SAINT LUCIA

*VAT Simplifying the collection of Tax.*

**PRESS RELEASE**
**For Immediate Release**

## VAT ANSWERS THE URGENT NEED FOR MORE FISCAL STABILITY

**Castries, May 10, 2012;** Less than a day after official pronouncements on the Valued Added Tax rate and the basket of zero rated and exempt goods, the Permanent Secretary in the Ministry of Finance and Economic Affairs and the VAT Implementation Project Office met with the media to formally open communication lines, track the historical timeline for preparation and for the implementation of VAT.

In answering the question on the efficacy of a Value Added Tax within the current economic environment, Permanent Secretary Isaac Anthony said it **is important to appreciate the outcomes of a wider tax base relative to Government's ability to generate revenues**, **and the extensive list of social and economic priorities as well as debt servicing requirements that attend government's expenditures.**

"VAT will provide some measure of fiscal stability as it has proven to be a better source of indirect taxation in those Caribbean countries that have implemented the tax. A more stable and efficient source of revenue from indirect taxation is an important element of placing Saint Lucia back on a path of fiscal and debt sustainability**,"** Mr. Antony said.

Referencing a number of Saint Lucia's international trading obligations – among them the Economic Partnership Agreement (EPA) and World Trade Organization (WTO), PS Anthony said that under these agreements, a loss of revenue to the Government will result from the reduction over time, of current rates of import duties. **Revenue from VAT will help in some measure to compensate for those losses**.

"In the final analysis, VAT will benefit the country as a whole as it will generate the revenue needed for Government to better manage the affairs of the country."

The Permanent Secretary traced the genesis of tax reform not just in Saint Lucia, but within Member States of the Eastern Caribbean Currency Union back to 2003. He said **the ball was set in motion by a set of recommendations proposed by a study report commissioned by the Eastern Caribbean Central Bank** entitled "New

Approaches to Taxation and Taxation Administration in the Eastern Caribbean Currency Union – A Framework for Tax Reform.

These recommendations were endorsed by the Monetary Council of the ECCB. Member governments, including Saint Lucia, said the Permanent Secretary gave a commitment to implement the recommendations of the study. The concern at the time, which nine years later has increased in urgency, was for a necessary modernization and simplification of the tax regimes within ECCU Member States, while enhancing efficiency and generating more revenue.

The Permanent Secretary drew on the pronouncements by Prime Minister and Minister of Finance Hon. Dr. Kenny D. Anthony to outline how this simplification is achieved.

"VAT as a general tax on consumption, broadens the tax base, decreases the tax burden on income in favor of consumption, allowing for the removal of a number of other duties and direct taxes, which have distortionary effects on the productive sectors and on the welfare and behaviour of the consumer… in the process the system employs new and reliable sources of revenues on a consumption basis."

Saint Lucia will be the last of these Member states to implement the Value Added Tax system.

The 'up side' to this late implementation the Permanent Secretary in reiterating the words of the Prime Minister during the Budget Address, that "… it provides you with a large body of evidence to guide the required changes. This would enable Saint Lucia to draw from the many lessons learnt by others and use this information to align it to the peculiarities of Saint Lucia.

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