

**STATEMENT BY THE GSLP/LIBERAL OPPOSITION
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The Opposition is surprised that the Government have renewed tax breaks to the developers of Ocean Village by making use of a loophole in the law, when the Minister himself has in the past been critical of abuses of the system.

These tax breaks, known as Development Aid would, in normal circumstances, have been lost because the company did not apply to renew them within the stipulated time period. The actions of the Government have set a precedent which opens the door for other developers to question this favourable treatment and seek it for themselves in the future.

Development Aid is a mechanism which delivers substantial tax relief to developers, in the case of Ocean Village 50%, and it also makes it possible for shareholders to receive dividends from such companies tax free. However, the license stipulates a date for the completion of the project which must be met in order to be able to enjoy these tax advantages.

It was the practice in the past for developers, if the project was not going to be ready on time, to apply for an amendment to the completion date and in this way gain more time. They would sometimes apply for this extension of time even after the stipulated completion date had expired.

The Government described this process as an abuse of our existing mechanisms and, with Opposition support, the law was changed last year. The effect of the change was to make sure that any developer who applied for an extension to his license after the stipulated completion date of the project, would lose the tax benefits of Development Aid.

In the case of Ocean Village, the date for completion stipulated in their Development Aid license was 31 March 2007. They did not apply for an extension to this date before this deadline expired. This

means that under the new law which was passed by Parliament on 29 March (and which came into effect on 26 April), Ocean Village would have lost its tax benefits.

When questioned in Parliament by Shadow Minister for Trade and Industry Dr Joseph Garcia, the Minister responsible Joe Holliday said that these were “exceptional circumstances” and that Ocean Village was allowed to submit a new application for the remaining completion period of the project. This was on the basis of the “genuine possibility” that the company could have been unaware of the change in the law and the fact that they had applied for an extension the day after the new law came into effect.

The Opposition had warned soon after the amendments to the Development Aid Act were adopted last year that they did not go far enough and that there was still a loophole in the law. It remained possible for an existing license to be cancelled and a new one issued with a different completion date which would have the same effect as applying for, and receiving, an extension out of time.

This is what has happened in the case of Ocean Village. The developer will continue to enjoy substantial tax relief even though the law was changed, even though they applied after the deadline had expired and only because the Government decided as a matter of policy to issue a new license with a new extended completion date.

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

“This makes a mockery of the claim made by the Minister that the changes made last year were to ‘tighten up the regime’ and to ‘stem the possible abuse of the Development Aid system’.

The irony is that the Development Aid system has now been abused with the connivance of the Government itself. It is precisely the loophole in the law that the Opposition identified last year that the Government have used to issue a new license to Ocean Village so that they can continue to enjoy the considerable tax benefits that flow from it.”

ENDS