

**Debate No. 20 of 25.06.2007****ORAL ANSWER TO QUESTION****DIRECT TAXES - REVENUE**

**The Leader of the Opposition (Mr N. Bodha)** (*By Private Notice*) asked the Deputy Prime Minister, Minister of Finance and Economic Development whether in regard to revenue from direct taxes, he will state:

- (a) the amount collected as Income Tax from companies for the financial years 2005/2006 and 2006/2007 specifying the number of companies and the economic sectors concerned and the estimates for the financial year 2007/2008;
- (b) the projected amount foregone with the reduction in the rate of corporate tax from 22.5% to 15% for the financial years 2007/2008 and 2008/2009; and
- (c) the projected number of persons expected to pay the National Residential Property Tax and the modalities for the payment thereof.

**The Deputy Prime Minister, Minister of Finance and Economic Development (Mr R. Sithanen):** Mr Speaker, Sir, the reforms launched last year must be seen as a necessary response to steer the economy away from the then imminent recession that was due to the ineffective and inappropriate policies of the outgoing Government. Our programme has put the country back onto the right course for prosperity for all. The good results confirm that we must stay on the path traced out. The goals, Mr Speaker, Sir, are attainable and the road must be travelled. The policy announced of moving to a flat tax of 15 percent is one of the key measures to support the return to growth, return to full employment and improve purchasing power.

Mr Speaker, Sir, good economics rests on a dynamic and not a static view of the world. Moreover, sound economic policy-making requires a comprehensive approach where all the parts fit together. This is why the components of reform are geometric in impact and not additive and, indeed,

when the mass of measures builds up sufficiently, the results are actually exponential. This is why countries, that have done best, are those that have adopted bold reforms built on the Holy Trinity of -

1. Business Facilitation;
2. Openness; and
3. Low and transparent tax regimes.

These are the three Holy Trinity, Mr Speaker, Sir.

Mr Speaker, Sir, the answer to questions on direct taxes cannot be addressed in isolation, but as part of a credible and dynamic strategy that is already bearing fruit, just as other countries that went on this path have previously achieved. Let me inform the House that Ireland, for example, has gone in less than one generation from being the second poorest country in the EU to the second wealthiest.

Turning to our tax policy, as I said in my Budget Speech last year, we could not succeed in returning to growth while continuing with a system that is administratively cumbersome, highly discretionary and provides tax incentives whose economic benefits are impossible to evaluate.

More seriously, given the need to widen the circle of opportunities, the previous tax system we inherited generally discriminated against small and medium-sized firms. This is because applying for investment incentives required hefty administrative costs and professional fees that necessitated a large volume of business to support.

The complex, non-transparent system also offered opportunities for evasion and avoidance, leading to inequity and inefficiency and a depressed tax base.

Our policies, Mr Speaker, Sir, have made fundamental changes to restore fairness and set low tax rates that allow us to do away with exemptions that distort the tax regime. The new system is simple, transparent, easy to comply and eliminates discretion. It rewards effort, innovation and entrepreneurship while granting tax incentives sparingly in a very transparent manner to encourage investment and job creation, especially by small and medium enterprises.

Making simple tweaks and modifications to the existing system or adding yet another tax break would have served no other purpose than to further complicate the system and its administration. Rather, our investment and growth objectives necessitate a complete overhaul of the system. We definitely needed to move resolutely and quickly to a much simpler and more neutral system based on a low rate and a broad base.

Mr Speaker, Sir, the present system with dual tax rates, 15 and 25 percent only last year, with numerous tax incentives and generous tax breaks has outlived its purpose and reached its limits. It not only perverts economic decisions and distorts the investment climate but also acts as a major constraint to the creation of a fully-integrated and globally competitive economy. And it does so, at heavy fiscal, administrative and economic costs.

Mr Speaker, Sir, we are operating in a global economy, and the trend over the last fourteen years is for a dramatic lowering of corporate taxation rates. Indeed, in a recent global survey, average tax rates dropped by eleven percentage points. More relevant for our purposes, Ireland owes the dramatic improvement in its economic circumstances in a large part to a 69 percent cut in tax rates from 40 percent in 1993 to 12.5 percent in 2006, combined with policies to facilitate business and open up the economy. Portugal has also moved away from being one of the poorest countries in the EU by cutting its tax rate by 31 percent. Cyprus has cut its tax rate from 28 percent to 10 percent as part of its successful opening up strategy to become a service platform in the southern tip of the EU. Singapore has also been reducing its tax rates.

The way to sustain such reductions in tax rates is to combine favourable tax rates with a broadening of the tax collection system by reducing tax breaks and loopholes, a strategy that has worked not only in Ireland but also for Scandinavia and Eastern Europe. This has underpinned the return to robust growth in these areas.

Mr Speaker, Sir, the international evidence and our own early results are clear. Countries that have lowered their corporate income tax and developed a more transparent and rule based system have had positive results in terms of growth, FDI, employment, improved purchasing power, poverty reduction and international competitiveness.

We had planned, Mr Speaker, Sir, to phase in the reduction to 15 percent. However, like a surfer, we must ride on the crest of the wave. Timing is critical to success and our early results; and investment promotion missions all point to the important positive results from moving boldly and swiftly to the announced target in one year.

Mr Speaker, Sir, let me quote from the budget of the Minister of Finance of Singapore, which was delivered recently and which is akin to surfing on the crest of the waves. I quote –

‘The landscape is now more competitive than it was. Globally corporate tax rates have come down to an average of 27% compared to 31% five years ago. Hong Kong’s rate is currently at 17.5% and could go down further. Ireland’s is at 12.5%. The emerging Eastern European countries have become very serious competitors for global investment - Czech Republic is at 24%, Poland and Slovak Republic are at 19%. Hungary is at 16% and Latvia and Lithuania are at 15%.’

Then the Minister of Finance of Singapore went on –

‘We could not stay as is. Therefore to help companies and to keep Singapore attractive as a business location, I have decided to reduce the corporate tax rate by two percentage points, to 18%.’

He also says, Mr Speaker, Sir –

‘This corporate tax cut will bring Singapore more investments, more jobs and more prosperity’

Mr Speaker, Sir, the static comparisons of revenue lost from tax cuts are irrelevant in a world of real policy making. Not only do we have the positive international evidence to support us, but our own experience is clear. First, let me remind the House that our projections on income tax for 2006/07 have proved us to be largely accurate. As predicted, we have removed over 36,000 taxpayers from the rolls and reduced taxes on most remaining taxpayers whilst collecting more or less the amount of taxes on income and profit projected, despite the dramatic changes that made forecasting more complicated and complex.

Second, and more importantly, there is no revenue foregone from the move to a 15 percent tax regime once the dynamic impact is considered. Indeed, our projections are for an increase in corporate income tax, from Rs4.7 billion - at page 11 of the Budget Estimate - in 2005/06 and Rs4.9 billion in 2006/07 to Rs5.5 billion in 2007/08. Mr Speaker, Sir, let me announce to this House that it will continue to rise in 2008/09 because of the dynamic effect of that measure. Clearly, with a lower tax rate, these positive results reflect more economic activity, increased compliance and an enlarged tax base. These are the three factors, Mr Speaker, Sir. And I repeat them: more economic activity, increased compliance and an enlarged tax base.

Let me explain, Mr Speaker, Sir, these positive results reflect the various responses of economic agents and the economy as a whole to the cut in nominal tax rates. We have three effects, Mr Speaker, Sir: a direct effect, an indirect effect and an induced multiplier effect. First, there is an immediate psychological impact that encourages voluntary compliance. Second, we have a positive impact from the creation of new domestic enterprises and the move out of the informal sector induced by the complementary policies and the low and transparent tax regime. Thirdly, the tax system acts as a signaling device for the global marketplace and increases foreign direct investment, as evidenced by the surge in FDI and most dramatically the decision of the Tianli group to select Mauritius out of many other countries in the Africa region. Finally, Mr Speaker, Sir, there are the general positive effects from an improving reputation that makes the country stand out in the doing business comparisons where we expect our ranking to increase dramatically in the coming years. All these contribute to move from a sluggish tax system that we inherited to one displaying high buoyancy.

Mr Speaker, Sir, in addition to these positive impacts on income tax itself, we should not forget the induced effects via the enhanced purchasing power of the country that is reflected in higher VAT receipts. Over the medium term, international experience clearly shows that far more is gained from such induced effects rather than from the direct impact of the tax reduction itself. Indeed, the buoyancy of well performing systems rests on a healthy performance of indirect taxes to supplement the direct benefits from a larger direct tax base in response to the cut in rate. At the same time, these tax cuts are essential to move us to an internationally competitive jurisdiction that helps make the country an attractive business location whilst

creating a regime where everyone pays their fair share of taxes but at a significantly low rate. This is a key to attracting more investment and more good jobs that will increase the purchasing power of the population.

Mr Speaker, Sir, notwithstanding the clear positive effects from first announcing a move to a 15 percent flat tax regime, but also from accelerating its implementation to one year. I need to recall to the House that many sectors, the EPZ, Manufacturing and hotels were already paying a 15 percent corporate tax. The new strategy is to have a single rate of taxation for the entire country.

Mr Speaker, Sir, the MRA assessed 4,583 companies for corporate income tax in 2005/06, and to give credence to what I have said, because the tax is low, more people have paid. In 2006/07 this has increased to 4,831 and is expected to rise further in 2007/08 in response to the measures that we have taken. This is an international fact, Mr Speaker, Sir. When taxes are low, compliance is higher. Mr Speaker, Sir, there has been a strong positive psychological reaction to a uniform and internationally competitive rate of 15 percent.

Also, please allow me to remind the House that we have moved in a responsible manner. Those who are now questioning our policy, only yesterday, in the dark, were claiming that a no tax economy was immediately possible. We have, instead cut taxes to position the country to be globally competitive whilst ensuring that we get a positive return to our policies to finance public expenditure and to fund our social policies.

Mr Speaker, Sir, as to part (c) of the question, the number of households originally expected last year to fall under the purview of the National Residential Property Tax (NRPT) was around 10%, that is, 31,000 households. But, in my Budget Speech 10 days ago, we have made the following amendments –

- (1) Unbuilt or bare land are now excluded from the scope of the NRPT
- (2) The NRPT exemption threshold has been raised significantly from Rs215,000 to Rs385,000, meaning that all those with annual income below Rs385,000 will not be subject to NRPT

- (3) A ceiling on the amount of NRPT payable has been introduced. The amount payable by a single taxpayer will not exceed 5% of his total income.

Those changes will be incorporated in the forthcoming Finance Bill and will apply as from the first payment in September 2007.

With those changes, the number of households concerned will be significantly reduced. It is estimated that about half the households will be removed from the purview of NRPT so that it will now concern the top 5 percent, that is, 15,000 instead of the top 10 percent of taxpayers.

Mr Speaker, Sir, let me remind this House that those who will pay the NRPT has benefited significantly from the huge reduction in Personal Income Tax rate from 30 percent last year to 15 percent this year and also to the non-imposition of bare land. The yield from the NRPT, Mr Speaker, Sir – I stated in the Budget Speech - will be around Rs60 million and the totality of the revenue generated from the tax will be credited to the National Development Unit for investment in socio economic infrastructure, like market fairs, fish marketing infrastructure in Grand Baie, mini water front in GRSE, in rural and urban areas.

As regards the modalities for the payment of the NRPT, they remain unchanged.

**Mr Bodha:** They are doing it for the TV! Mr Speaker, Sir, the Deputy Prime Minister said that he is creating a dynamic economy. May I ask him then why he has estimated the growth rate for next year to only 5.5%?

**Mr Sithanen:** Mr Speaker, Sir, the hon. Leader of the Opposition should surely appreciate that in countries like France and Singapore, when the growth rate moves by 0.1%, the Minister of Finance holds a press conference to announce it to the nation. I hope he will realise what is a 5% growth and a 5.5% growth. Mr Speaker, Sir, we inherited an economy with a growth rate of 2.5%. We inherited an economy, Mr Speaker, Sir, when the growth rate three years ago was 2.1%, where the export processing zone had known four consecutive years of recession and where there were many skeletons in the cupboard. Mr Speaker, Sir, within one year, the economy has bounced back.

*(Interruptions)*

**Mr Speaker:** Order now!

**Mr Sithanen:** Mr Speaker, Sir, growth is at 5%, it is going to increase to 5.5%. And let me remind the hon. Leader of the Opposition that 5.5% is more than 100% of 2.5%, that we are creating 8,800 jobs compared to 4,000 jobs and that 8,800 jobs is more than 100% and 4,000 jobs, Mr Speaker, Sir. Let me remind the Leader of the Opposition that FDI has increased from 1.9 billion to 8.2 billion. Mr Speaker, Sir. Let me remind the House that for the first time since 1993 unemployment ...

*(Interruptions)*

**Mr Speaker:** I cannot hear the answer.

**Mr Sithanen:** The first time since 1993 unemployment is down. Mr Speaker, Sir, all the economic indicators have improved considerable and that is why, Mr Speaker, Sir, we know where the shoe pinches, we know why their *lé Coeur is gros*, Mr Speaker, Sir, because we are improving the economic situation. It is not fair to come and say that some sectors were paying more than 15% when, in fact, they were paying 15%. Some of these people come to tell us that they know the facts and the figures. Tourism was paying 15%; EPZ was paying 15%; many sectors of the economy were paying 15%. What we have done, Mr Speaker, Sir, is to have a level playing field and, as the Minister of Finance from Singapore said: 'We need..'

*(Interruptions)*

That is the problem! You see, Mr Speaker, Sir, they think that Mauritius is an island on its own, that we are cut off from the world! Look at their comments : '*Ki nou éna pour faire avec Singapore?*' We have a lot to do with Singapore, Mr Speaker, Sir. Global competitiveness is the name of the game. Competition in tax, competition in currency, competition to attract FDI, Mr Speaker, Sir, is the name of the game.

**Mr Bodha:** Mr Speaker, Sir, in view of the fact that the Deputy Prime Minister, Minister of Finance stated that there is no revenue forgone with a cut in corporate tax from 22.5% to 15%, that there is no real loss - it is irrelevant - may I ask him if the 100 big companies and the banking sector in this country which have a profit of Rs30 billion paid a corporate tax of

22.5%, is it irrelevant for their coffers? Are there having more money in their coffers with the cutting of corporate tax?

**Mr Sithanen:** Mr Speaker, Sir, let me make three points. Mr Speaker, Sir, I do not want to annoy my good friend the Leader of the Opposition. I do not want to do it for the simple reason that I got press cuttings of both the former Minister of Finance who is the leader of the MSM and the new economic guru of hon. Bérenger. I do not want to change the atmosphere of the House, Mr Speaker, Sir. I can do that. I do not want to do that, but let me just remind my hon. friend that we cannot change our policy depending on the chair on which we sit. Not later than five weeks ago, they asked two of these gentlemen – if I can use this term: ‘what will you do if you have one thing to do?’ One has said : “*Réduire l’income tax*” et l’autre - *il va toujours plus vite.*

M. le président, les mêmes personnes, qui trois semaines de cela, disaient à toute la population qu’il fallait annuler le taux d’imposition, pour abolir la fraude fiscale, pour encourager l’investissement, pour générer plus d’emplois, pour faire l’île Maurice devenir plus compétitive.

Secondly, Mr Speaker, Sir, the hon. Leader of the Opposition, as usual, does that very often, and I am not going to say what I have to say, but let me tell him one thing, Mr Speaker, Sir. I have said that it is a dynamic world and I have given three reasons. Let me go through it –

- (i) Existing companies will have an incentive to invest more; the tax base will increase;
- (ii) New companies will have an incentive to invest;
- (iii) FDI will come in.

Mr Speaker, Sir, if they are jealous this year, they are going to be *mari zalou l’année prochaine!* Let me tell you, Mr Speaker, Sir, we are going to get a lot of investment.

- (i) The tax base will increase because they will invest more;
- (ii) The tax base will increase because SMEs will invest;
- (iii) The tax base will increase because FDI will come’
- (iv) We are introducing the advance corporate tax as from next year;
- (v) We are plugging the tax loopholes.

There were some loopholes in the system, that is why, Mr Speaker, Sir, a combination of base broadening and better compliance and much better administration of tax will make sure that we will generate more revenue from income tax in spite of the fact that the tax rate has gone down. This is the experience of Singapore, Mr Speaker, Sir. This is the experience of Ireland, of Cyprus and of countries that have done the holy trinity, Mr Speaker, Sir –

- (i) the father – business environment
- (ii) the son – openness to the economy, and
- (iii) the holy spirit – a low tax rate.

**Mr Bodha:** May I ask the Deputy Prime Minister whether he can confirm that the percentage and share of private sector investment has fallen over one year? He is saying that there are going to have more investments and more companies. That is my first question. But he can answer the second question at the same time because we do not have time to ask questions.

He said that there are 4,583 companies paid income tax and the figure is moving to 4,831. May I ask how many were under the regime of 15% and how many were not under the regime of 15% and who will now fall under that regime?

**Mr Sithanen:** Mr Speaker, Sir, with respect to the first question, I have explained. It is abundantly clear that the volume effect ..

*(Interruptions)*

Mr Speaker, Sir, let me take a simple example ...

**Mr Speaker:** If Members go on interrupting the hon. Deputy Prime Minister and Minister of Finance, he will take more time and time is running out.

**Mr Sithanen:** Mr Speaker, Sir, let me give a simple example. When the price of a commodity falls, demand increases, but many people believe that when the price falls, revenue will fall. No, Mr Speaker, Sir! When the price falls, the tax base ...

**Mr Bodha:** Mr Speaker, Sir, my questions are very simple and precise. What I am requesting is a simple answer which will allow me to ask other questions.

**Mr Speaker:** I have so many times ruled that, according to the Standing Orders and Erskine May, I have no control on the answers of hon. Ministers.

**Mr Sithanen:** Mr Speaker, Sir, the hon. Member has asked two questions. The first one is: whether there will be more tax; and the second one: which company were paying 15%? I am replying both of them.

*(Interruptions)*

**Mr Speaker:** Order!

**Mr Bodha:** Share of the private sector!

**Mr Sithanen:** Share of the private sector! Let me go through it again, Mr Speaker, Sir!

Investment was in a declining trend when we came to power in July 2005. Investment has continuously gone down from 2000 to 2005. As a result of the bold measures taken by this Government, we have reversed the declining trend of: (i) investment, (ii) of private sector investment, and (iii) of FDI.

My good friend, hon. Rucktoa, gave an excellent expose on investment, on private investment and FDI. Mr Speaker, Sir, he has his own style at addressing the House, but there was so much intelligence and wisdom in what he said that (i) investment has gone up, (ii) private investment has gone up, and (iii) FDI has gone up.

With respect to the second question, Mr Speaker, Sir ...

**Mr Bodha:** Concerning the first question?

*(Interruptions)*

**Mr Sithanen:** I have said they have gone up.

*(Interruptions)*

**Mr Speaker:** Order! Don't interrupt!

**Mr Sithanen:** With respect to companies that were paying at 15%, let me go through it, Mr Speaker, Sir, as the hon. Leader of the Opposition wants to know.

**Mr Bodha:** How many!

**Mr Sithanen:** There are categories.

*(Interruptions)*

**Mr Speaker:** Order! Order!

**Mr Sithanen:** They are: manufacturing, sugar milling, agro base industry, hotels, ICT companies, leasing companies, construction, schools, universities, training institutions, a company holding an investment certificate in respect of an export enterprise, a company holding an investment certificate in respect of a strategic local enterprise, a company holding an investment certificate in respect of modernization and expansion.

A polytechnic holding an investment certificate in respect of health services under the Investment Promotion Act, a manufacturing company, a company holding a category I, global business prices under the Financial Services, a small and medium company. Mr Speaker, Sir, I can go on and on. W I am saying is that there are group of companies.

*(Interruptions)*

The hon. Leader of the Opposition should not get excited, Mr Speaker, Sir. What we are saying is that, because we have reduced the tax, the income effect, the output effect, the value effect have basically broaden the base so that with a lower tax, because of better compliance, of more dynamism in the economy and more people investing, we are getting more revenue.

Mr Speaker, Sir, I am surprised that the hon. Leader of the Opposition asks me why it has increased. We have shown it in the Estimates at page 11, Mr Speaker, Sir.

*(Interruptions)*

It is there! And 2007-2008 also! Mr Speaker, Sir, these are figures that we are going to post on the site of the MRA. 41 – Direct Taxes; item 41.001, Income Tax, Companies & Body Corporate. In 2005/2006, it was Rs4.7 Billion. In 2006/2007, it was Rs4.86 billion and in 2007/2008 it was Rs5.495 billion, Mr Speaker, Sir.

**Mr Bodha:** Mr Speaker, Sir, will the hon. Deputy Prime Minister and Minister of Finance agree that his policy mix is a wrong one ...

*(Interruptions)*

**Mr Speaker:** Order!

**Mr Bodha:** ...which is putting liberal, fiscal policy, giving billions to the companies and putting the burden on the poor people, and a burden that has become unbearable. The Deputy Prime Minister and Minister of Finance could have effected the cut progressively, and putting more money for the social items, because the country is suffering, Mr Speaker, Sir.

**Mr Sithanen:** Mr Speaker, Sir, how can someone whose policy mix led to recession, to unemployment, to closure of factories, to a decline in Foreign Direct Investment, comes to this House and asks that question to those who have had a policy mix, where employment has increased, growth has bounced back, the EPZ has improved, 20% increase in tourism?

Let me also tell the hon. Leader of the Opposition, Mr Speaker, Sir, there would have been no 2007/2008 Budget if we did not have a 2006/2007 Budget. We are having an early harvest and we are sharing this early harvest, Mr Speaker, Sir..

*(Interruptions)*

Mr Speaker, Sir, the Leader of the Opposition, and hon. Bérenger insult the population when they say it is a no-event and a Budget *qui est fade*. The planters are becoming owners in the sugar industry....

*(Interruptions)*

The orphans, Mr Speaker, Sir - we remember what the hon. Leader of the Opposition and hon. Bérenger said...

*(Interruptions)*

The handicapped, the children who are poor, Mr Speaker, Sir - we remember what they said. What about those who have lost their houses in the sales by levy? We know that this Government, under the leadership of the hon. Prime Minister, Dr. N. Ramgoolam, is doing. Never in this country has so much been done for the poor people of this country!

*(Interruptions)*

**Mr Speaker;:** Order! Order, now! Hon. Mrs Jeewa-Daureeawoo, put your question, please!

**Mrs Jeewa-Daureeawoo:** Thank you, Mr Speaker, Sir. I have one question. I would like to know from the hon. Deputy Prime Minister and Minister of Finance, if a couple, married under the system of legal community of goods and property, earns a yearly income exceeding Rs385,000, will they be both liable jointly to pay the National Residential Property Tax?

**Mr Sithanen:** Mr Speaker, Sir, we explained this very clearly. Only one of them will pay.

**Mrs Hanoomanjee:** Mr Speaker, Sir, with regard to the National Residential Property Tax, I see that the hon. Deputy Prime Minister and Minister of Finance has capped the tax at 5% of total income, inclusive of exempt income. *Est-ce que le ministre peut confirmer que cette mesure va bénéficier, encore une fois, les capitalistes ?*

**Mr Sithanen :** Mr Speaker, Sir, they were the people on the other side of the House – I have told that to many of my friends on this side – who signal left, but turn right, Mr Speaker, Sir!

*(Interruptions)*

They used the working class as fodder...

*(Interruptions)*

**Mr Speaker:** Order! Order now!

**Mr Speaker:** Order! Hon. Jhugroo, please!

**Mr Sithanen:** Mr Speaker, Sir, the very people came to this House last year and said: imagine a middle income person who has two or three acres of land, who will have to pay a lot. Now we have introduced the measures; one, to increase the limit from Rs250,000 to Rs385,000; to exempt bare land and to put a cap of 5% of total income. The same people who were telling this Government that, if they were to come to power, they would eliminate income tax, they are now saying that we should not have done it. They want to decide on the timeliness. We are in power; they want to decide on the timing as to when we ought to do things, Mr Speaker, Sir!

**Mr Speaker:** Short questions, please!

**Mr Bundhoo:** Can I ask the hon. Deputy Prime Minister and Minister of Finance how the reduction in corporate tax would help to increase FDI and how this compared with other countries, of the same size of Mauritius, would attract FDI?

**Mr Speaker:** The hon. Minister has already answered. I would invite the hon. Deputy Prime Minister and Minister of Finance to give a short answer because this was answered in the main reply.

**Mr Sithanen:** Mr Speaker, Sir, let me remind my hon. friend that Scandinavian countries are supposed to have a very extensive welfare state financed by high taxes, but look at what they have done!

My good friend, hon. Soodhun, spoke about Scandinavian islands. Denmark has reduced their corporate tax from 50% to 30%. Norway, from 52% to 28%. Finland, from 43% to 25%. Sweden, from 51% to 25%. Iceland, from 30% to 18%. These are the countries which used to have high corporation tax, Mr Speaker, Sir. All of them, from Sweden to Finland, from Denmark to Norway and also Iceland. The five Scandinavian countries have all brought down their income tax and the result is that the economic growth in these five countries is higher than in countries in the EU countries, where taxation is higher, Mr Speaker, Sir.

**Mr Guinness;** Mr Speaker, Sir, can I ask the hon. Minister whether he finds it fair that two persons earning Rs385,000, that is they are taxable under the NRPT? Is it fair that one person having a small house of 10 perches of land and another one having a *chalet* on one acre of land will pay the same amount of tax?

**Mr Sithanen:** Mr Speaker, Sir, again, this is typical of the MMM. They signal left and turn right. Hon. Mrs. Hanoomanjee asked a fair question. The hon. Member asked a very fair question, but look at the other side. The very people who are defending the super rich ...

*(Interruptions)*

Mr Speaker, Sir, we have said that only 5% of people will pay this tax...

*(Interruptions)*

... these 5% have benefited from a huge decrease in income tax, from 30% to 15 %.. We should stop this hypocrisy! Because, the person that he is ashamed to sit with, Mr Speaker, Sir, has said publicly that income tax should come down to zero.

**Mr Speaker:** Last Question! Hon. Leader of the Opposition!

**Mr Bodha:** Mr Speaker, Sir, I would like to put two last questions. In view of the fact that many of the answers...

**Mr Speaker:** If you are going to argue with me again, time will run out! Put your question, please!

**Mr Bodha:** Mr Speaker, Sir, the fact the ceiling for the NRPT is Rs385,000 and the income tax rebate can go up to Rs425,000, does that mean that some people who are not paying income tax may end up paying the NRPT?

The second part of the question: are we not imposing two taxes on income?

**Mr Sithanen:** Mr Speaker, Sir, with respect to the first one, we have made the distinction between income tax that would be payable under the regime of income tax and the definition of total income, which will include dividends. So, again, I don't understand. They signal left, but they are turning right. Mr Speaker, who gets very high level dividends? If someone gets Rs2 m. of dividends, they should be able to pay.

Insofar as the second question is concerned, I challenge – challenge in the English sense of the word, and not in the creole sense of the word – the hon. Leader of the Opposition to go and find out how many people who will pay this National Residence and Property Tax have benefited significantly from the reduction in income tax, Mr Speaker, Sir. Just like my colleague explained on Saturday, there are some who have been removed from the tax net, there are some who have received a reduction in income tax and there are others with a top marginal rate have benefited from 30% to 15%, Mr Speaker, Sir.

**Mr Speaker:** Time is over!

**MOTION**

**SUSPENSION OF S.O. 10 (2)**

**The Prime Minister:** Sir, I beg to move that all the business on today's Order Paper be exempted from the provisions of paragraph (2) of Standing Order 10.

**The Deputy Prime Minister, Minister of Public Infrastructure, Land Transport and Shipping (Dr. R. Beebeejaun) rose and seconded.**

*Question put and agreed to.*