

STATEMENT BY THE GSLP/LIBERAL OPPOSITION 47/2007

26 April 2007

The Opposition considers that it is the Government that has completely missed the point in relation to the comments on the Development Aid Act that we made last week.

In fact, in their statement on the issue, the Government have completely ignored the thrust of the constructive criticism that we put forward and have instead limited themselves to giving a lecture on how Development Aid works and on the changes that were introduced to the Act recently.

The Opposition agree that the loophole whereby developers could apply for Development Aid after their license had expired is one that should have been closed. However, this is not the point that we were making.

The point is that it remains possible for an existing license to be cancelled and then a new one issued which changes the terms and conditions of the original license, including the expiry date. This is not done by way of an amendment or an extension but by way of a wholesale replacement of one licence for another.

For example, license 1/2006 was issued to King's Wharf Ltd in May 2006. The level of development aid for this project was stipulated at 20%. In March 2007 that license was cancelled and another one issued as 1/2007 in which the level of development aid was increased to 30%. This was not done by way of an amendment but by way of issuing a completely new license and cancelling the old one.

It is true to say that in the recent changes to the Act the Government also revised the threshold for the grant of development aid. However, they did so by removing the specific amounts of money shown in the legislation and changing those amounts for the words "the prescribed amount".

This in fact allows them to revise the threshold downwards as well as upwards. Indeed, this was the point made by Shadow Minister for Trade and Industry Dr Joseph Garcia during the debate in Parliament. In response to his contribution the Government gave an assurance that it was not their intention to revise the threshold downwards, but the fact remains that the law, as presently drafted, allows this to happen.

In his response the Minister says that the percentage of development aid allowed to projects has been substantially reduced in recent times. The Opposition has examined at random details of 17 Development Aid Licences which we have seen published in the Gazette in 2006 and 2007.

This analysis shows that the average percentage allowed for development aid was 38.3% in relation to 9 projects in 2006 and it was 39.6% in relation to 8

projects for 2007. In 2006 there was one project with 100% tax free in development aid and in 2007 there was one with 80% development aid.

Commenting on the matter, Shadow Minister for Trade and Industry Dr Joseph Garcia said:

“Projects like Ocean Village and the Tradewinds, for example, have comparatively recently been given as much as 50% tax free in development aid, and the office block which is being constructed on the site of the old MOT Test Centre at Waterport has been given 40% tax free in development aid. These figures represent considerable sums of money on which no tax will be paid. The licences in question were issued in August 2005, and two of them in May 2006.

Therefore even though the developers are expected to make a healthy profit already through the sale of the residential and commercial property itself, many are given additional tax free benefits as well. Development Aid seems to have evolved very little in all the time that it has been there. Indeed, the fact that the Government itself say in their statement that they want to ensure that “existing mechanisms are not abused” is an indication that such “abuse” may have been taking place all this time.”

ENDS