

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND
THE GRENADINES**
For the period ended June 30, 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 six-month period ended June 30, 2017. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

The Central Government fiscal operations for the first half of 2017 worsened when compared to the same period in 2016. Current Revenue decreased marginally by 0.1 percent to \$270.46 million, while Current Expenditure increased by 6.9 percent to \$271.49 million. Consequently, the Current Account recorded a deficit of \$1.03 million compared to a surplus of \$16.78 million for the same period in 2016. During the review period, the Overall Balance also contracted moving from a surplus of \$0.46 million in 2016 to a deficit of \$10.74 million in 2017.

Table 1: Summary of fiscal operations for the year ended June 30, 2017

	BUDGET 2017 \$ M	ACTUAL 2017 \$ M	ACTUAL 2016 \$ M	% CHANGE
Current Revenue	273.11	270.46	270.70	(0.1)
<i>of which:</i>				
Taxes on Income & Profits	64.70	72.53	69.08	5.0
Taxes on property	17.88	17.49	20.17	(13.3)
Taxes on Goods & Services	84.25	79.29	79.38	(0.1)
Taxes on International Trade	68.56	66.76	66.46	0.5
Sale of Goods & Services	30.31	28.77	27.84	3.3
Current Expenditure	286.38	271.49	253.93	6.9
<i>of which:</i>				
Compensation Employees	146.43	138.72	137.18	1.1
Use of Goods & Services	32.60	30.08	28.18	6.7
Interest Payments	27.35	22.74	20.98	8.4
Transfers	80.00	79.96	67.59	18.3
Current Balance	(13.27)	(1.03)	16.78	(106.1)
Capital Expenditure	31.73	17.14	24.17	(29.1)
Capital Revenue	11.90	7.44	7.85	(5.3)
Overall Balance	(33.10)	(10.74)	0.46	(2456.0)

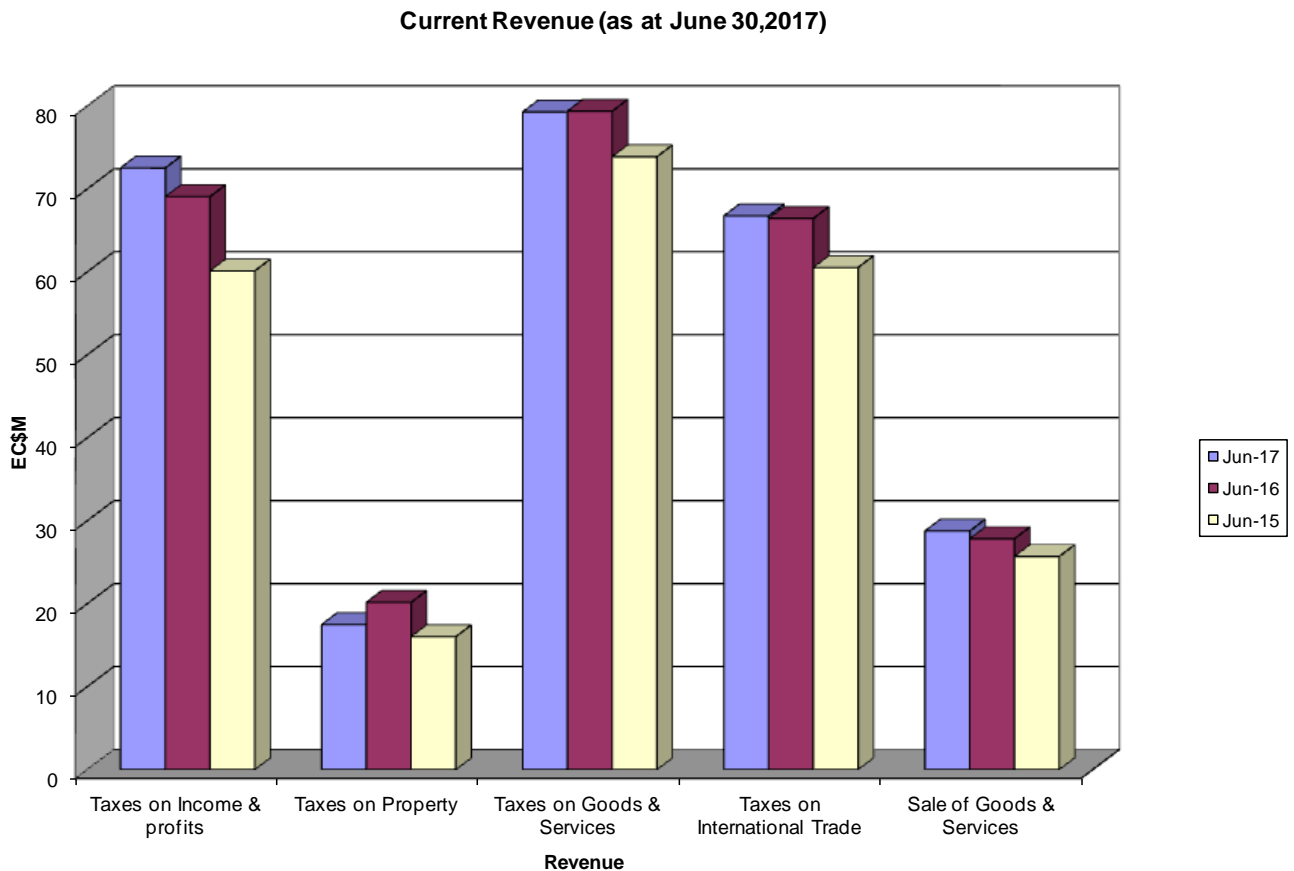
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits grew by 5.0 percent to \$72.53 million, this was mainly due to significantly higher collections from Non-Resident(Withholding) Tax which went up 71.8 percent when compared to 2016. This was mainly due to the collection of arrears consequent upon forensic audits undertaken by the Inland Revenue Department (IRD). On the contrary, receipts from Corporation Taxes fell by 13.0 percent because the amount collected in 2016 included significantly more arrears than those for the same period in 2017.

Revenue from Taxes on Property was down 13.3 percent to end the period at \$17.49 million chiefly as a result of lower receipts from Alien Land Holding Licence which dropped by 42.6 percent on account of lower amounts realized from sale of land to foreigners. Collections from Taxes on immovable property also fell by 14.9 percent. Contrastingly, revenue from Stamp Duty on Property increased by 2.3 percent and was indicative of an increase in the sales of lands to nationals.

Figure 2: Items of Current Revenue as at June 30, 2017



Taxes on Goods and Services which totaled \$79.29 million, dropped marginally (by 0.1 percent) during the period mainly due to a 92.9 percent fall in Interest Levy as a result of timing issues related to the remittance of the levy by some financial institutions. Merchant Shipping (International) fees which fell by 1.3 percent also contributed to the slight decline of this tax category. Nevertheless, all the other sub-items of the above tax performed better than in 2016. These include the Value Added Tax, Excise Duty (on imports and on domestic transactions), Motor Vehicle Licence and Telecomm Broadcast Licence. Earnings from the VAT which benefited from a one percentage point rise in rate effective May 1, 2017 increased by 6.8 percent. Excise Duty (aggregated) and Motor Vehicle Licence also benefited in part from the impact of revenue measures in the 2016 budget which were effective March 20, 2016. Telecomm Broadcast Licence grossed \$2.99 million during the period compared with a modest \$0.78 million in 2016 when the item was affected by late collection during the period.

Revenue from International Trade Taxes which amounted to \$66.76 million was marginally (0.5 percent) higher than the amount collected for the corresponding period in 2016. Under this rubric it was the improved collection of the VAT, which increased by 4.8 percent to \$39.19 million, that was mainly responsible for this performance while revenue from Import Duty and Vehicle Surtax declined by 4.3 percent and 14.1 percent, respectively.

Revenue from Sale of Goods and Services amounted to \$28.77 million, which represents a 3.3 percent improvement on the amount collected in 2016. This was mainly due to the increased takings from the CIPO business registration fees which went up from \$0.51 million in 2016 to \$0.79 million in 2017 and Drivers Licence which increased by 9.1 percent, to \$1.59 million.

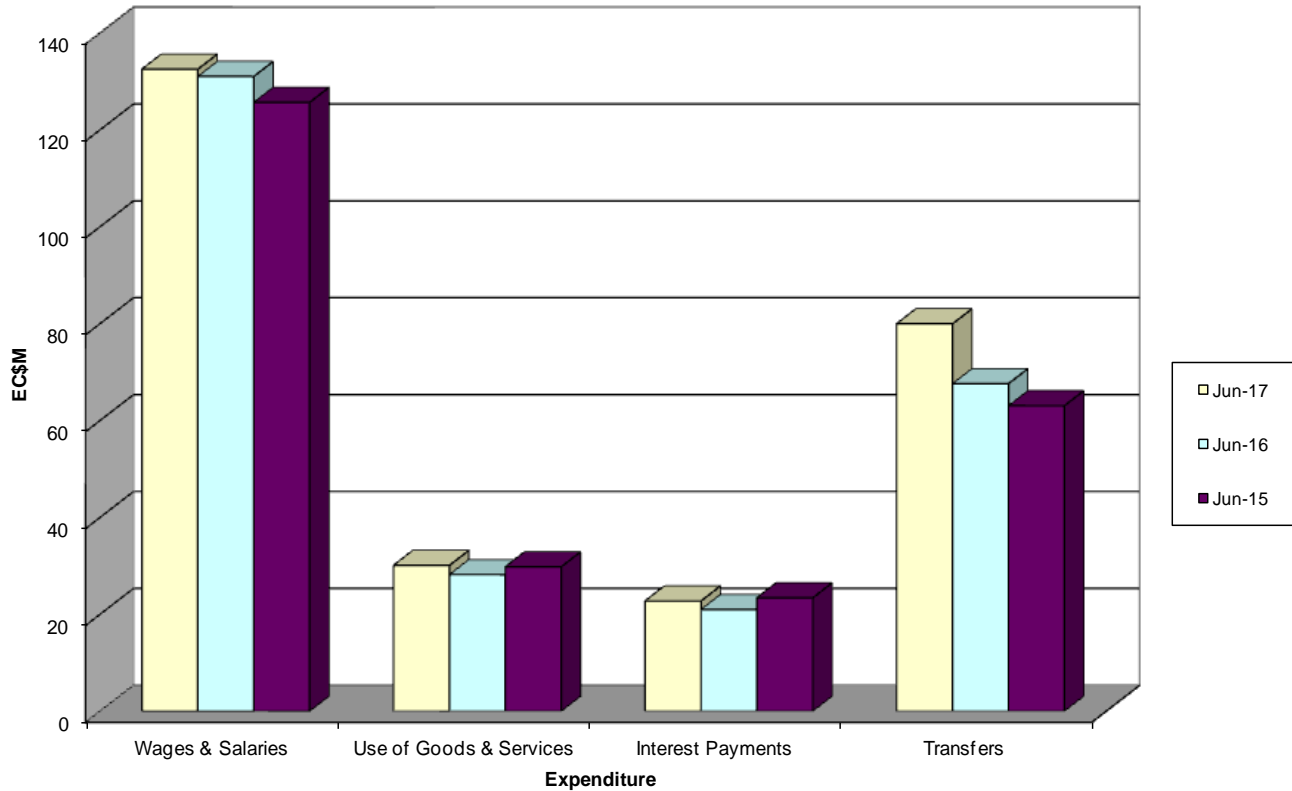
Capital inflows as at June 30, 2017 totaled to \$7.44 million down 5.3 percent from the 2016 amount due to lower receipts from Disposal of Land and Capital Grants during the period.

Expenditure

As at June 30 2017, Current Expenditure amounted to \$271.49 million. This figure represents an increase of 6.9 percent when compared to the amount spent during the same period in 2016. Payment of Wages and Salaries amounted to \$132.50 million and the Employer's Social Security Contribution was \$6.22 million. The 1.1 percent increase in spending on Wages and Salaries was due to changes in increments and allowances during the period.

Figure 2: Items of recurrent expenditure as at June 30, 2017

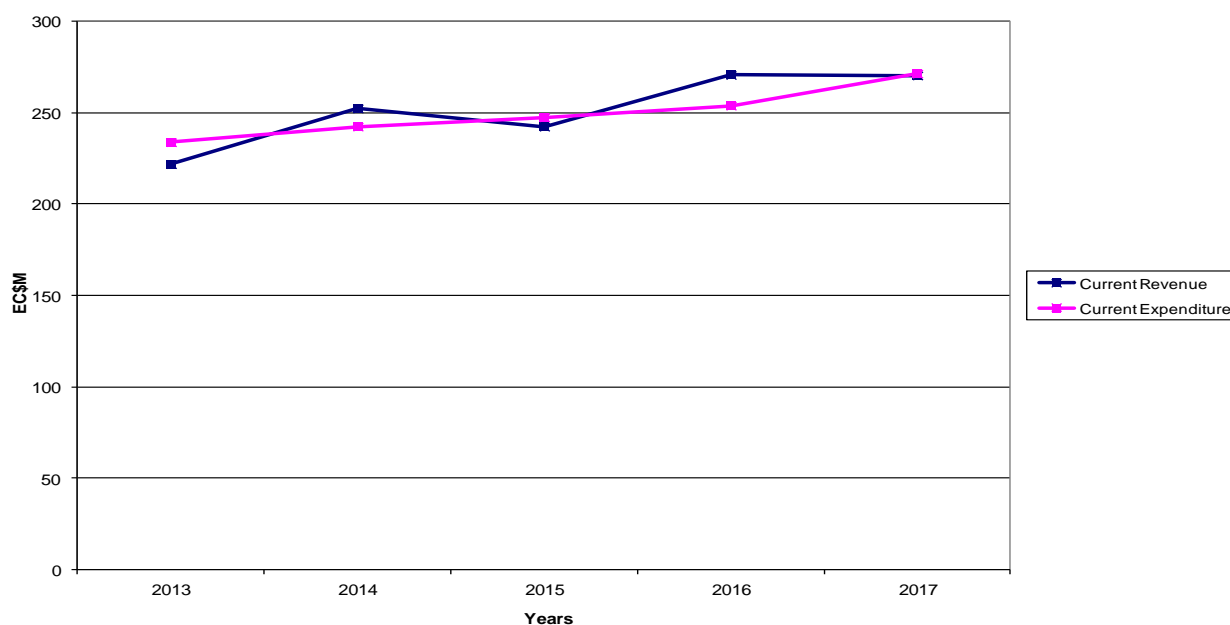
Current Expenditure (as at June 30, 2017.)



Interest Payments increased during the period by 8.4 percent to \$22.74 million, as a result of higher payments on the external component which is reflective of an increase in the External Debt stock. Outlays on Transfers increased by 18.3 percent to \$79.96 million due mainly to the higher amounts expended on Grants to Other Agencies and Employment Related Social Benefits. Grants to Other Agencies went up 14.9 percent as a result of the increased amounts transferred to some statutory bodies including Tourism Authority and the Argyle International Airport. At the same time a 5.6 percent increase in pension payments was mainly responsible for the growth in Employment related Social Benefits

Figure 3: Fiscal Recurrent Activity June 2013-2017

Fiscal Operations (as at June 30, 2017)



Capital Expenditure for the first six months of 2017 amounted to \$17.14 million, down 29.1 percent from the \$24.17 million recorded for the same period in 2016. The lower Capital spending reflects the fall out of expenditure on the Argyle International Airport and the slow implementation rate on on-going projects.

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2017 with comparable numbers for 2016.

Table 2: Summary of Central Government Financing as at June 30, 2017 compared with 2016

	2017 \$ M	2016 \$ M
OVERALL DEFICIT	(10.74)	0.46
FINANCED BY:	10.74	(0.46)
External Loans	(13.81)	(10.04)
Disbursements	16.39	11.91
Less: Amortisation	(30.20)	(21.95)
Domestic Financing (net)	24.55	9.58

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Source: Ministry of Finance and Planning

The Overall Deficit of \$10.73 million was financed essentially from domestic sources. There was a net outflow of funds on the external side mainly due to a sizable amortization (\$30.20 million) as debt repayment exceeded the inflows coming from the draw down on external loans. The domestic funds came mainly in the form of loans which realized a net increase of \$31.88 million.