



Trade License Reform Fact Sheet

December 12th 2022

UPDATE ON TRADE LICENSE

SYNOPSIS

The Trade License Reform process dates back roughly eight years, when private sector members complained about conspicuously arbitrary increases in their Trade License “fees”. Since then, there have been multiple consultancies and recommendations, with 2017 seeing the advent of a Trade Licensing (Amendment) Bill that made it to its first reading at the National Assembly. This, however, was stalled on account of local authorities’ concern about loss in trade license revenues. The present iteration of the reform saw government promulgating a methodology that is based on business-sector classifications, preset cost per square feet that are set according to zones and business classification. The new regime also aims at expanding the reach of the system into the rural areas. When scored in terms of international “best practice” the net change moves the regime from 1.18 to 1.164 (out of 5), with the BCCI’s recommendation for automatic approval for certain business types being the chief contributor to the slight positive increase in the performance.

INTERNATIONAL BEST PRACTICES FOR TRADE LICENSE REGIMES

BOX 1—INTERNATIONAL BEST PRACTICES FOR TRADE LICENSING

- **NO NEED FOR LICENSING BOARDS, WITH FEW EXCEPTIONS RELATED to PUBLIC SAFETY:** Set clearly defined criteria that negate the need for a Board.
 - Only with a few exceptions, such as specific public-safety (e.g. gas stations, pharmacy, etc) should Board approval be required. However, given that other agencies and laws are responsible for these matters, even such “exceptions” are suspect. Additionally, these may be better cured by proper zoning laws and the like.
- **LOCAL AUTHORITIES SHOULD NOT ENFORCE OTHER LAWS:** It should not be the local authorities’ duty to enforce laws that are better regulated by the Central Bank, the FIU, the Department of the Environment, or other relevant regulatory bodies.
- **FEE TO COVER ADMINISTRATIVE COSTS ONLY; NOT FOR REVENUE GENERATION²:** the fee for *any* license—including Trade License—should be set to **ONLY** cover administrative costs.
- **LICENSES SHOULD NOT REQUIRE ANNUAL RENEWAL**—International best practice also discourages the need for annual renewal. While the annual renewals for vehicles make sense, as it helps to ensure that vehicles are road-worthy, what is the purpose for a business to need annual renewals?



1. While we acknowledge that not all things considered best practice can fit a Belizean dynamic completely, there are some fundamental principles that should govern any system that presents itself as a fee. Box 1 above highlights some of these areas, with one of the most salient being the fact that a fee ought not to be for purely revenue-generating purposes. Nevertheless, because the BCCI recognizes the importance of this source of revenue for the municipality, we had accepted “Revenue Neutrality” as one of the five principles that guided this entire process.
2. Simultaneously, it is for the “revenue-neutrality” principle that we objected to the expansion of the regime to the rural areas, where it had not existed previously. This, as well as the additions to the schedule, is considered a breach of revenue neutrality. Nevertheless, the BCCI and other stakeholders—operating via a Trade License Working Group—have found workable middle grounds.

HOW THE NEW SYSTEM WORKS

Matrix - Zone & Economic Classification

			ZONE 1	ZONE 2	ZONE 3	ZONE 4
		Cost per. Sq/ ft.	\$0.94	\$1.14	\$0.99	\$0
1	Accommodation	\$0.49	\$0.72	\$0.82	\$0.74	
2	Administrative & Support Service	\$3.31	\$2.13	\$2.23	\$2.15	
3	Arts	\$0.16	\$0.55	\$0.65	\$0.58	
4	Construction & Speciality Contractors	\$1.47	\$1.21	\$1.31	\$1.23	
5	Entertainment	\$0.85	\$0.89	\$0.99	\$0.92	
6	Finance	\$1.31	\$1.13	\$1.23	\$1.15	
7	Food Preparation	\$0.59	\$0.77	\$0.87	\$0.79	
8	Health Care	\$0.96	\$0.95	\$1.05	\$0.98	
9	Information	\$1.34	\$1.14	\$1.24	\$1.16	
10	Insurance	\$1.14	\$1.04	\$1.14	\$1.06	
11	Manufacturing	\$0.59	\$0.77	\$0.86	\$0.79	
12	Other Services	\$0.77	\$0.86	\$0.95	\$0.88	
13	Professional & Technical Services	\$1.31	\$1.13	\$1.22	\$1.15	
14	Real Estate	\$5.80	\$3.37	\$3.47	\$3.40	
15	Recreation & Drinking	\$0.71	\$0.83	\$0.93	\$0.85	
16	Rental	\$1.04	\$0.99	\$1.09	\$1.02	
17	Retail	\$0.84	\$0.89	\$0.99	\$0.92	
18	Transportation	\$1.13	\$1.04	\$1.13	\$1.06	
19	Utilites	\$0.83	\$0.89	\$0.98	\$0.91	
20	Wholesale	\$0.78	\$0.86	\$0.96	\$0.89	

3. The new system is based on (i) economic classification, (ii) an estimated cost per square foot, and (iii) economic zones. This methodology does serve to take subjectivity out of the calculation of the trade license “fee”, even though it does not make the radical change from a property-tax system. (It is a property-tax system, as it charged base on annual rental value (ARV)).



4. **TO RURAL AREAS:** The new system also intended to expand the regime utilized in the nearest city or town to the rural villages. For example, Ladyville or Burrell Boom being closest to Belize City would have adopted the regime rules as applied in Belize City.
5. Therefore, for example, if there is a financial institution (\$1.31 per square foot) in Ladyville that has 5,000 square feet as its “productive footprint,” the regime would charge \$5750 ($=\$1.15^1 \times 5,000$). If there is an accommodation that has approximately 20,000 square feet as its productive footprint in Burrell Boom or Crooked Tree, then it would have been charged a fee of \$14,800 ($=\$0.74 \times 20,000$).
6. The BCCI, however, objected to the exporting of the regime into the rural areas, especially if as it pertains to simply transporting the same flawed, property-tax-styled mechanisms to other parts of the country. Via our intervention at the House Committee and in the Working Groups, a workable compromise was arrived at: That is, a semi-flat-fee structure.

Ranges	Lower Bound	Upper Bound	Fee
0	Less than	600	\$0
1	600	999	\$150
2	1000	1399	\$350
3	1400	1799	\$550
4	1800	2199	\$750
5	2200	2599	\$950
6	2600	2999	\$1150
7	3000	3399	\$1350
8	3400	3799	\$1550
9	3800	4199	\$1750
10	Above	4200	\$2000

7. As shown in *Table 1*, no business in the rural areas will be made to pay more than \$2,000. Again, we reiterate that this system is in breach of best practice, but acknowledging the village council’s need for assistance, a middle ground was agreed to.

¹ Note: Using Zone 1 from Belize City.



THE SECTION 53 “Ceiling”

8. The “new” regime presented the possibility of having significant increases in trade licensing fees, with some being anywhere between 20% and well over 300% more for businesses that were already paying trade licenses in the municipalities.

Transitional.

53. Notwithstanding the entry into force of this Act, every trade existing prior to the commencement of this Act shall not be levied an annual licence fee that is greater than or less than ten percent of the annual licence fee levied on that trade prior to the entry into force of this Act.

9. To minimize these impacts on businesses throughout the country, the BCCI had proposed a ceiling. This was ultimately set at 10%. Consequently, if a business currently paying \$5,000 in Trade License was to increase to \$10,000 under the “new” regime, the *Section 53* cap would only allow an increase to \$5,500.
10. Of course, the government, while accepting the ceiling, implemented a floor of 10%, which signals that any firm that would have seen decreases beyond 10% would likewise be held within a certain range. For example, a company currently paying \$10,000 in Trade License and would have moved from \$10,000 to \$5,000, would only be able to see a decrease to \$9,000.
11. This likewise was governed by the principle of “revenue neutrality,” which while being a breach of international best practice (i.e. licensing regimes should be utilized for revenue-generating purposes), was accepted on the grounds of acknowledging the council’s need for revenue.



HAVE WE MOVED FORWARD OR BACKWARD?

Best Practices for Trade Licensing Regimes		Compliance Score (1-5)					Description		
		0	1	2	3	4		5	
1	Clarity of rationale for licensing in terms of legitimate public interest objectives while acknowledging clearly that no license is required just to establish and operate a business. Default position should be that, except for specified activities, a							1 1	The imposition of a trade license requirement on businesses which does not translate into a service provided by the local authority bears no clear rationale.
2	The activities required to have trade licenses should be based on established public interest criteria.							1 1	Both the existing and the proposed trade license systems apply to most businesses, instead of a specific group based on public policy considerations
3	Exempt small and micro businesses from licensing requirements.							3 1	The current trade license regime applies only to businesses within municipalities and did not capture e-businesses. The new regime expands to the villages and will capture e-businesses.
4	Simple Registration system - requiring only location, type of activity, number of employees.							1 3	The proposed regime makes provision for automatic licensing for designated classes of businesses.
5	Subjectivity of process should be reduced to a minimum.							1 3	The proposed regime makes provision for automatic licensing for designated classes of businesses.
6	Abolition of trade license boards. If the process is objective with clearly defined criteria there is no role for a board.							1 2	While the new regime proposes to create new boards at the district level, the automatic approvals reduce the function of the board.
7	Prohibit local authorities from using trade license processes to enforce other laws.							1 1.5	The purported rationale for both the existing and proposed systems still point to the use of Trade License for the enforcement of other laws. Automatic approval slightly mitigates this.
8	Set license fees at a level to cover the administration costs only. Remove the requirement for annual renewal.							1 1	Both the existing and the proposed regime require annual renewal.
9	Maximum time limit for decisions on trade license applications. Decisions not reached in the prescribed time should be automatically granted.							1 2	The proposed system mitigates this issue via automatic approval, but the prescribed time for the board to meet is still every 3 months.
10	Most requirements should be verified via ex-post inspections rather than ex-ante.							1 1.5	The proposed regime's automatic approval provision comes with the condition that approval may be revoked if ex-post inspections are not satisfied.
11	Licenses should be indefinite and not subject to annual renewal.							1 1	Both the existing and the proposed regime require annual renewal.
Average Score									Existing Trade License 1.18
									Proposed Trade License Regime 1.64

12. The “new” regime does have *some* improvements over the older system. There has been acceptance of the BCCI’s position regarding *automatic approvals* for certain business classifications that clearly present no public-health or public safety concern. This includes *professional services, guest lodgings, etc.*

13. *Therefore*, on the net, the best-practice scoring places the regime at 1.64 (out of 5), a 40% increase over the original 1.18 score. However, it must be noted that if the *automatic licensing* component is removed, it would fall to less than the original score, signalling regression as opposed to progress.



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Annex: Scoring the Changes in the Regime

		Existing Trade License		Proposed Trade License Regime				
Best Practices for Trade Licensing Regimes		Compliance Score (1-5)						
		0	1	2	3	4	5	Description
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2	The activities required to have trade licenses should be based on established public interest criteria.							1 1 Both the existing and the proposed trade license systems apply to most businesses, instead of a specific group based on public policy considerations
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10	Most requirements should be verified via ex-post inspections rather than ex-ante.		[Bar chart: Existing Trade License (orange), Proposed Trade License Regime (green)]		1	The proposed regime's automatic approval provision comes with the condition that approval may be revoked if ex-post inspections are not satisfied.
			1.5			
11	Licenses should be indefinite and not subject to annual renewal.		[Bar chart: Existing Trade License (orange), Proposed Trade License Regime (green)]		1	Both the existing and the proposed regime require annual renewal.
			1			
		Average Score	[Bar chart: Existing Trade License (orange), Proposed Trade License Regime (green)]			
			Existing Trade License		1.18	
		Proposed Trade License Regime		1.64		

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