

CONFIDENTIAL

Memorandum for Cabinet by the Minister of Trade,
Industry and Agriculture

Subject: Income Tax leviable on surplus realised
by the Gas Board in respect of years
of assessment

	<u>Tax</u>	
1964	£24,126	
1965	29,448	£53,574

The Gas Board came into existence on 1st December, 1952, by the promulgation of the Gas Act (No. XXVI of 1952) and took over an antiquated plant and some obsolescent pieces of machinery in a seriously dilapidated state for the use of which the Board have had to pay a yearly rental to the Government.

2. Shortly after Vesting date the question arose whether the gas-mains, as distinct from the plant and machinery, actually belonged to the outgoing concessionaires (The Malta and Mediterranean Gas Coy.) or not. The outgoing Company held that it did and the Government took the opposite view. The matter ended in Court and what may have been acquired for a few thousand pounds, actually involved the payment of £32,000 including Court expenses when the case was ceded by Government, and the deal was privately (out of Court) negotiated, but it was the Board that had to foot the bill.

3. A few years later the old Coal Gasification Plant on the retort system was crumbling to pieces and producing a poor quality gas, and steps have had to be taken for the purchase and erection of a Twin-Unit Oil Gasification Plant.

4. Quasi simultaneously Bottled Gas which was being imported by third parties and sold on the open market, was taking root and making serious in-roads on Town's Gas. Government came to the decision that the Gas venture should be one (Town's plus Bottled Gas) if it was to prove economically viable, and the implementation

of that decision fell to the Board who had to provide for the supply and erection of a Gas Bottling and Storage Plant at B'Buga including machinery and equipment.

5. The two extensive programmes above referred to involved the Board in loans and advances from the Government to the tune of £450,000 with interest at $\frac{1}{2}$ of 1% above U.K. Bank rate.

6. To cut a long story short this meant uphill work for the Board, and the repayment of capital and interest sapped the energy of the Gas venture from 1952 to 1965 when the Board paid its last instalment to Government plus interest.

7. From 1959 onwards to 1967 the Board sought to build up by outright purchase a stock of gas cylinders, some 76,000 at a cost of £177,400 and this enabled them to divorce themselves from heavy recurrent commitment of a monthly hire rental to a foreign firm for the hire of cylinders.

8. When in November, 1966, an Income Tax bill for £53,574 was served on the Board for 1964 and 1965, it proved to be a bombshell at too close an interval following an increase of £100,000 on Import duty which had been put into force in April of the same year.

9. Under such financial stress the Board are finding it extremely difficult to establish a general reserve fund which they are bound to do in terms of Sec. 12 (1) of the Gas Act of 1952, if after having repaid £450,000 plus interest for past loans and advances, accepted an on-cost of £100,000 in the shape of increased import duty, **and** now the "coup de grace" of having to pay income tax in arrear at full rate to the tune of £53,574 for 1964 and 1965, at a time when the Board were still roaming in a nightmare to rid themselves of their indebtedness to Government, is to say the least a bit much too much.

10. This has induced the Board to appeal, through the Minister of Trade, Industry and Agriculture for a 50% rebate on Income Tax for these two specific years through the Government giving an apposite directive to the Commissioner of Inland Revenue to accept £26,787 in full and final

settlement for 1964 and 1965 on the clear understanding that the concession will not be repeated.

11. The Minister of Trade, Industry and Agriculture feels that such a gesture on the part of the Government would enable the Gas Board to face with confidence the expansionist programme envisaged for the immediate future in order to keep pace with the on-coming demand for Town's Gas and Bottled Gas both from industrial and domestic users.

12. Hon. Ministers are requested to agree that the income tax claim of £53,574 for the two years 1964 and 1965 be reduced to £26,787.

3rd July, 1967.