



UTECH/PIOJ

## **Panel Discussion on Tax Reform**

### **Greetings/Remarks**

By

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## **Good Evening**

It is my pleasure to bring greetings to you on behalf of the Planning Institute of Jamaica. Today we meet to engage in a discussion on Tax Reform, with special reference to the proposals outlined in the Green Paper on Tax reform, tabled in May 2011. The Government's Parliamentary Committee is currently conducting consultations on this Green Paper. The PIOJ, as part of the process, hosted two public forums (what we termed "town Hall meetings"), the first of which was held in Manchester (October 12) and the second at the Montego Bay Civic Centre (October 21).

These public forums sought to engage the wider Jamaican public (that is, community representatives, business groups, tertiary institutions and other stakeholders), in discussions on the proposed measures articulated in the Green Paper. The feedback garnered from these forums will be noted and will be filtered into the policy deliberations. I take this opportunity to congratulate UTECH, in particular, Professor Hamilton and her team for their initiative in organizing this forum and for allowing us at the PIOJ and the Ministry of Finance to partner with the UTECH in whatever limited way we could to make this happen. I

would also like to pay tribute to the PIOJ planning team ably led by Mrs. Marcia Blake-Hall.

This panel discussion is very timely, and very relevant. It presents us with an opportunity to engage in collective scholarship around an issue of major social and economic importance. A “wise man” once said: “Only two things in life are certain — death and taxes”. The point is that matters of taxation affect everybody — employer, employed, unemployed, rich, poor, young, and old.

The National Planning Summit of 2007 articulated the need for reform of the tax system as a critical component of Jamaica’s National Development Strategy. This followed on the comprehensive and widely accepted report of the 2004 Tax Policy Review Committee chaired by Mr. Joseph Matalan, which is commonly referred to as the Matalan Report. The technical analysis underlying the Matalan report was harmonized and brought together in a 2007 book published by the PIOJ, written by Professors Roy Bahl and Sally Wallace (*Tax Reform and Economic Development: The Jamaican Case*). And the list of tax studies on Jamaica goes on. There appears to be no shortage of knowledge and wisdom (and sometimes, even mythology) about the need for, or the basic outlines of, fundamental tax reform.

The last major tax policy reform occurred during the period 1986–1991 and culminated in the introduction of the General Consumption Tax in October 1991. Since then, the Government of Jamaica (with inputs from various stakeholders) have attempted with mixed results to devise a modern and effective taxation system.

Over the years, despite good intentions, Jamaica has implemented various tax revenue enhancement measures aimed at meeting budgetary shortfalls which had the effect of further increasing imbalances in the tax structure, and failed to address issues relating to the complexity, inefficiency and inequity of the tax system. The Government has therefore found it prudent to elaborate a new medium term tax policy framework in the form of the Green Paper that is the subject of discussion today.

However, as previous incomplete reform attempts have shown, successful tax reform is as much an art as it is science. It must take cognizance of the socioeconomic and political realities existing at the time that reform is to be undertaken. It must recognize and treat with the inevitable winners and losers, and must strike the right balance among several important, but sometimes competing objectives. And it

should, ideally, be built on a broad-based consensus on the costs, benefits and trade-offs involved in implementation. **It should be owned by those implementing and affected reform.**

However, ladies and gentlemen, we need to be very clear...there will be winners and there will be losers. There may be persons or sectors that were previously lightly taxed (for a host of reasons) who must now be asked to bear a fairer share of the burden, while allowing persons or sectors who previously bore a disproportionate share of the tax burden, to lighten their load. What we would certainly want to avoid is a patently inequitable and regressive reform.

In light of the distributional shifts that will inevitably follow from tax reform, it is imperative that all stakeholders — including ordinary citizens like you and I — take the time to understand the intent and the implications of tax reform proposals so that our voices can be heard, individually and collectively. We hope that during the course of this evening's panel discussion you will hear commentary that will allow you to truly reflect on the meaning of tax reform for you, your family, your community and your country. We hope to that you will hear how the tax reform proposals may or may not stimulate economic growth, promote entrepreneurial development and drive business activities

across the island. Equally important, we also hope to hear from you your specific concerns about tax reform and what you think could be done to make it work or make it better. We hope for a robust, frank, and insightful engagement, a true exchange, and interchange, of ideas from which we can gain collective wisdom. Ours is the shared challenge to do all that we can to ensure the success of this reform process.

In conclusion, on behalf of the PIOJ, I reiterate our feelings of privilege and gratitude to have been allowed to be a part of this forum. Without further ado, I now hand over to the Chairman for us to get on with the real business of why we are here today.

Thank you.