In this our 50th year of independence, I am aware that blacks and other ethnic groups especially the whites made a contribution to the country. The question is, who made the greater contribution and if one follows the history of Barbados, one can clearly see that without labour and capital, Barbados would not be at the level of development as it is today.

Both blacks and ethnic groups contributed to the development of Barbados; the blacks contributed labour whilst the whites contributed labour and capital. In addition to the capital, the whites made a significant contribution to tax revenue.

Now if I were to follow the history of direct taxation in Barbados starting from the Income Tax Act,1921, the major portion of the taxation was provided by those persons who were in receipt of income above the tax threshold and these were known in the Inland Revenue Department as "CAPTIODs." C stands for companies, A for persons engaged in agriculture, P for professionals, T for traders, I for investors, O for others who did not fall into the above categories and D for divided which were mainly partnerships. Tax rates were high as well as income and this revenue assisted the government of the day to provide free health care, education and other services.

In the eighties, when it was recognised that agriculture was declining and the tourist industry which was now the major industry could not provide the revenue that the agriculture sector provided, due to the concessions given to that industry, Barbados had to look for other sources of revenue and it turned to the offshore sector. At that time, Barbados went into it half heartily as there was resistance from various sectors and groups who felt that Barbados did not need foreign investment and that it could make it without such investment. Remember St. George's University and "cadavers." Now we are begging such universities and other businesses to locate here and today a large percentage of the population still believes that Barbados does not need such investment. Legislation enacted to encourage both foreign and local investment contained too many restrictions/ conditions that restricted some investments. This was done to protect the so called small man, who remained small despite all the incentives that were given to that sector. Numerous countries which were underdeveloped and encouraged foreign investments have surpassed Barbados in developing their export industries and as a result provided substantial employment for their citizens.

An assessment by the IMF on Barbados which was reported in Friday, May 20, 2016 Weekend Nation stated that “on the worrying debt, the IMF said that if Barbados wanted a downward trajectory, it was recommending a fiscal adjustment of at least 3.5 percent of GDP over the next three years.”

In order to support an opinion on the above assessment, one must state the ability of the population to contribute significantly to direct tax revenue, as in most cases a large percentage of the population cannot contribute to revenue. This has always been the problem in Barbados.

The table below taken from an Inland Revenue Department report shows the following information of taxpayers filing, net assessable income and tax paid/payable. This figure does not include the 16,500 taxpayers filing reverse tax credit returns nor the taxpayer whose individual income is from salary/pension and does not exceed $25,000/ $40,000. A rough estimate of these may be around 15,000.

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Range	Numbers	Net Assessable Income	Tax Payable
L = $ 10 000	40360	(73 217 172 11)	NIL
$ 10 000 - $ 24 200	13292	217 567 463.59	43 513 492.72
$ 24 200 - $ 30 000	3333	89 585 327.87	31 354 864.76
$ 30 000 - $ 40 000	3373	116 300 048.72	40 705 017.04
$ 40 000 - $ 60 000	2628	127 304 736.25	44 556 657.35
$ 60 000 - $ 80 000	1193	82 071 267.03	28 724 943.48
$ 80 000 - $ 100 000	679	60 676 533.56	21 236 786.74
$ 100 000 - $ 200 000	988	130 737 778.45	45 758 222.44
> $ 200 000	329	140 931 168.31	49 325 908.90
	66,175		$ 305,175,893.20

The table shows the same pattern as in all previous years where a small percentage of taxpayers paid a large proportion of the tax. In analysing the table, it shows that government's options of raising direct tax revenue are limited. The options available are tax cuts, base broadening and growth. While it is a widely belief that cutting tax rates actually increase government tax revenue, there is little evidence to support it. Evidence suggests that tax cuts do not increase revenue to governments in any meaningful way but instead increase governments deficits. In examining the table above, a tax cut would reduce revenue as it would only apply to those paying tax. Even the concept of broadening the base would not have a major impact on revenue because of the structure of the economy which has a significant number of self - employed persons (entrepreneurs) and small companies. The OECD in a study carried out stated that "the reduction in personal income tax rates was accompanied by cuts in the corporate tax rate, partly financed by base broadening in many countries."

I am therefore convinced and support the opinion of leading experts that Caribbean countries must encourage foreign investment in order to reduce their fiscal deficits and repay their debts. Just like in the eighties when the offshore sector assisted us greatly with our fiscal deficit, we must depend on foreign investment that provides tax revenue. The small percentage of taxpayers cannot be expected to assist in paying off our huge debt and it is unlikely that we would be able to reduce our fiscal deficit in the near future.

In respect of growth, there might be increases in GDP but that would not translate to increases in direct tax revenue because most of the income would go to those in the non- taxable bracket. Our growth has been driven by the tourism sector but in order for direct tax revenue to increase in that sector, subsidies must be pared back.

The other area of concern is the offshore sector. Although Barbados has signed many International Agreements it still continues to be blacklisted by some countries, even though we have signed all Agreements relating to the exchange of information. It has been stated in some publications that we are being blacklisted and every time we signed an Agreement, the international community moves the goal post. The question is, why is the international community doing this to us? the answer is simple, we are not carrying out or unable to fulfil our part of the Agreement.

One of the clauses in International Agreements is the exchange of information clause. All Agreements are negotiated by high level officials of the various countries. However, the tax departments of these countries carry out the implementation of the Agreements, so there is a problem in understanding by some governments on the extent of the information that should be supplied. Under the Agreements, the extent of the information is unlimited.

The problem that Barbados faces with the exchange of information is that it cannot comply with some of the requests because in many cases, the taxpayer has not filed a return or supplied the requested information, so do not blame the other countries if you are not compliant. Put your house in order. Barbadian taxpayers have been doing as they like for too long and something must be done in order to protect Barbados as a domicile of choice.

When one country signs an Agreement with another country, it expects the other country to carry out its part of the Agreement. Some countries give up their rights to tax their citizens so that the other country can tax its citizens where the citizens perform work in the other country.

Article 5 of the Agreement among the Governments of the Member States of the Caribbean Community states that:
" Irrespective of the nationality or State of residence of a person, income of whatever nature accruing to or derived by such person shall be taxable only by the Member State in which the income arises, except for the cases specified in this Agreement."

Although Barbados has the right to exempt such income under its domestic legislation, any exemption if used would allow Barbados to have a competitive edge over its agreement partners; that is, as Barbados would be more attractive because of its exemption to tax of a person from another member state who sets up a business in Barbados. As a result, no tax would be payable in Barbados nor the other country. As an example, entertainers resident in the Caribbean do not want to pay tax in Barbados. This is not the spirit of the Agreement. The international community views this as a breach of Agreements.