

SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND THE GRENADINES

For the period ended June 30, 2021

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, 2021. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at June 30, 2021 indicated that the Central Government fiscal operations improved when compared to the same period in 2020. Current Revenue increased by 14.1 percent to \$322.82 million, while Current Expenditure grew by 2.9 percent, to \$316.08 million. Consequently, the Current balance recorded a surplus of \$6.73 million compared to a deficit of \$24.35 million recorded in 2020. The Overall Balance also improved, moving from a deficit of \$51.69 million in 2020 to a deficit of \$12.64 million in 2021.

Table 1: Summary of fiscal operations for the period ended June 30, 2021

	Budget 2021 \$ m	Actual 2021 \$ m	Actual 2020 \$ m	% Change
Current Revenue	296.01	322.82	282.84	14.1
<i>of which:</i>				
Taxes on Income & Profits	70.93	67.15	66.70	0.7
Taxes on Property	14.57	60.80	11.22	441.8
Taxes on Goods & Services	92.56	87.11	96.99	(10.2)
Taxes on International Trade	76.14	70.25	68.84	2.1
Sale of Goods & Services	35.62	29.49	28.63	3.0
Current Expenditure	338.81	316.08	307.19	2.9
<i>of which:</i>				
Compensation Employees	171.05	166.29	158.77	4.7
Use of Goods & Services	41.96	37.36	37.41	(0.1)
Interest Payments	35.39	23.59	25.23	(6.5)
Transfers	90.41	88.84	85.78	3.6
Current Balance	(42.80)	6.73	(24.35)	127.7
Primary Balance (net CCF)	(55.24)	10.95	(26.45)	141.4
Capital Expenditure	57.84	71.53	42.10	69.9
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	6.43	7.02	7.01	0.0
Capital Revenue	10.01	45.14	7.75	482.4
Overall Balance (net CCF)	(90.63)	(12.64)	(51.69)	75.6

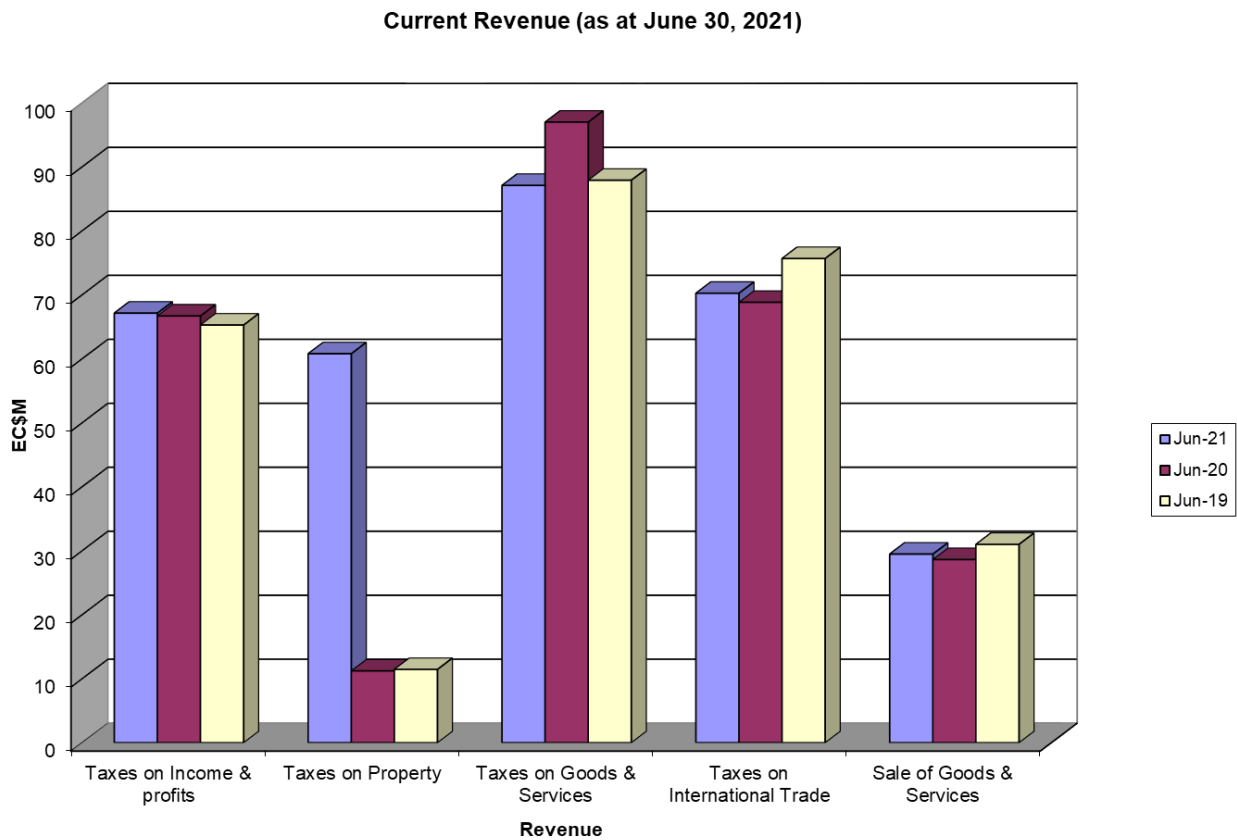
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased marginally by 0.7 percent to \$67.15 million due to higher collections from Non-Resident (Withholding) Tax. Revenue from Non-Resident (Withholding) Tax went up by 25.1 percent when compared to the same period in 2020 mainly on account of arrears collected during the period. Collection of Personal Income tax and Corporate Income Tax decreased by 0.6 percent and 3.4 percent, respectively, reflecting lower or loss of incomes for some individuals and lower reported profitability of some businesses.

Revenue from Taxes on Property amounted to \$60.80 million collected in the first six months of 2021 compared to \$11.22 million collected in the comparable period in 2020. This resulted mainly from higher receipts from Stamp Duty on Property (which went up by \$29.23 million) and Alien Land Holding Licence (which moved by \$20.07 million). Greater collection from the sale of lands was the main contributor to the improved performance of property taxes.

Figure 1: Items of Current Revenue as at June 30, 2021



As of 30th June, 2021, Taxes on Goods and Services which totaled \$87.11 million, decreased by 10.2 percent. This was mainly as a result of a 10.9 percent decline in the receipts from Value Added Tax and is reflective of the overall decline in economic activity that is projected for the year 2021. Excise Duty (on imports) fell by 16.0 percent largely owing to timing issues in the recording of payments for petroleum products. Revenue from Yacht Licence and Excise Duty on Domestic Transactions also fell by 83.6 percent and 2.9 percent, respectively. The 83.6 percent decline in collections from Yacht Licence reflects the continued fall in yacht arrivals. However, the fall in revenue from Taxes on Goods and Services was moderated by higher receipts from Insurance Premium Tax, Motor Vehicle Licence, Telecommunications and Broadcast Licence, Merchant Shipping International Fees and the Interest Levy.

Revenue from International Trade Taxes went up by 2.1 percent, to \$70.25 million. This was mainly as a result of growth in collections of Import Duty and VAT which increased by 1.5 percent and 2.7 percent, respectively while receipts from Vehicle Surtax fell by 0.3 percent. The increase in revenue from Import Duty and VAT was as a result of the 11.0 percent rise in merchandise imports during the period. Revenue from Vehicle Surtax went down on account of the 4.4 percent drop in the importation of vehicles.

Takings from Sales of Goods and Services grossed \$29.49 million representing a 3.0 percent growth on the amount collected in 2020. This was mainly related to a 3.7 percent increase in collections from Customs Service Charge, which brought collections to \$18.18 million. The higher receipts from Customs Service Charge is related to the implementation of the 1.0 percentage point increase in the rate effective June 1st, 2021. Collection from all other major subcomponents decreased; International Financial Services, CIPO Registration Fees and Driver's Licences declined by 3.3 percent, 29.8 percent, 2.0 percent and 1.3 percent, respectively.

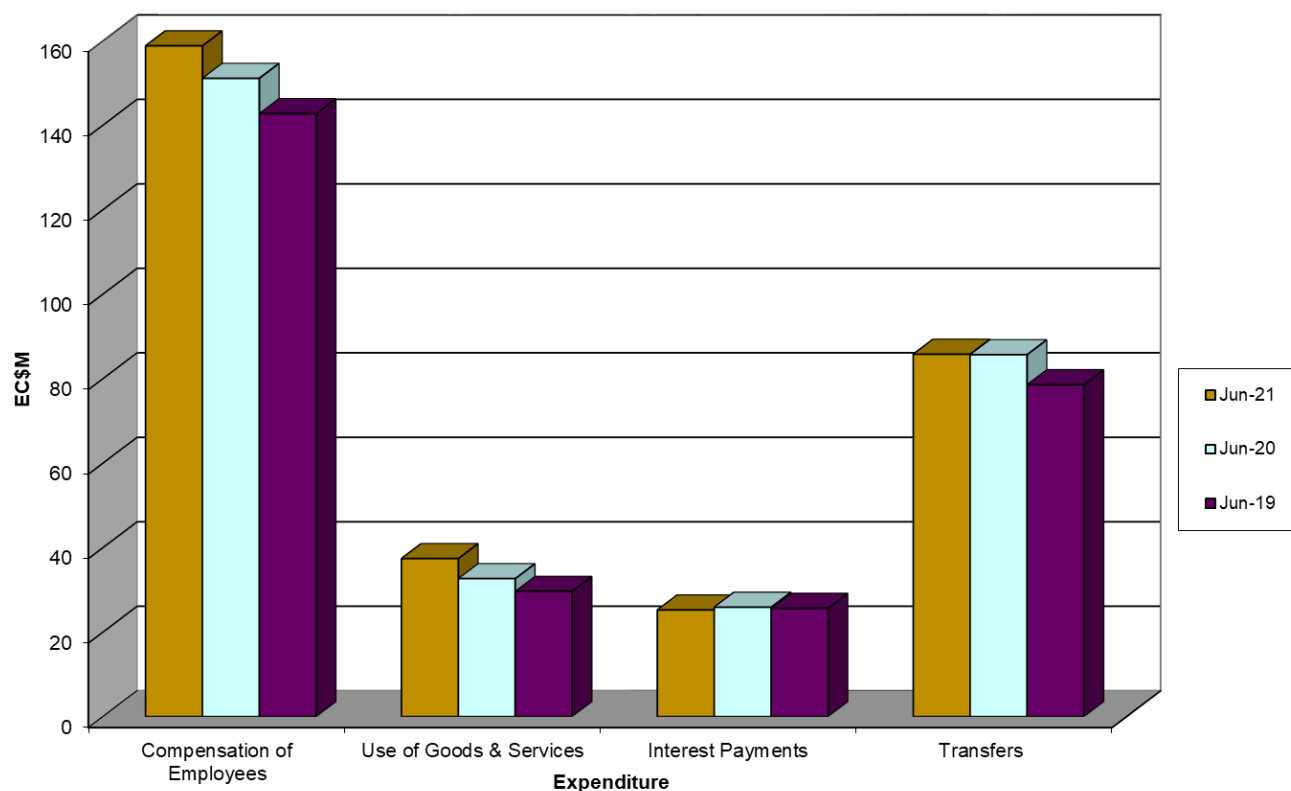
Capital inflows as of June 30, 2021 amounted to \$45.14 million, up from the \$7.75 million collected in the corresponding period in 2020. This was due mainly to the \$31.81 million collected under Other Capital Receipts during the period. Other Capital Receipts included \$15.00 million drawn down from the Contingencies Fund and other funds received from donors to facilitate the government's disaster response programme.

Expenditure

Current Expenditure amounted to \$316.08 million, as at June 30, 2021. This figure represents an increase of 2.9 percent when compared to the amount spent during the same period in 2020. Payment of Wages and Salaries amounted to \$158.72 million and the Employer's Social Security Contribution to \$7.58 million, these were responsible for the overall 4.7 percent increase in Compensation of Employees. The growth in spending on Wages and Salaries was mainly due to changes in increments and allowances during the period.

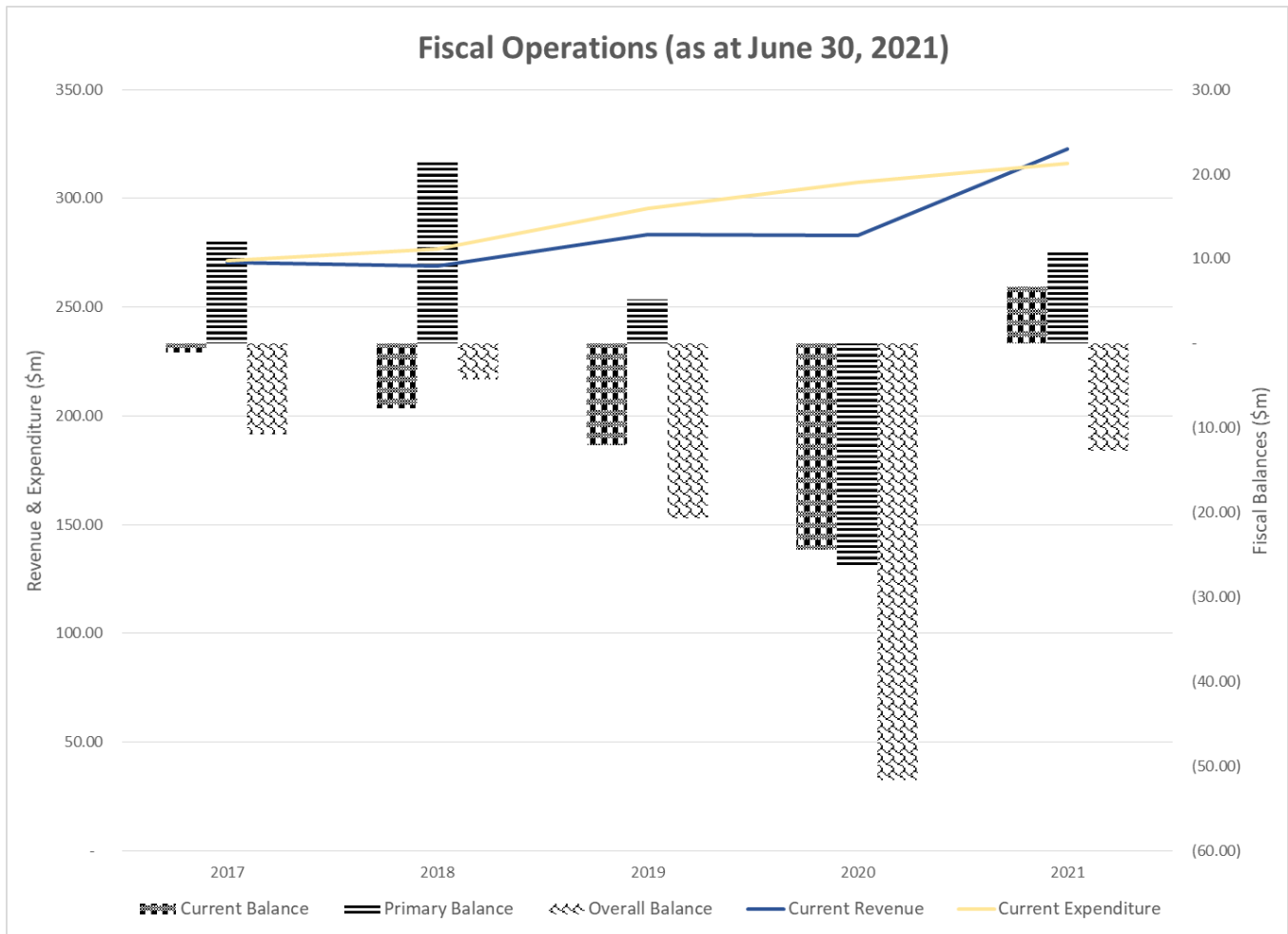
Figure 2: Items of recurrent expenditure as at June 30, 2021

Current Expenditure (as at June 30, 2021)



Interest Payments decreased during the period by 6.5 percent to \$23.59 million as a result of reduced payments on the external component of the debt which fell by 32.4 percent. Conversely, Domestic interest payments increased by 9.2 percent due to the contraction of new debt. Outlays on Transfers went up by 3.6 percent to \$88.84 million mainly as higher amounts were expended on Grants to Other Agencies (4.8 percent) and Social Assistance Benefits (14.8 percent).

Figure 3: Fiscal Recurrent Activity June 2017-2021



Preliminary data indicates that Capital Expenditure for the period amounted to \$71.53 million, up from the \$42.10 million recorded for the same period in 2020. The improvement in capital spending was mainly related to the La Soufriere volcano disaster relief and reconstruction programmes (\$23.06 million), Regional Disaster Vulnerability and Risk Reduction Programme (\$10.64 million) and Capitalisation of the Contingencies Fund (\$7.01 million).

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2021 with comparable numbers for 2020.

Table 2: Summary of Central Government Financing as at June 30, 2021 compared with 2020

	2021 \$ M	2020 \$ M
OVERALL DEFICIT	(12.64)	(51.69)
FINANCED BY:	12.64	51.69
External Loans	(10.53)	(30.40)
Disbursements	6.16	0.07
Less: Amortisation	(16.69)	(30.47)
Domestic Financing (net)	23.17	82.09

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$12.64 million for the period, financed from domestic sources. The main items of domestic financing were a reduction in cash balances (by \$45.23 million) and the issuance of domestic bonds (amounting to \$38.15 million).