SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND THE GRENADINES
For the year ended December 31, 2017

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 year ended December 31, 2017. 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 December 31, 2017 weakened when compared to the same period in 2016. Current Revenue decreased by 1.5 percent to $583.67 million, while Current Expenditure increased by 7.4 percent to $556.66 million. Consequently, the Current Account recorded a reduced surplus of $27.01 million. During the period under review, the Overall Balance contracted, moving from a surplus of $23.53 million in 2016 to a deficit of $7.92 million in 2017.

Table 1: **Summary of fiscal operations for the period ended December 31, 2017**

	BUDGET 2017 $ M	**ACTUAL 2017 $ M**	**ACTUAL 2016 $ M**	*% CHANGE*
Current Revenue	590.73	583.67	592.58	(1.5)
of which:				
Taxes on Income & Profits	145.00	150.88	155.83	(3.2)
Taxes on property	42.94	56.13	45.11	24.4
Taxes on Goods & Services	165.30	156.52	152.12	2.9
Taxes on International Trade	149.66	144.05	145.10	(0.7)
Sale of Goods & Services	66.54	61.46	60.88	0.9
Current Expenditure	601.75	556.66	518.08	7.4
of which:				
Compensation Employees	297.87	280.63	275.14	2.0
Use of Goods & Services	78.62	70.35	67.69	3.9
Interest Payments	55.78	48.55	42.73	13.6
Transfers	169.48	157.13	132.52	18.6
Current Balance	**(11.02)**	**27.01**	**74.50**	(63.7)
Primary Balance	**(119.50)**	**40.63**	**66.26**	(38.7)
Capital Expenditure	**229.59**	**69.43**	**78.16**	(11.2)
Capital Revenue	**65.34**	**34.50**	**27.19**	26.9
Overall Balance	**(175.27)**	**(7.92)**	**23.53**	(133.6)

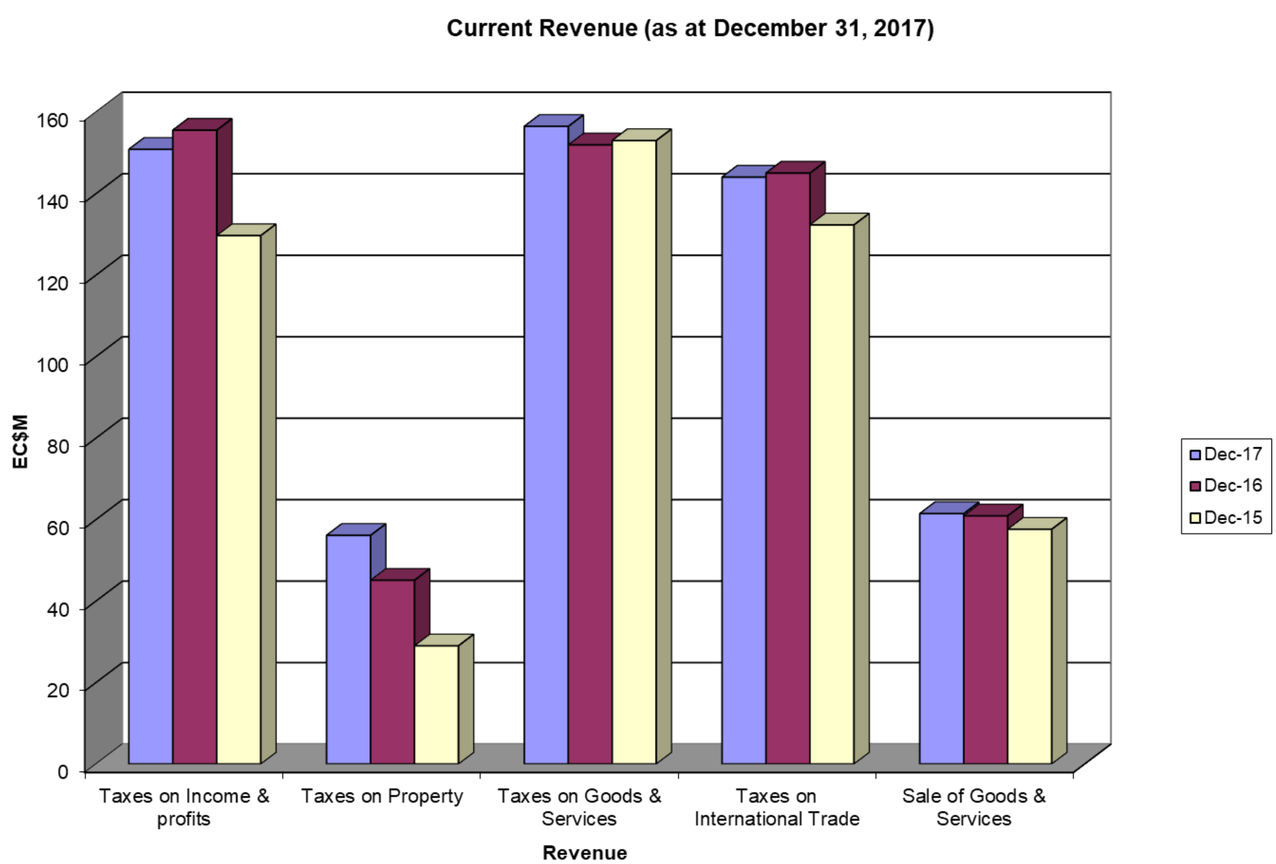
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits fell by 3.2 percent to $150.88 million, this was mainly due to lower collections from Corporation Taxes which fell by 13.6 percent because the collection in 2016 benefitted from one-off settlements of arrears. On the contrary, Non-Resident (Withholding) Tax revenue went up 5.0 percent when compared to 2016 and Taxes on Individuals increased by 4.1 percent. These performances were aided by audits of several taxpayers undertaken by the Inland Revenue Department (IRD) which resulted in the payment of outstanding taxes.

Revenue from Taxes on Property grew by 24.4 percent to $56.13 million. The improvement in collection resulted from higher receipts from Alien Land Holding Licence which grew by 42.2 percent and Stamp Duty on Property which increased by 21.7 percent, both on account of several real estate transactions on Mustique. Contrastingly, collections from Property Tax fell by 1.2 percent.

Figure 1: **Items of Current Revenue as at December 31, 2017**



Taxes on Goods and Services which totaled $156.52 million, increased by 2.9 percent a at 31st December, 2017. This was due to an increase of 4.4 percent in Value Added Tax, which benefited from a one percentage point increase in the rate effective May 1, 2017 and improved compliance. Additionally, Taxes on Goods and Services would have benefited from a $3.07 million collected from Telecommunications Broadcast Licence. Higher receipts from Excise Duty on Domestic Transactions (10.3 percent), Motor Vehicle Licence (3.8 percent) and Interest Levy (2.5 percent) were significant contributors to the growth in revenue from this tax type. Excise Duty and Motor Vehicle Licence reflected a full year's collection as revenue measures in the 2016 budget which impacted these items took effect March 20, 2016. Revenue from Taxes on Goods and Services was however dampened by lower receipts from Excise Duty on Imports and Merchant Shipping International Fees as these items fell by 7.6 percent and 3.9 percent, respectively. The decline in Excise Duty on Imports was mainly due to the 1.4 percent fall in the value of merchandise imports during the year.

Revenue from International Trade Taxes which amounted to $144.05 million was marginally (0.7 percent) lower than the amount collected for the corresponding period in 2016. Under this rubric, the contraction in imports contributed to the 6.5 percent reduction in Import Duty. On the other hand, revenue from VAT and Vehicle Surtax increased by 2.9 percent and 1.3 percent, respectively. The growth in VAT receipts was mainly on account of the one percentage point increase in rate while Vehicle Surtax benefitted from a 3.3 percent increase in the importation of used vehicles.

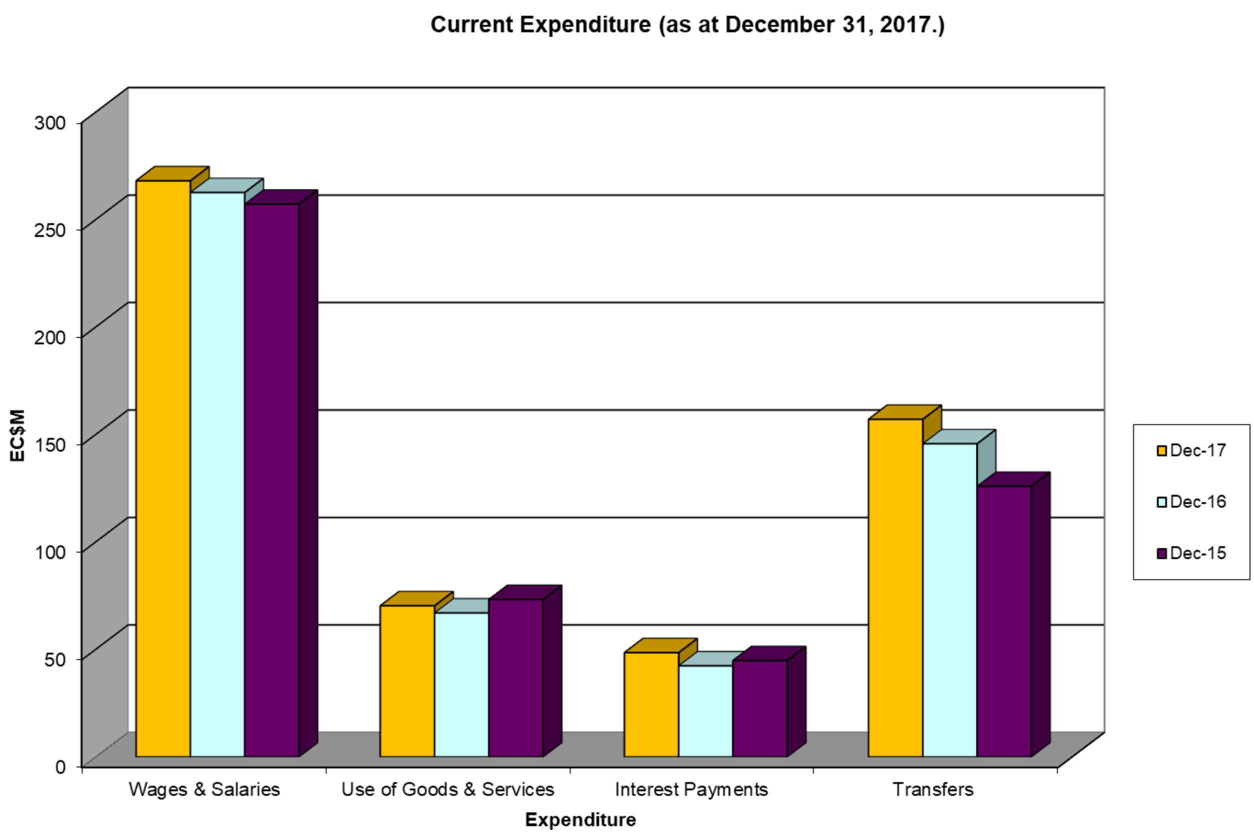
Revenue from Sale of Goods and Services grossed $61.46 million, this represents a marginal (0.9 percent) improvement over the amount collected in 2016. Two items contributed significantly to this performance; The Business Registration (CIPO) fees which went up by 17.9 percent and Drivers Licence which increased by 11.5 percent. These increases were however moderated by the lower takings from Customs Service Charge which decreased by 3.3 percent to $36.04 million and International Financial Services fees which fell by 7.7 percent to $2.78 million.

Capital inflows as at December 31, 2017 amounted to $34.50 million, up 26.9 percent from the amount collected in 2016 due mainly to higher receipts of Capital Grants (which went up by 11.5 percent) during the period and land sales in the Grenadines.

Expenditure

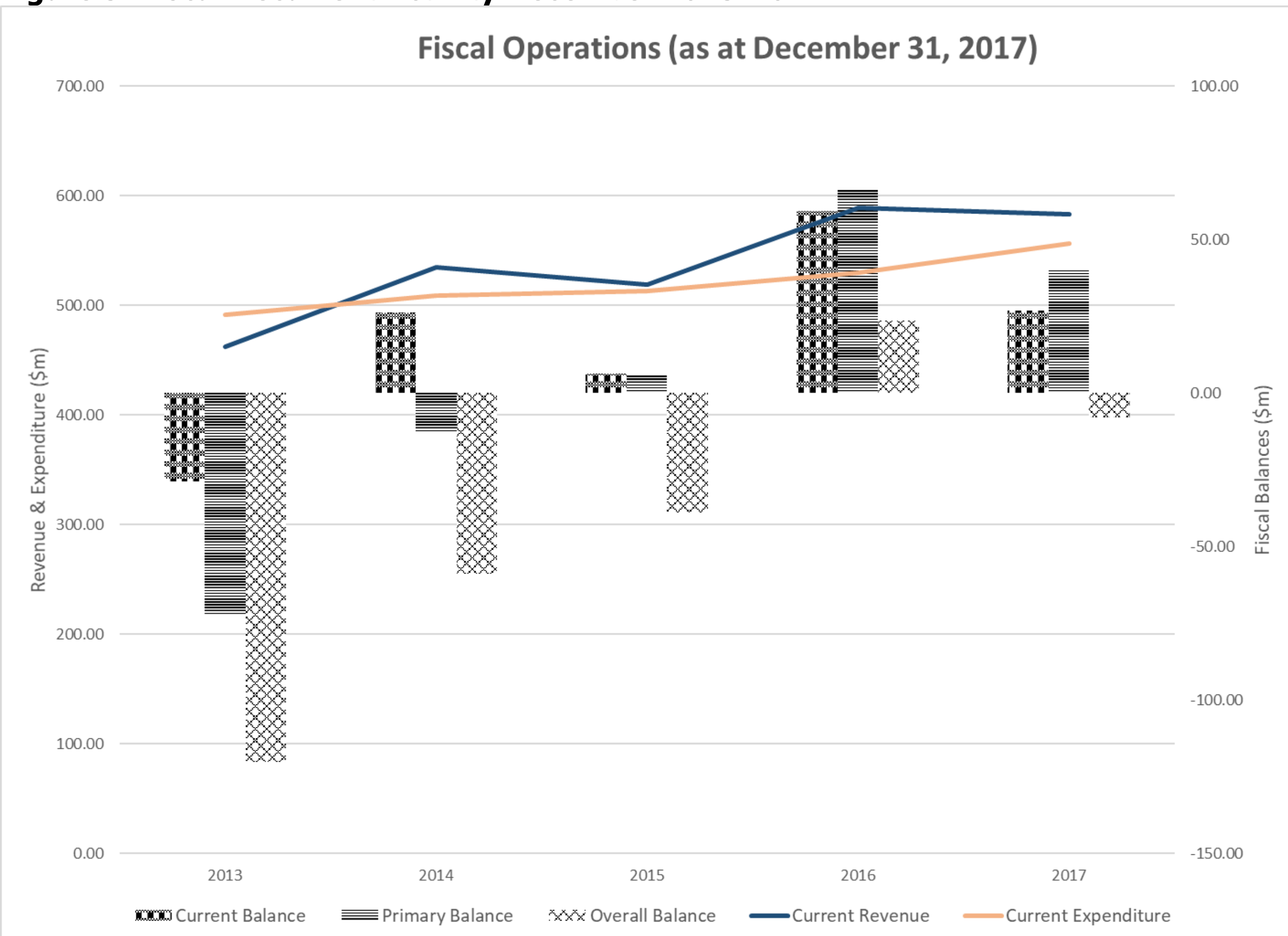
As at December 31 2017, Current Expenditure amounted to $556.66 million. This figure represents an increase of 7.4 percent when compared to the amount spent during the same period in 2016. Payment of Wages and Salaries amounted to $268.11 million and the Employer's Social Security Contribution to $12.52 million, these were responsible for the overall 2.0 percent increase in Compensation of Employees. The 2.0 percent increase in spending on Wages and Salaries was mainly due to a combination of changes in increments and allowances during the period.

Figure 2: **Items of recurrent expenditure as at December 31, 2017**



Interest Payments increased during the period by 13.6 percent to $48.55 million, mainly as a result of higher payments (24.7 percent) on the external component of the debt which resulted mainly from changes in the variable portion of the interest rate on some external debt. Interest on domestic debt also increased by 7.7 percent reflecting an increase in the domestic debt stock. Outlays on Transfers increased by 18.6 percent to $157.14 million mainly based on higher amounts expended on Employment Related Social Benefits (including pensions) and subventions to statutory bodies. Pension Benefits increased by 9.0 percent to $59.48 million while subventions to statutory bodies like the Tourism Authority and the Argyle International Airport increased by 20.8 percent to $51.35 million

Figure 3: **Fiscal Recurrent Activity December 2013-2017**



Preliminary data indicates that Capital Expenditure for the year 2017 amounted to $69.43 million, down 11.2 percent from the $78.16 million recorded for the same period in 2016. The lower capital spending reflects partly the slow implemenation 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 December 31, 2017 with comparable numbers for 2016.

Table 2: Summary of Central Government Financing as at December 31, 2017 compared with 2016

	2017 $ M	2016 $ M
OVERALL DEFICIT	**(7.92)**	**23.53**
FINANCED BY:	**7.92**	**(23.53)**
External Loans	**(39.46)**	**15.41**
Disbursements	25.18	65.55
Less: Amortisation	(64.65)	(50.13)
Domestic Financing (net)	**47.38**	**(38.94)**

Source: Ministry of Finance and Planning

The Overall Deficit of $7.92 million was funded by a mix of external and domestic instruments. The government relied heavily on domestic financing sources since there was a net outflow of resources on the external side mainly due to a sizable amortization of $64.65 million. The majority of the domestic financing came from a net increase in loans of $39.95 million.