

**Remarks for Bahamas Christian Council Meeting**  
**to be Delivered by the Minister of State for Finance the Hon.**  
**Michael Halkitis.**  
**December 13, 2013**  
**3<sup>rd</sup> Floor Cecil Wallace Whitfield Center**

It is truly an honor to deliver these remarks at this afternoon's event. I would like to begin by firstly recognizing the important work of the Christian Council, whose focus on highlighting and addressing issues that are affecting The Bahamas does a great service for our country. The Church has always been a vital pillar in the Bahamian community which cements our country's commitment to values such as honesty, integrity, and virtue and which reminds us of the Christian principles upon which our country was founded. And while the Government's mandate focuses primarily on meeting the physical and economic needs of the Bahamian people, we

cannot expect to move forward as a nation without being firmly rooted in these values.

This afternoon's session will be largely centered around the Value-Added-Tax and the effects its implementation will have on the Bahamian people. In considering the effects of this tax, it will be vital for us to keep in mind that as a Government, while meeting the present needs of our country is important, it is also our responsibility to be forward looking and to enact policies that will work for the benefit of future generations of Bahamians.

It is my hope that as a result of this session, we will all leave with a better appreciation for why the Value Added Tax is both necessary at this time but also will prove beneficial to our country going forward. It is also my intention to show that the Government has not neglected to bear in mind the needs of the

poorest and most vulnerable in our country when considering the effects of this tax; so that we understand that the VAT will not represent an unbearable burden to those already in dire need of resources.

One of the key selling points of The Bahamas as an attractive destination, in addition to our world class natural resources-sun, sand and sea-has been that we are a country that tries very hard not to burden its citizens with unnecessary taxes in order to fund Government operations. We have always understood that keeping taxes to a minimum while being prudent with the resources we are given works best for the long term stability of our country. Because of this, The Bahamas has always enjoyed a very liberal tax environment compared to both our larger neighbors to the North and even when compared to our counterparts in the Caribbean region.

This being the case, we have largely relied on a very narrow range of revenue sources: principally customs duties, real property taxes and stamp duties.

While these revenue sources have been sufficient to sustain growth in The Bahamian economy in decades past, the effects of the worldwide recession have significantly altered the current economic reality of The Bahamas. As tourist arrivals declined, jobs in the private sector were lost and trade revenues decreased substantially, the Government was forced to direct more and more resources to keeping the economy afloat. As a result of these efforts, our country's debt rose steadily while our revenue collected remained stagnant.

It became increasingly clear that in order to ensure economic growth and sustainability going forward, The Bahamas will need to diversify its sources of revenue collection. This is the Government's aim with the introduction of the VAT.

While the Value-Added-Tax makes sense to promote growth and development of The Bahamian economy as a whole, as with any policy change, what we must guarantee is that these gains are not achieved at the expense of the most vulnerable in our community. It is therefore critical that we understand why VAT will not unfairly target the poor.

In order to counteract any cost of living increase as a result of VAT, the Government will ensure that a portion of VAT resources are channeled into programs to assist the poor in this country, particularly in the first few years after the VAT is introduced. Additional revenue collected from VAT will ensure that the Government is able to fund its current social assistance programs and is able to expand these even further in the future, as opposed to seeing a possible contraction in these services due to revenue constraints.

The Government has further announced that it will reduce both Customs duty rates and excise taxes to fully compensate for the introduction of VAT. This will mean that, as much as possible, the VAT will not represent an additional levy on top of what is already charged in Customs Duties.

Furthermore, basic breadbasket items will be exempt from VAT and VAT will not be paid on medical or educational services. Households in need will also benefit from a proposed exemption from VAT on most of their electricity and water consumption. Such exemptions will go a long way in ensuring that people continue to be able to afford basic necessities.

Research undertaken by the Inter-American Development Bank indicates that these measures would be sufficient, by and large, to counteract the effects of VAT and tax reform on poverty levels in this country.

In the end, we can see that the current economic situation of The Bahamas is not where it needs to be in order to guarantee continued increases in employment, and the provision of much needed public goods and services. As a Government, we cannot ignore that important actions need to be taken now to ensure our country's continued growth and development. In considering the options available, it became clear that the Value-Added-Tax is the most appropriate intervention to take. As we move to implement this tax, we are also committed not to neglect the needs of the poor. We aim to ensure that the Social Safety Net is not eroded in any way but continues to expand and plan to channel resources where they are needed most.

Thank You.