**BELIZE**

**SUPPORT FOR TRADE AND TAX POLICY REFORM (BL-T1059)**

**TERMS OF REFERENCE**

**PROPOSAL AND ANALYSIS OF A NEW INCENTIVES POLICY FRAMEWORK TO PROMOTE INVESTMENT**

BACKGROUND AND JUSTIFICATION

Belize has had one of the most revenue-effective systems in the Central America and Caribbean Region in the last decade. Tax revenue in Belize is high compared to the average of the Latin American and Caribbean region as a whole (23.8% vs. 23.8%). However, tax revenues have remained relatively flat in the last years, in a context where public debt amounted to 75% of GDP in 2012. Although Belize’s tax system is relatively effective in generating revenue, it does so in a manner that damages economic decisions, is inequitable and is complex for both tax administrators and tax payers. These adverse outcomes stem from five main problems: (i) too many different taxes (for instance, three different types of import duty); (ii) continued over-reliance on sub-optimal forms of taxation – notably trade taxation – rather than more benign taxes, like the value added tax; (iii) numerous exemptions; (iv) special tax regimes, for instance for the tourism sector; and (v) fragmentation of the tax administration.

Belize’s special tax regimes and tax expenditures manifest through fiscal and export incentives. The current incentives policy is based on three instruments: Fiscal Incentives Act, Export Processing Zone (EPZ) and Commercial Free Zone (CFZ). Benefits under the Fiscal Incentives Act include exemptions on custom duties and indirect taxes. In EPZs, consumption taxes, import duties, excises, and others are exempted for the first 20 years of operation, and dividends paid by EPZ businesses are exempt in perpetuity. Within CFZs, no taxes are applied for the first 10 years. These systems are highly complex in their administration, costly in terms of foregone revenue, introduce distortions in the economy and their efficiency in promoting growth is questionable. Additionally, they are mostly non-compliant with WTO obligations.

To address the deficiencies above mentioned, the project BL-T1059 “Support for trade and tax policy reform”, will provide support through the funding of applied studies aimed at proposing a new incentives framework that adheres to international good practices and that promotes investment. The objective of these applied studies is to decisively influence with inputs and clarity for making public policy decisions.

OBJECTIVE

The objective of this consultancy is to propose a new incentives framework for Belize that adheres to international good practices and that promotes productivity and growth.

ACTIVITIES

1. Initial Assessment. Description of the current tax incentives regime, and a brief review of the existing technical assessments.
2. Proposal to redesign the current fiscal incentives regimes, according to the following scenario:
   1. Elimination of the EPZ regime and conversion of the Fiscal Incentives Law into a central incentive program, according to more objective criteria, based on internationally agreed good practices (temporary, decreasing and monitored incentives). The new incentives program will be tailored to Belize and its geo-economic context, and will be compliant with WTO principles.
   2. The proposal should explain in detail the fiscal benefits of the new incentives program.
   3. If possible, the proposal should be aligned with the integrated policy that is being promoted in the rest of Central America.
   4. It should provide an estimate of the costs and benefits of the new fiscal incentives system.
   5. The above proposal should include a secondary scenario that also eliminates the CFZ.

CHARACTERISTICS

Type of consultancy: international, individual.

Qualifications: The consultant must be an expert with at least a master degree in a relevant discipline, with no less than 15 years of experience in the area of economics and finance, and at least 10 years of experience in tax policy in countries of Latin America and the Caribbean. S/he must be fluent in English.

Start date and duration: 30 days during a period of 3 months from the signing of the contract.

Work place: Place of residence of the consultant and Belize. The consultant must stay in Belize for at least 30% of the total working days. One only visit is foreseeable during the work. Travel and accommodation will be included in the total cost of the consultancy.

PRODUCTS AND PAYMENT

* 20% upon signing of the contract.
* The balance upon delivery and approval by the IDB of the final report containing the findings, analysis, and conclusions of the tasks mentioned in the “Activities” section of this document.

COORDINATION

This consultancy will be in charge of the Municipal and Fiscal Management Division (IFD/FMM), under the coordination of Mr. Fernando Velayos (E-mail: fvelayos@iadb.org, Phone: +1 (202) 623-3870)