

2020-06-17

Bill as amended

OBJECTS AND REASONS

This Bill would provide for the establishment of the Barbados Optional Savings Scheme for public officers, Members of Parliament, Members of the Senate and Government Consultants.

Arrangement of Sections

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BARBADOS

A Bill entitled

An Act to establish the Barbados Optional Savings Scheme.

ENACTED by the Parliament of Barbados in accordance with section 49 of the *Constitution* as follows:

Short title

1. This Act may be cited as the *Barbados Optional Savings Scheme Act, 2020*.

Interpretation

2. For the purposes of this Act,

“Bank” means the Central Bank of Barbados;

“bonds” means the Barbados Optional Savings Bonds issued under this Act;

“emoluments” means in the case of

- (a) public officers, salaries or wages, as the case may be;
- (b) Members of Parliament, salaries;
- (c) Members of the Senate, including the President and Deputy President, salaries; and
- (d) Government Consultants on contract, monies paid as remuneration;

“public officer” has the meaning assigned to it by section 117(1) of the *Constitution* and includes

- (a) employees of bodies corporate established by law for public purposes which are funded by money voted by Parliament;
- (b) Members of Parliament;
- (c) Members of the Senate, including the President and Deputy President;
- (d) Government Consultants;
- (e) temporary employees;
- (f) Ambassadors, High Commissioners and other principal representatives of Barbados in any other country;
- (g) all hourly, daily or weekly paid employees of the Crown;

- (h) all contract officers in the service of the Crown;
- (i) members of the Barbados Defence Force;
- (j) the Clerk, Deputy Clerk, Staff and other employees of Parliament; and
- (k) the Ombudsman;

“temporary employee” means a person other than a public officer who holds a temporary office in the Public Service.

Establishment of Scheme

3. The Barbados Optional Savings Scheme is hereby established.

Application of the Act

4. Subject to section 16, this Act applies to all public officers.

Purpose of Scheme, issuance of bonds and rate of interest

- 5.(1) The purpose of the Scheme is to provide a vehicle through which public officers, may save a portion of their monthly emoluments, for a period of 18 months by means of bonds.
- (2) The bonds referred to in subsection (1) shall be issued upon the terms and conditions set out in the *First Schedule*.
- (3) The bonds shall mature 4 years after the date of issue of each bond.

Payment of Interest

6. Interest accrued on the bonds is payable semi-annually in January and July.

Monetary value of bonds

7. The monetary value of bonds to be issued monthly shall be limited to \$8.5 million.

Maximum value of bonds to pay public officers

8. The maximum value of bonds to be issued for the purpose of paying a portion of the emoluments of public officers or temporary employees shall be 25 per cent.

Bonds to be tradeable and negotiable

9.(1) A bond shall be a tradeable and negotiable instrument and shall be subject to the terms and conditions set out in the *Second Schedule*.

(2) Nothing in the *Income Tax Act*, Cap. 73, the *Stamp Duty Act*, Cap. 91 or any enactment relating to the imposition of a tax or any impost on bonds, shall apply to bonds issued under this Act.

Bank to be fiscal agent for the Government

10. The Bank shall be the fiscal agent of the bonds and shall perform all functions necessary in relation to dealing with bonds, including trading in secondary markets.

Public Officer may opt to receive bonds

11.(1) A public officer on signing the form referred to in section 14 may indicate whether he wishes the bonds for 18 months or for a shorter period.

(2) A public officer referred to in subsection (1) who wishes to vary the period stated in the form referred to in that subsection may, at least 14 days but no more than 28 days prior to the date on which his emolument is due to be paid in any month, advise the Accountant General through his head of department that he wishes to receive his full bond allocation in cash or a stated portion of the bond allocation in cash for that month or for the shorter period.

(3) Notwithstanding subsection (1), a public officer who is paid at a period other than monthly shall advise the Accountant General through his head of department at least 14 days but no more than 28 days prior to the date on which

his emolument is due to be paid that he wishes to receive his full bond allocation in cash or a stated portion of the bond allocation in cash.

Bonds to be redeemable

12. A bond may be redeemed at par by the bondholder 24 months after the date of first issue.

Central Bank allowed to purchase bonds

13.(1) Notwithstanding any provision to the contrary contained in the *Central Bank of Barbados Act, Cap. 323C*,

- (a) the Bank may purchase and otherwise trade in bonds; and
- (b) any person approved by the Bank may purchase from and otherwise trade in bonds with the Bank.

(2) Purchase of bonds by the Bank pursuant to subsection (1) shall cease no later than December 31st 2021.

Issue of bonds to public officers

14.(1) Every month or other pay period a bond will be issued in the name of every public officer.

(2) Every public officer who wishes to receive his bond allocation shall so indicate in writing in the form approved by the Minister.

(3) Every public officer who does not wish to receive his bond allocation shall so indicate in writing in the form approved by the Minister.

(4) For the avoidance of doubt and in the interest of clarity, where a public officer fails or refuses to indicate in writing whether he wishes to receive a bond allocation or not he shall be deemed to have chosen to receive his bond allocation in cash.

Part payment of emoluments in bonds

15. Notwithstanding any enactment to the contrary, for the purposes of this Act a portion of a public officers emoluments may be paid in bonds with the consent of the public officer.

Persons to whom this Act does not apply

16.(1) This Act does not apply to a public officer whose annual emoluments after deduction of income tax and national insurance is \$36 000 or less, unless he indicates in writing in the form approved by the Minister that he wishes to receive a stated portion of his emoluments in bonds and section 11(2) shall apply accordingly.

(2) This Act does not apply to a Government pensioner unless he advises the Accountant General in writing that he wishes to receive a stated portion of his pension in bonds.

(3) A public officer and a Government pensioner mentioned in subsections (1) and (2) respectively shall not receive bonds where the limit of \$8.5 million as stated in section 7 has been fully subscribed.

(4) Any request for an allocation of bonds

(a) by a public officer in excess of his bond allocation;

(b) by a person referred to in subsection (1) or (2)

shall be allotted on a *pro rata* basis.

(5) For the purposes of this Act, “Government pensioner” means a public officer who has retired from the public service and who is in receipt of a pension from the Consolidated Fund.

Commencement and duration

17.(1) This Act shall come into operation on the 1st day of July, 2020 and shall cease to have effect on the 31st day of January, 2022.

- (2) Notwithstanding subsection (1),
 - (a) any right, privilege, obligation or liability acquired, accrued or incurred under this Act;
 - (b) any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation or liability, as aforesaid

is not affected by the cessation of this Act and any such investigation, legal proceeding or remedy may be instituted, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if this Act did not cease to have effect.

FIRST SCHEDULE*(Section 5(2))*

Terms and conditions for the issue of the bonds

The terms of the Bond are as follows:

1. A 4-year bond with a 5 per cent interest rate per annum.
2. Interest accrued shall be payable semi-annually in January and July and principal paid 4 years from date of issuance of bond.
3. No withholding tax on the interest earned.
4. Stamp duty shall not be payable.
5. Bonds are fully tradable in the Secondary Bond Market.
6. Protected bonds - As with the domestic debt restructuring of 2018 in which savings bonds issued pursuant to the *Debt Holder (Approval of Debt Restructuring) Act, 2018 (Act 2018-24)* were not restructured, these bonds are protected from any restructuring.
7. Bonds will have an early redemption feature (after 24 months of date of issue) which will allow individuals to redeem their bonds early.

| Annual Net Salary | Percentage of net take home pay given in bonds |
|-----------------------|--|
| Under \$36,000 | 0% (Can choose any percentage up to 25%) |
| \$36,001 - \$50,000 | 7% |
| \$50,001 - \$100,000 | 12% |
| Over \$100,000 | 17% |
| Government Pensioners | 0% (Can choose any percentage up to 25%) |

SECOND SCHEDULE

(Section 9)

Trading Terms

1. Bonds are to be traded at par during each month of issuance. Thereafter, market conditions apply.
2. Each public officer may
 - (a) determine who can purchase his bonds, provided the buyer is registered at the Central Bank; or
 - (b) opt to place the bonds in a pool held by the Central Bank for onward trading in the secondary bond market.

Read three times and passed the House of Assembly this
day of _____, 2020.

Speaker

Read three times and passed the Senate this _____ day of
, 2020.

President