate of 13% and threshold of EC$300,000 and the other proposed amendments contained in Annex A and outlined

above in paragraph 12 (subject to amendment, to include contraceptives rather than a reference to condoms only);

14) agreed the exemptions as listed at Annex B, items 5 and 6, further specific details on the items to be included should be developed and stated in the Regulations;

15) agreed that for inclusion in the Regulations, the definition of educational materials should be reviewed to ensure that appropriate materials for primary, secondary and tertiary education are afforded exempt status;

16) agreed that the provisions relating to the transitionary period (for a short period when GST is first implemented) will be reviewed to ensure that the application of sanctions is not draconian, especially in instances where tax payers have endeavoured to comply but are still familiarizing themselves with the processes; and

17) instructed the AG's Chambers to collaborate with the IRD to draft the legislative amendments to the GST Bill as approved by Council. The AG's Chambers shall prioritise the legislative drafting. The revised GST Bill will be presented to Council for approval by July 22, 2021, prior to progressing to the House of Assembly for 2nd and 3rd readings.

Council authorised the issue of the Action Sheet before confirmation of the Minutes.

Action: PS, FIN; CIR; HON, DG; HON, AG; HON, PREM;
MINS OF GOV'T

EX MIN 21/218 **EX MEM 21/119 REMOVAL OF DOMESTIC EXCISE TAX**

The Hon Premier and the finance team briefed Council. Excise tax on excisable products imported and manufactured in Anguilla was legislated with effect from October 1, 2019. Import excise tax has been collected since October 1, 2019.

On November 28, 2019 Council approved the deferral of domestic excise tax to January 1, 2021 (to coincide with the implementation of GST) on the grounds that more time was needed for IRD to prepare and for taxpayers to be introduced to the tax. A directive was issued for the legislative amendment to be drafted, to bring the deferral into effect, but this was not completed. Domestic excise tax has not been collected since October 2019.

Estimated domestic excise tax foregone for the period October 2019 to December 2020 is EC$578,142, rising to EC$800,142 for the period to June 2021.

Council:

1) noted that generally papers submitted to Council for consideration need to be adequately developed, so as to expand on the substantive points, particularly the legal and financial implications and directions;

2) noted that the domestic excise tax was not implemented by IRD owing to operational limitations;

3) noted that as the legislation required to make the deferral lawful was not enacted the tax is still payable in law, as such it should be levied by manufacturers and collected by IRD;

4) agreed to the deferral of domestic excise tax, with retroactive application from the date of enactment October 1, 2019 and the repeal of domestic excise tax, through an amendment to the Excise Tax Act; and

5) instructed the AG's Chambers to work with the IRD to draft legislative amendments to effect the required retroactive domestic excise tax deferral and repeal the domestic tax provisions, via amendments to the Excise Tax Act and/or other appropriate legal mechanism to be determined by the AG's Chambers.

Action: PS, FIN; CIR; HON, DG; HON, AG; HON, PREM;
MINS OF GOV'T

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