



Sociaal Economische Raad
Social Economic Council



To the Hon. Prime Minister of Sint Maarten
Mrs. S.A. Wescot-Williams
Philipsburg
Sint Maarten

Philipsburg, November 26, 2012

Our reference: SER /12/AA/087

Re: Letter of advice regarding “Landsverordening wijziging motorrijtuigenbelasting”

Honorable Prime Minister,

In reply to your request for advice of November 13, 2012, regarding the “*Landsverordening tot wijziging van de Motorrijtuigenbelastingverordening en de Algemene Landsverordening Landsbelastingen in verband met de invoering van een nieuw belastingsysteem voor motorrijtuigenbelasting*” the Social Economic Council informs you as follows.

The council took the following points into consideration:

- The current system of levying road tax is generally considered unwieldy and inconvenient, forcing each motorist to annually stand in line to collect a new number plate upon payment of the applicable road tax. In addition, physically changing the plates each year constitutes a waste of money and resources.
- Advantage of the current system is the ability to directly observe compliance with the road tax requirement. Roadside controls are relatively easy, consequently compliance is high.
- The proposed new system lacks any means of visually observing whether vehicle tax on a motor vehicle has been complied with. Payment is to occur annually upon the initiative of the vehicle owner.
- Enforcement of compliance with the new system depends primarily on the tax inspectorate and tax receiver’s office. This constitutes an additional administrative burden on both entities that are still developing and adapting to their new roles under country status.
- Even if tax inspectorate and receivers were fully equipped to enforce the new motor vehicle tax, the success of collection would depend on the quality of the database of the motor vehicle registration system (kentekenregister). This implies the need for correct data regarding identity of the vehicle’s owner, correct address information and correct tax information, e.g. CRIB number. The different government databases (census, receiver’s, tax inspectorate, etc.) are not yet interlinked to a degree that permits instant validity checks on information provided, nor is continuous updating of - for instance - address information guaranteed as yet.
- As long as administrative control is not fully developed, enforcement will to a large extent come down to roadside checks. However, in the absence of visually observable proof of payment, these controls will become far less efficient than they are now.
- The proposed measures are qualified as “budget neutral” from a government budget point of view, with an advantage for the motorist in no longer having to pay for the physical plates each year. However, under the present circumstances the new system carries a great risk of non-compliance, therefore compromising the revenue of the road tax/ motor vehicle tax, making the proposed measures less than budget neutral.



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The SER has reached consensus on the following:

- The idea to change the road tax system into a more up-to-date and less burdensome method is in and by itself warmly welcomed by the SER.
- The shift from road tax to motor vehicle tax, implying the change from use of the road to ownership of a vehicle as a taxable fact carries the assent of the SER.
- Short term introduction of the proposed system however is considered too hard to enforce under the present circumstances and therefore is considered to carry a high risk of non-compliance. This may very well lead to reduced government revenue and an inequitable situation between compliant and non-compliant citizens.
- The possible financial loss for government, caused by non-compliance, could easily exceed the overall savings, estimated in the elucidation of the draft ordinance at Naf. 225,000 annually. For instance; assuming a Naf. 7 million annual road tax/vehicle tax revenue (budgeted for 1012/2013 around Naf 8 million) a drop of 25% in compliance would reduce government revenue with Naf. 1.75 million, many times the sum saved on number plates.
- The administrative burden on the car dealers following from the tax of Naf. 20.- on each traded vehicle is disproportionate to the sum levied. The SER feels an annual lump sum based on business turnover would absolve the businesses (and the tax inspectorate) from the administrative burden of registering each vehicle separately for a very limited amount of time, while having the same fiscal effect.

The SER therefore advises as follows:

1. In the short term, the SER advises government to focus on efforts to update and interlink government databases in such a way that the taxpayers' data to be entered into the motor vehicle registration system is ensured to be valid, and will be kept up to date continuously.
2. Based on point 1, ensure a system of administrative enforcement of the vehicle tax in conjunction with the tax inspectorate that is fail-safe and makes compliance as inevitable as it is under the current system.
3. After realizing points 1) and 2) implement the new system as outlined in the proposal, if feasible by January 1, 2014.
4. Pertaining to Article I, section D, point 3, where the tariff for vehicles in a car dealer's inventory is established at Naf. 20.- annually, it is advised to instead levy the motor vehicle tax on trade inventory by way of an annual lump sum based on business turnover, to be further elaborated in an LB-ham.

Should you require any additional information after reading the above, please feel free to contact us at your earliest convenience.

Respectfully,

R.A. Richardson
Chairman

Drs. A.J. Alberts
Acting Secretary-general

c.c. the honorable Minister of Finance, mr. Roland S. Tuitt