

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

For the year ended December 31, 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 year ended December 31, 2018. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data indicates that the Central Government overall fiscal operations as at December 31, 2018 improved when compared to the same period in 2017. Current Revenue increased by 0.3 percent to \$594.12 million, while Current Expenditure grew by 1.6 percent to \$573.62 million. Consequently, the Current Balance recorded a surplus of \$20.49 million in 2018 compared to \$27.51 million in 2017. During the period under review, the Overall Balance improved, moving from a deficit of \$44.60 million in 2017 to a deficit of \$23.44 million in 2018.

Table 1: Summary of fiscal operations for the period ended December 31, 2018

	BUDGET 2018 \$ M	ACTUAL 2018 \$ M	ACTUAL 2017 \$ M	% CHANGE
Current Revenue	621.69	594.12	592.24	<i>0.3</i>
<i>of which:</i>				
Taxes on Income & Profits	155.80	147.65	151.06	<i>(2.3)</i>
Taxes on property	49.99	37.43	56.13	<i>(33.3)</i>
Taxes on Goods & Services	170.07	163.05	158.27	<i>3.0</i>
Taxes on International Trade	151.87	162.10	147.30	<i>10.1</i>
Sale of Goods & Services	66.98	66.92	62.24	<i>7.5</i>
Current Expenditure	617.42	573.62	564.73	<i>1.6</i>
<i>of which:</i>				
Compensation Employees	302.66	288.02	280.81	<i>2.6</i>
Use of Goods & Services	82.60	74.01	78.12	<i>(5.3)</i>
Interest Payments	60.18	49.89	49.75	<i>0.3</i>
Transfers	171.98	161.70	156.05	<i>3.6</i>
Current Balance	4.27	20.49	27.51	<i>(25.5)</i>
Primary Balance	(88.73)	26.45	5.16	<i>413.2</i>
Capital Expenditure	216.67	68.39	122.56	<i>(44.2)</i>
Capital Revenue	63.49	24.46	50.46	<i>(51.5)</i>
Overall Balance	(148.91)	(23.44)	(44.60)	<i>(47.4)</i>

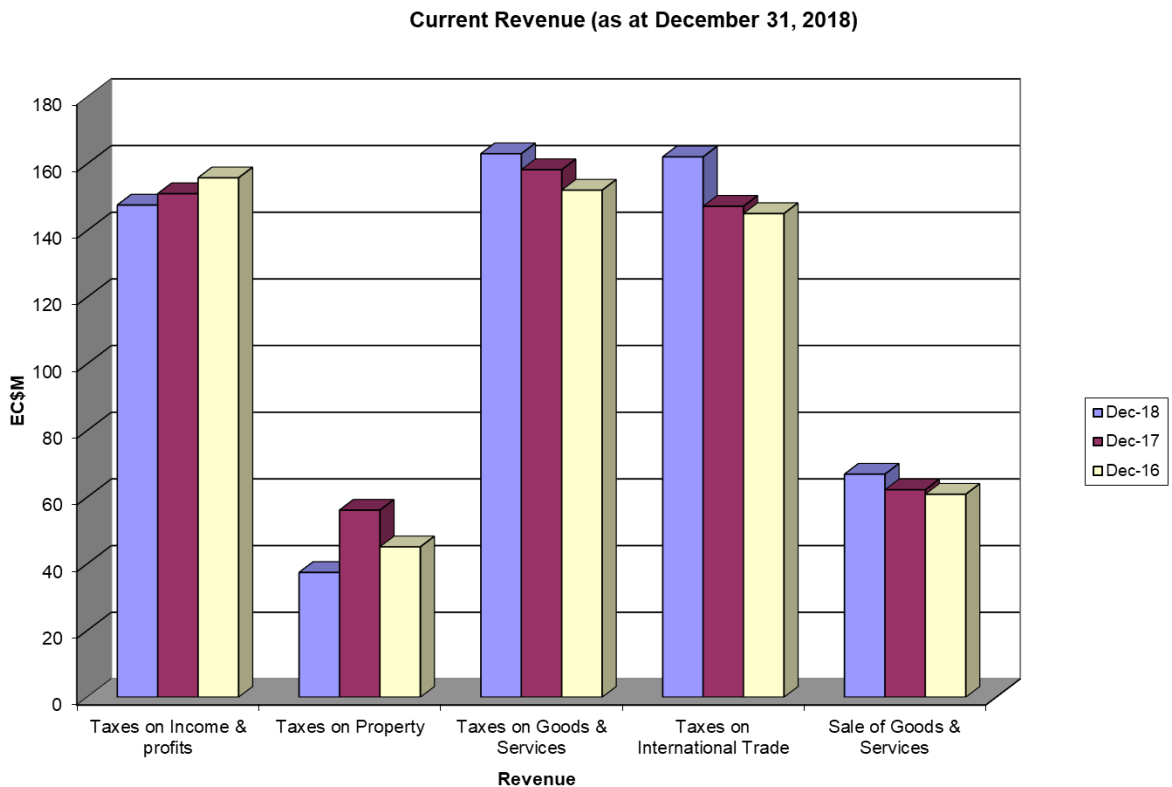
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits fell by 2.3 percent to \$147.65 million, this was mainly due to lower collections from Individuals and Corporation Taxes which decreased by 4.1 percent and 3.2 percent, respectively, when compared to 2017. These performances partly reflect the impact of some of the 2018 revenue measures which resulted in a reduction in the standard corporate tax rate and the top marginal rate of personal income tax from 32.5 percent to 30 percent and an increase in the tax threshold from \$18,000 to \$20,000 (effective January 2018). On the contrary, Non-Resident (Withholding) Tax revenue went up by 12.4 percent aided by forensic audits of several large taxpayers, undertaken by the Inland Revenue Department (IRD).

Revenue from Taxes on Property declined by 33.3 percent to \$37.43 million. The decrease in collection resulted from lower receipts of Alien Land Holding Licence which fell by 43.1 percent and Stamp Duty on Property which contracted by 34.3 percent, both on account of a reduction in land sales during the period. Contrastingly, collections from taxes on immovable property rose by 14.4 percent.

Figure 1: Items of Current Revenue as at December 31, 2018



As at December 31, 2018, Taxes on Goods and Services which totaled \$163.05 million increased by 3.0 percent. This was mainly as a result of a 5.3 percent increase in revenue from VAT, on account of 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 (1.6 percent), Insurance Premium Tax (14.0 percent), Motor Vehicle Licence (3.4 percent) and Yacht Licence (29.8 percent) also contributed to the increase in revenue from this tax type. Meanwhile, receipts from Excise Duty on Domestic Transactions and Merchant Shipping International Fees fell by 11.1 percent and 27.8 percent, respectively.

Revenue from International Trade Taxes which amounted to \$162.10 million was 10.1 percent higher than the amount collected for the corresponding period in 2017. Under this rubric, revenue from all major subcomponents increased including; VAT revenue (6.9 percent), Import Duty (10.8 percent) and Vehicle Surtax (46.6 percent). VAT receipts benefitted from a 6.6 percent increase in merchandise imports during the period along with the 1.0 percent percentage point increase in rate (effective May 1, 2017). The increase in Vehicle Surtax was mainly due to increases in rates applied to the importation of used vehicles (resulting from the 2018 fiscal measures).

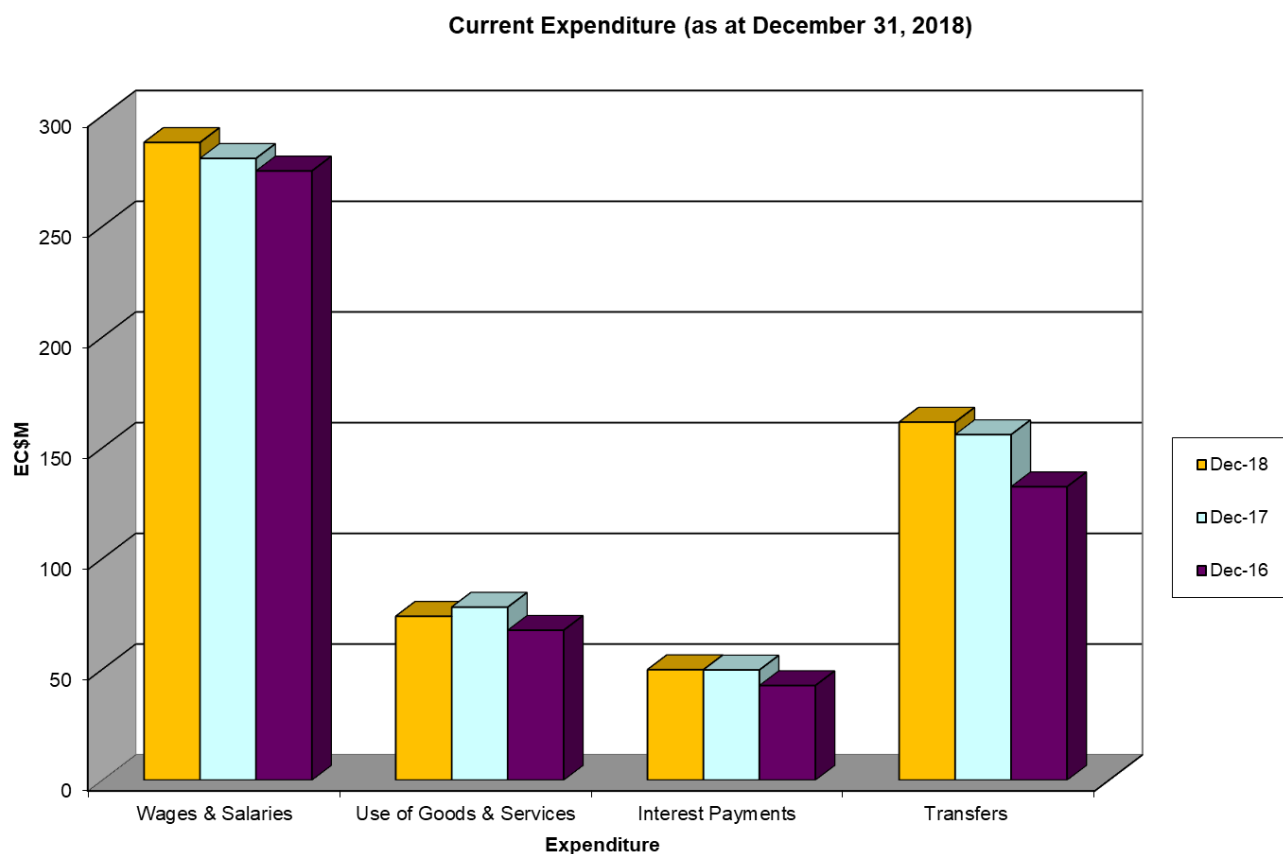
Revenue from Sale of Goods and Services grossed \$66.92 million; this represents a 7.5 percent improvement over the amount collected in 2017. This was mainly due to increased takings from Customs Service Charge which rose by 10.0 percent largely as a result of the above-mentioned growth in merchandise imports. Additionally, receipts from Drivers Licence increased by 9.4 percent. These performances were however moderated by the lower receipt of Business Registration (CIPO) fees, as this item decreased by 41.7 percent during the period.

Capital inflows as at December 31, 2018, amounted to \$24.46 million, down 51.5 percent from the amount collected during the corresponding period in 2017. This was due to a drop in revenue from Capital Grants (47.4 percent) and lower land sales (83.5 percent).

Expenditure

As at December 31, 2018, Current Expenditure amounted to \$573.62 million. This figure represents an increase of 1.6 percent when compared to the amount spent during the same period in 2017. Payment of Wages and Salaries amounted to \$275.20 million and the Employer's Social Security Contribution to \$12.82 million, these were responsible for the overall 2.6 percent increase in Compensation of Employees. The 2.6 percent increase in spending on Wages and Salaries was mainly due to changes in increments and allowances during the period.

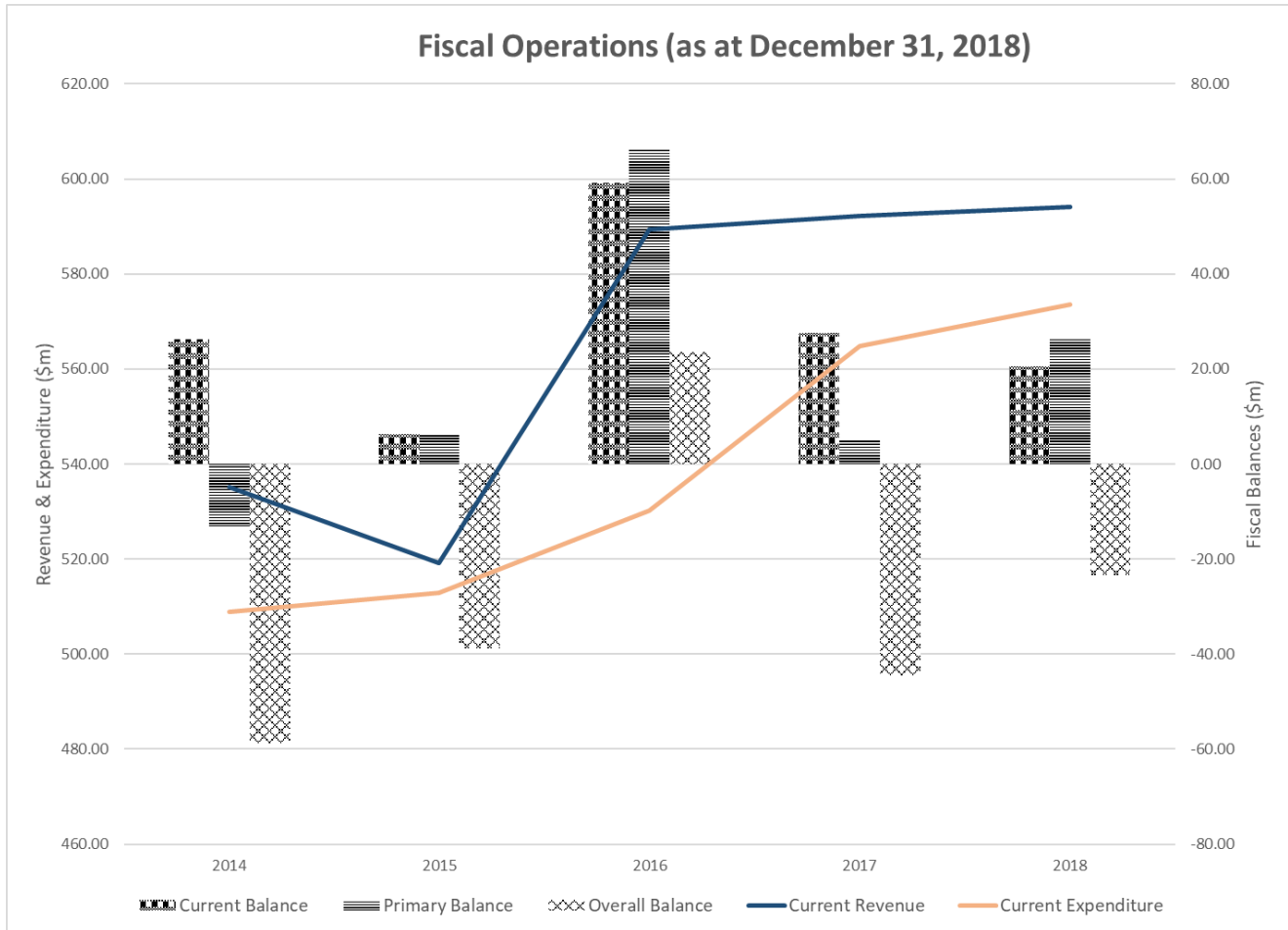
Figure 2: Items of recurrent expenditure as at December 31, 2018



Interest Payments increased during the period by 0.3 percent to \$49.89 million, mainly as a result of higher payments on external debt. Interest on the external component of the debt went up (1.3 percent) to \$18.87 mainly due to increases in the CDB variable interest rate during the period. On the domestic side, Interest Payment amounted to \$31.02 million, a decrease of 0.3 percent. Meanwhile, Outlays on Transfers grew by 3.6 percent to \$161.70 million due to an increase in the amounts expended on

Current Grants to Other Agencies (20.9 percent). In contrast, expenditure on Pension Benefits and Social Assistance Benefits decreased by 3.2 percent and 4.9 percent, respectively.

Figure 3: Fiscal Recurrent Activity December 2014-2018



Preliminary data indicates that Capital Expenditure for the year ended December 31, 2018 amounted to \$68.39 million, down 44.2 percent from the \$122.56 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 December 31, 2018 with comparable numbers for 2017.

Table 2: Summary of Central Government Financing as at December 31, 2018 compared with 2017

	2018 \$ M	2017 \$ M
OVERALL BALANCE	(23.44)	(44.60)
FINANCED BY:	23.44	44.60
External Loans	(47.42)	(36.50)
Disbursements	16.18	28.15
Less: Amortisation	(63.60)	(64.65)
Domestic Financing (net)	70.86	81.09

Source: Ministry of Finance and Planning

The Overall Deficit of \$23.44 million was funded by a mix of external and domestic instruments. The government relied primarily on domestic financing sources with the majority of the domestic financing coming from the contracting of new instruments.