SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND THE GRENADINES
For the period ended June 30, 2018

The objective of this report is to present the public with a brief summary of the Government of St. Vincent and the Grenadines' fiscal operations, for the period ended June 30, 2018. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data indicates that the Central Government fiscal operations as at June 30, 2018 improved when compared to the same period in 2017. Current Revenue decreased by 0.6 percent to $268.88 million, while Current Expenditure increased by 1.9 percent to $276.56 million. Consequently, the Current Balance recorded a deficit of $7.68 million in 2018 compared to $1.03 million in 2017. During the period under review, the Overall Balance contracted, moving from a deficit of $10.74 million in 2017 to a deficit of $4.29 million in 2018.

Table 1: **Summary of fiscal operations for the period ended June 30, 2018**

	BUDGET 2018 $ M	**ACTUAL 2018 $ M**	**ACTUAL 2017 $ M**	*% CHANGE*
Current Revenue	**291.81**	**268.88**	**270.46**	(0.6)
of which:				
Taxes on Income & Profits	72.33	64.68	72.53	(10.8)
Taxes on property	22.57	9.31	17.49	(46.8)
Taxes on Goods & Services	87.22	80.98	79.29	2.1
Taxes on International Trade	71.10	76.11	66.76	14.0
Sale of Goods & Services	30.86	32.31	28.77	12.3
Current Expenditure	**296.57**	**276.56**	**271.49**	1.9
of which:				
Compensation Employees	148.71	142.75	138.72	2.9
Use of Goods & Services	34.22	29.63	30.08	(1.5)
Interest Payments	29.45	25.62	22.74	12.7
Transfers	84.19	78.57	79.96	(1.7)
Current Balance	**(4.77)**	**(7.68)**	**(1.03)**	(644.9)
Primary Balance	**(26.63)**	**21.33**	**12.00**	77.8
Capital Expenditure	**66.75**	**11.97**	**17.14**	*(30.2)*
Capital Revenue	**15.43**	**15.36**	**7.44**	106.6
Overall Balance	**(56.08)**	**(4.29)**	**(10.74)**	60.1

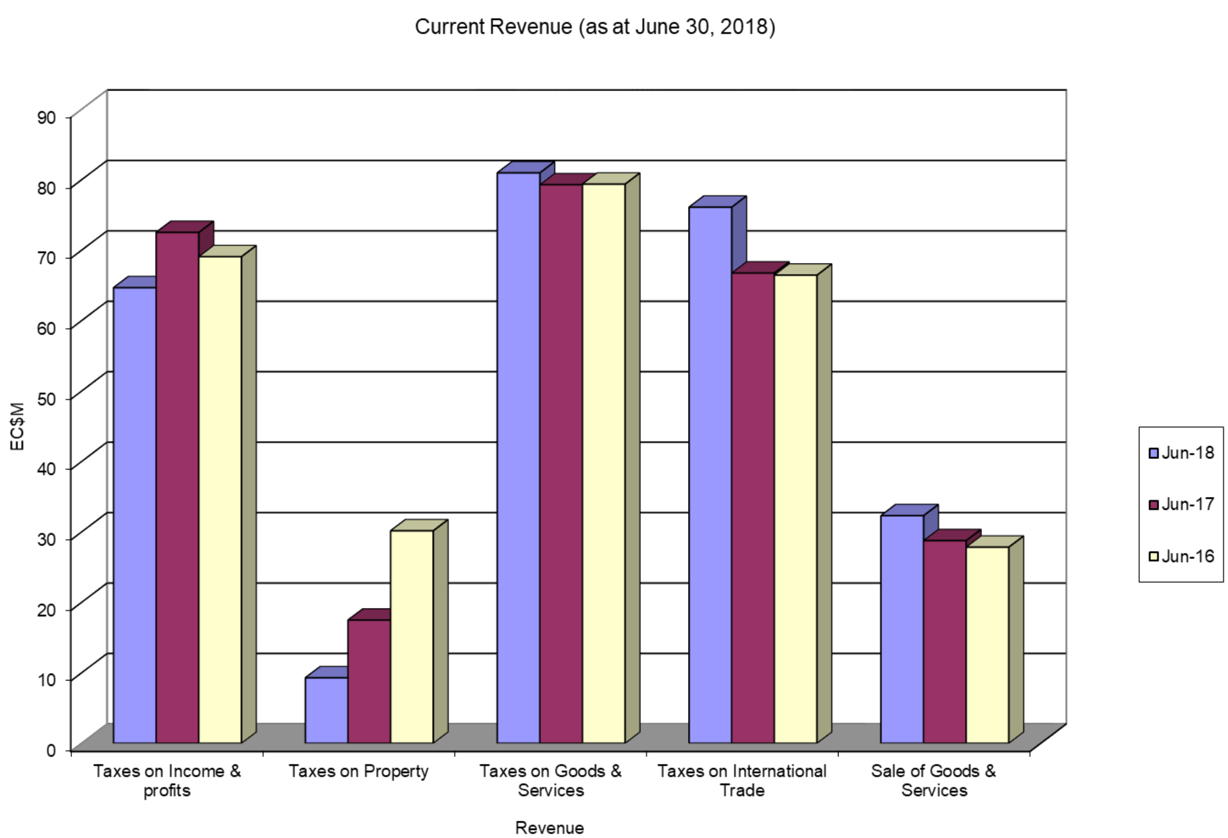
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits fell by 10.8 percent to $64.68 million, this was mainly due to lower collections recorded in all of the sub-categories. Taxes on Individuals, Corporations and Non-Residents (Withholding) fell by 3.7 percent, 13.9 percent and 35.2 percent respectively when compared to 2017. The lower collection from Individuals partly reflects the impact of some of the 2018 revenue measures which resulted in the reduction of the top marginal rate from 32.5 percent to 30 percent and an increase in the tax threshold from $18,000 to $20,000 (effective January 2018). The drop in Corporate Tax receipt was also partly reflective of the impact of the reduction in the top marginal rate from 32.5 percent to 30 percent and some unjournalised transactions for the period.

Revenue from Taxes on Property declined by 46.8 percent to $9.30 million. The decrease in collection resulted from lower receipts from Alien Land Holding Licence which fell by 80.7 percent and Stamp Duty on Property which contracted by 44.8 percent, both on account of a reduction in land sales during the period. Contrastingly, collections from taxes on immovable property rose by 44.8 percent.

Figure 1: **Items of Current Revenue as at June 30, 2018**



As at June 30, 2018 Taxes on Goods and Services which totaled $80.98 million increased by 2.1 percent. This was mainly as a result of a 5.6 percent increase in receipt from Value Added Tax, which was partially impacted by the 1.0 percentage point increase in rate (effective May, 2017) and an uptick in domestic business activities. Higher receipts from Excise Duty on imports (6.7 percent), Insurance Premium Tax (9.2 percent), Motor Vehicle Licences (10.4 percent), and Yacht Licence (36.9 percent) also contributed to the increase in revenue from this tax type. Meanwhile, receipt from Telecommunications Broadcast Licence recorded a significant short-fall when compared to 2017 mainly because of issues related to timing of collections.

Revenue from International Trade Taxes which amounted to $76.11 million was 14.0 percent higher than the amount collected for the corresponding period in 2017. Under this rubric, revenue from all major subcomponents increased including; VAT revenue (5.5 percent), Import Duty (18.7 percent) and Vehicle Surtax (93.9 percent). VAT receipts benefitted from a 10 percent increase in merchandise imports during the period along with the 1.0 percent percentage point increase in rate (effective May 1, 2017). Vehicle Surtax benefitted from a 1.2 percent increase in the importation of used vehicles during the period and also from increases in rates applied to the importation of used vehicles (resulting from the 2018 fiscal measures).

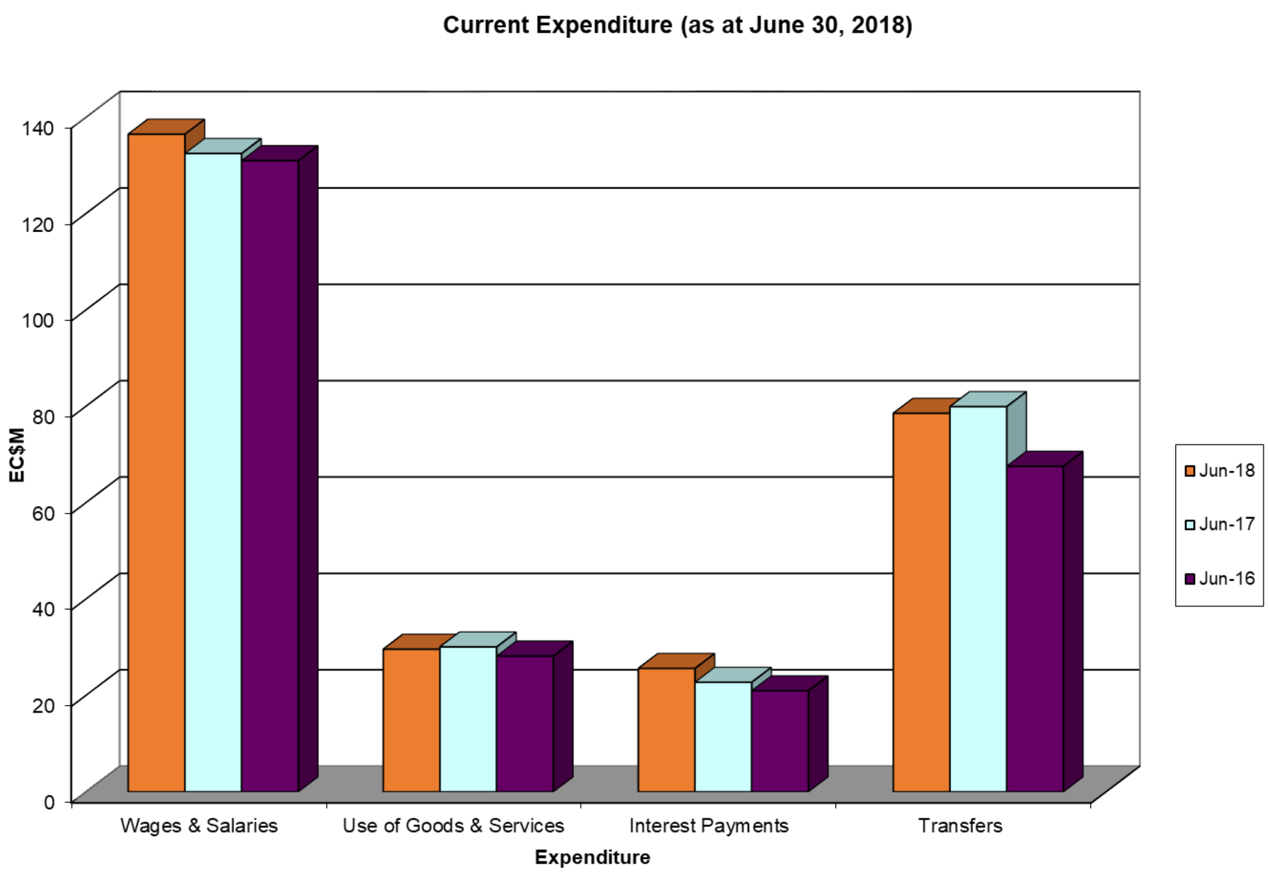
Revenue from Sale of Goods and Services grossed $32.31 million; this represents a 12.3 percent improvement over the amount collected in 2017. This was mainly due to increased takings from Customs Service Charge which rose by 14.7 percent largely as a result of the above-mentioned growth in merchandise imports. Additionally, revenue from the collection International Financial Services fees went up by 10.5 percent and receipt from Drivers Licence increased by 14.6 percent. These performances were however moderated by the lower receipt of Business Registration (CIPO) fees, as this item decreased by 54.9 percent during the period.

Capital inflows as at June 30, 2018 amounted to $15.36 million, up from the $7.44 million collected during the corresponding period in 2017.

Expenditure

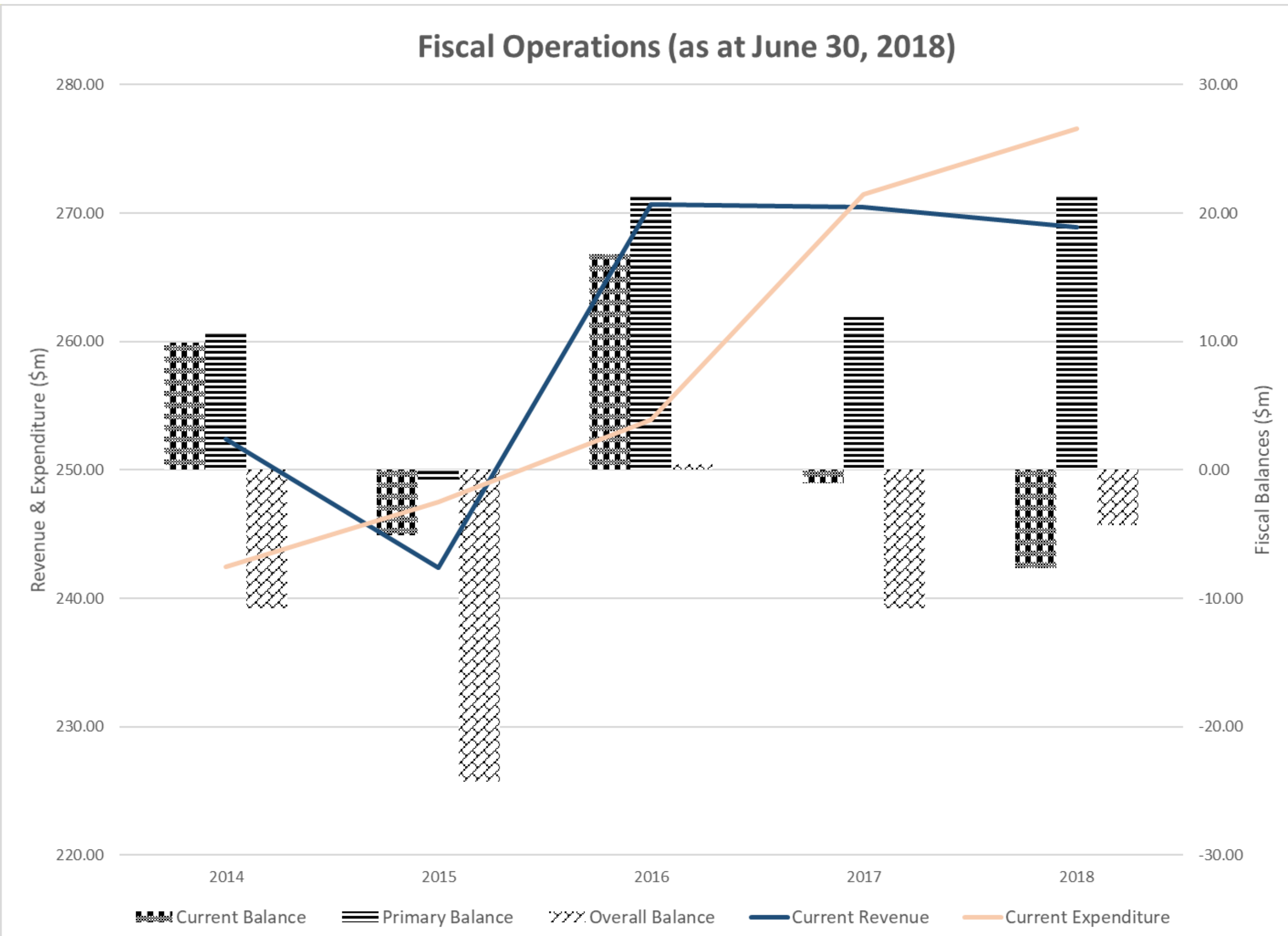
As at June 30, 2018, Current Expenditure amounted to $276.56 million. This figure represents an increase of 1.9 percent when compared to the amount spent during the same period in 2017. Payment of Wages and Salaries amounted to $136.50 million and the Employer's Social Security Contribution to $6.25 million, these were responsible for the overall 2.9 percent increase in Compensation of Employees. The 3.0 percent increase in spending on Wages and Salaries was mainly due to changes in increments and allowances during the period.

Figure 2: **Items of recurrent expenditure as at June 30, 2018**



Interest Payments increased during the period by 12.7 percent to $25.62 million, mainly as a result of higher payments on both the domestic and external components. On the domestic side Interest Payment amounted to $16.33 million on account of new loans contracted. Meanwhile, Interest on the external component of the debt went up mainly due to increases in the CDB variable interest rate during the period. Outlays on Transfers declined by 1.7 percent to $78.57 million due to a decrease in the amounts expended on Pension Benefits and Social Assistant Benefits. Expenditure on these items fell by 0.7 percent and 6.0 percent respectively.

Figure 3: **Fiscal Recurrent Activity June 2014-2018**



Preliminary data indicates that Capital Expenditure for the first six months amounted to $11.97 million, down 30.2 percent from the $17.14 million recorded for the same period in 2017. The low capital spending reflects partly the slow implementation rate on on-going projects and tardy processing of journals to bring to account direct payment made to various contractors by funding agencies.

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2018 with comparable numbers for 2017.

Table 2: Summary of Central Government Financing as at June 30, 2018 compared with 2017

	2018 $ M	2017 $ M
OVERALL DEFICIT	**(4.29)**	**(10.74)**
FINANCED BY:	**4.29**	**10.74**
External Loans	**(25.92)**	**(13.61)**
Disbursements	0.69	16.39
Less: Amortisation	(26.62)	(30.20)
Domestic Financing (net)	**31.02**	**24.54**

Source: Ministry of Finance and Planning

The Overall Deficit of $4.29 million was funded by a mix of external and domestic instruments. The government relied heavily on domestic financing sources with the majority of the domestic financing coming from the contracting of new instruments.