SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND THE GRENADINES
For the period ended September 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 September 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 September 30, 2018 improved when compared to the same period in 2017. Current Revenue increased by 2.6 percent to $432.74 million, while Current Expenditure grew by 0.3 percent to $419.28 million. Consequently, the Current Balance recorded a surplus of $13.46 million in 2018 compared to $3.64 million in 2017. During the period under review, the Overall Balance improved, moving from a deficit of $17.41 million in 2017 to a surplus of $0.03 million in 2018.

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

	BUDGET 2018 $ M	**ACTUAL 2018 $ M**	**ACTUAL 2017 $ M**	*% CHANGE*
Current Revenue	**443.32**	**432.74**	**421.74**	*2.6*
of which:				
Taxes on Income & Profits	108.05	106.49	106.21	*0.3*
Taxes on property	36.43	22.67	41.85	*(45.8)*
Taxes on Goods & Services	129.57	128.73	120.40	*6.9*
Taxes on International Trade	109.10	114.43	100.40	*14.0*
Sale of Goods & Services	48.02	48.14	43.32	*11.1*
Current Expenditure	**452.554**	**419.28**	**418.10**	*0.3*
of which:				
Compensation Employees	222.51	214.00	208.56	*2.6*
Use of Goods & Services	55.45	49.76	47.66	*4.4*
Interest Payments	42.41	36.05	33.10	*8.9*
Transfers	132.18	119.47	128.77	*(7.2)*
Current Balance	**(9.23)**	**13.46**	**3.64**	*269.6*
Primary Balance	**(58.06)**	**36.08**	**15.68**	*130.1*
Capital Expenditure	**129.23**	**33.34**	**39.77**	*(16.2)*
Capital Revenue	**37.98**	**19.91**	**18.72**	*6.4*
Overall Balance	**(100.47)**	**0.03**	**(17.41)**	*(100.2)*

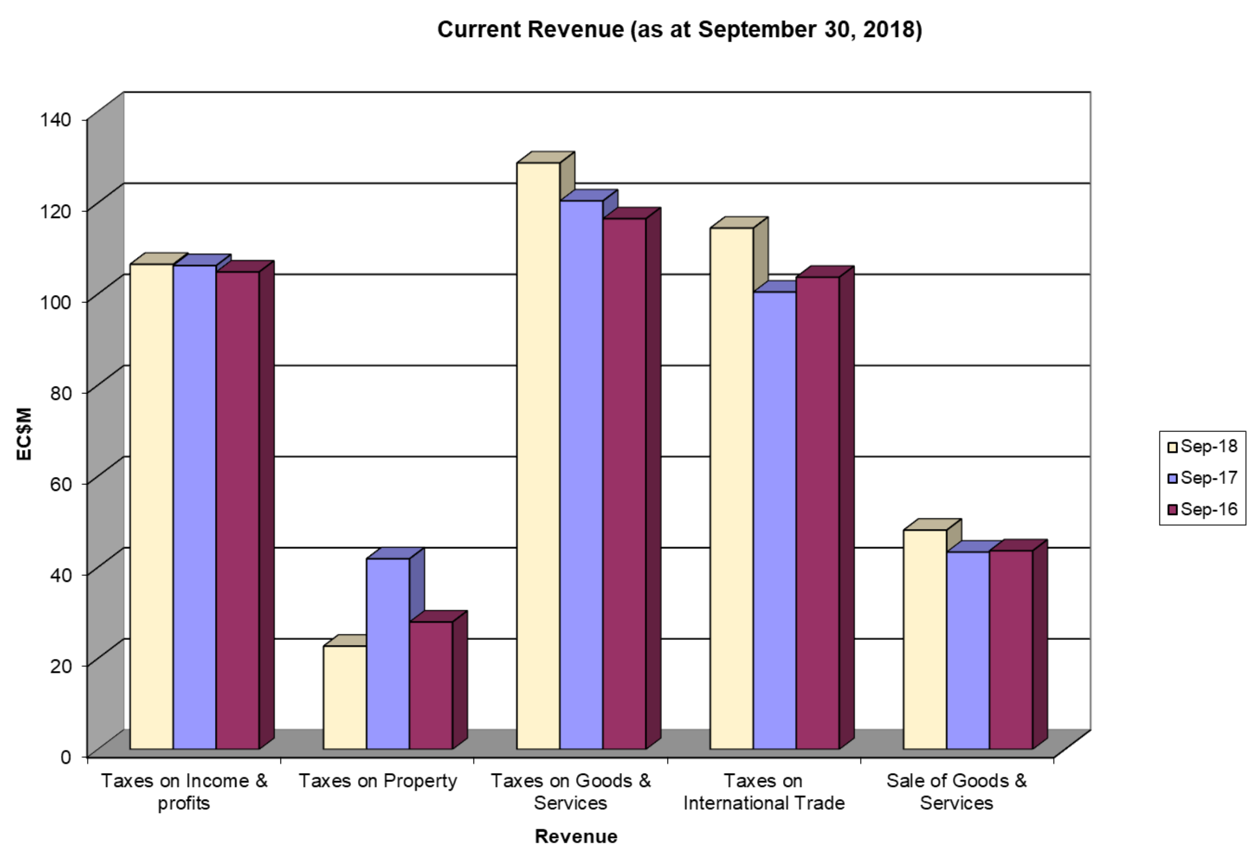
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits grew by 0.3 percent to $106.49 million, this was mainly due to higher collections from Corporations and Non-Residents (Withholding) Taxes which increased by 5.5 percent and 9.6 percent respectively when compared to 2017. These performances were aided by forensic audits undertaken by the Inland Revenue Department (IRD). On the contrary, Taxes on Individuals went down by 4.5 percent compared with 2017, partly reflecting the impact of some of the 2018 revenue measures which resulted in a 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).

Revenue from Taxes on Property declined by 45.8 percent to $22.67 million. The decrease in collection resulted from lower receipts from Alien Land Holding Licence which fell by 58.6 percent and Stamp Duty on Property which contracted by 47.8 percent, both on account of a reduction in land sales during the period. Contrastingly, collections from taxes on immovable property rose by 21.7 percent to $3.55 million.

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



As at September 30, 2018, Taxes on Goods and Services which totaled $128.73 million increased by 6.9 percent. This was mainly as a result of a 47.3 percent increase in receipts from Interest Levy, which mainly reflects timing difference in the collection of this revenue item as most of this revenue was collected slightly earlier in 2018. Revenue from VAT also increased, by 3.2 percent, 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 (4.3 percent), Insurance Premium Tax (12.7 percent), Motor Vehicle Licence (5.6 percent) and Telecommunications Broadcast Licence (19.8 percent) also contributed to the increase in revenue from this tax type. Notwithstanding the above performance, receipts from Excise Duty on Domestic Transactions and Merchant Shipping International Fees fell by 6.5 percent and 10.3 percent, respectively.

Revenue from International Trade Taxes which amounted to $114.43 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 (9.0 percent), Import Duty (16.4 percent) and Vehicle Surtax (58.9 percent). VAT receipts benefitted from a 10.1 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 2.1 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).

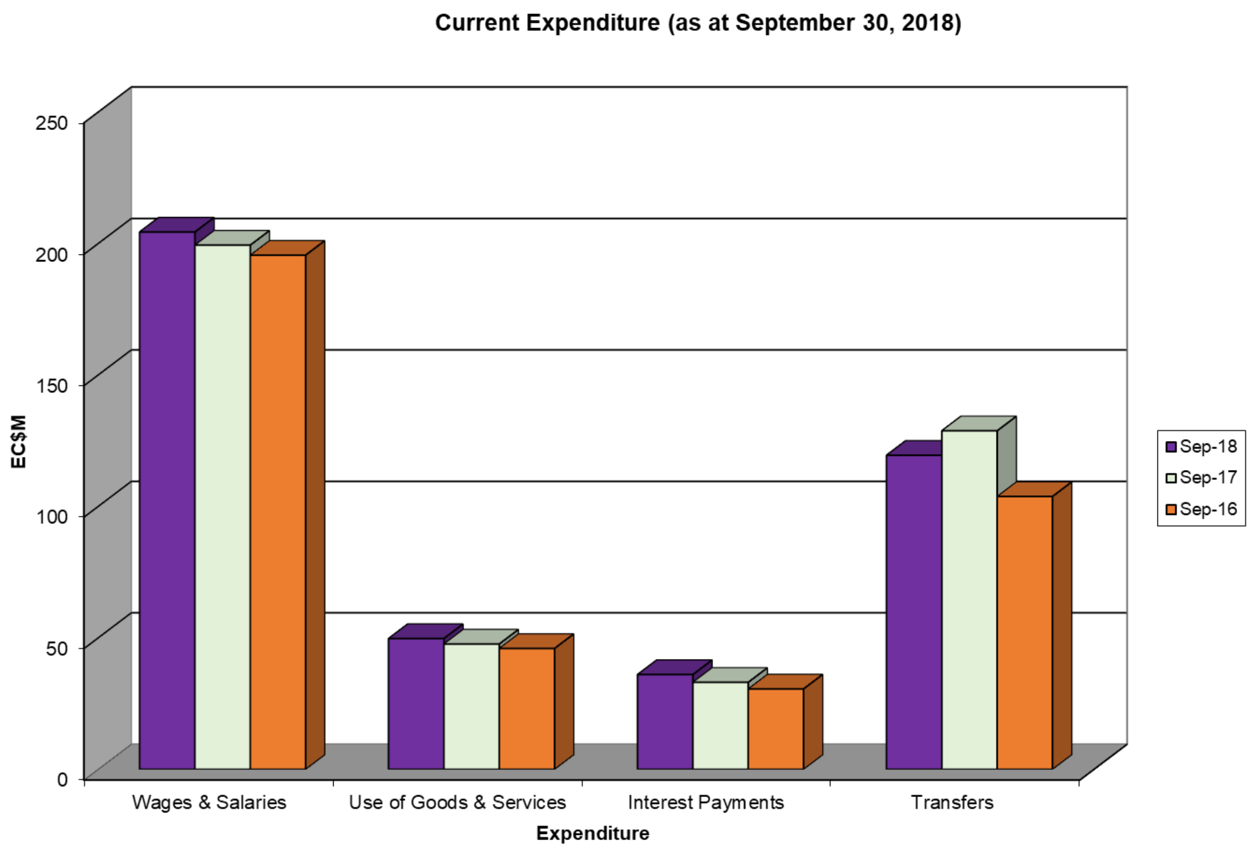
Revenue from Sale of Goods and Services grossed $48.14 million; represented an increase of 11.1 percent when compared to the amount collected in 2017. This was mainly due to increased takings from Customs Service Charge which rose by 13.8 percent largely as a result of the above-mentioned growth in merchandise imports. Additionally, receipts from Drivers Licence increased by 10.5 percent. These performances were however moderated by the lower receipt of Business Registration (CIPO) fees, as this item decreased by 40.9 percent during the period.

Capital inflows as at September 30, 2018, amounted to $19.91 million, up 6.4 percent from the amount collected during the corresponding period in 2017.

Expenditure

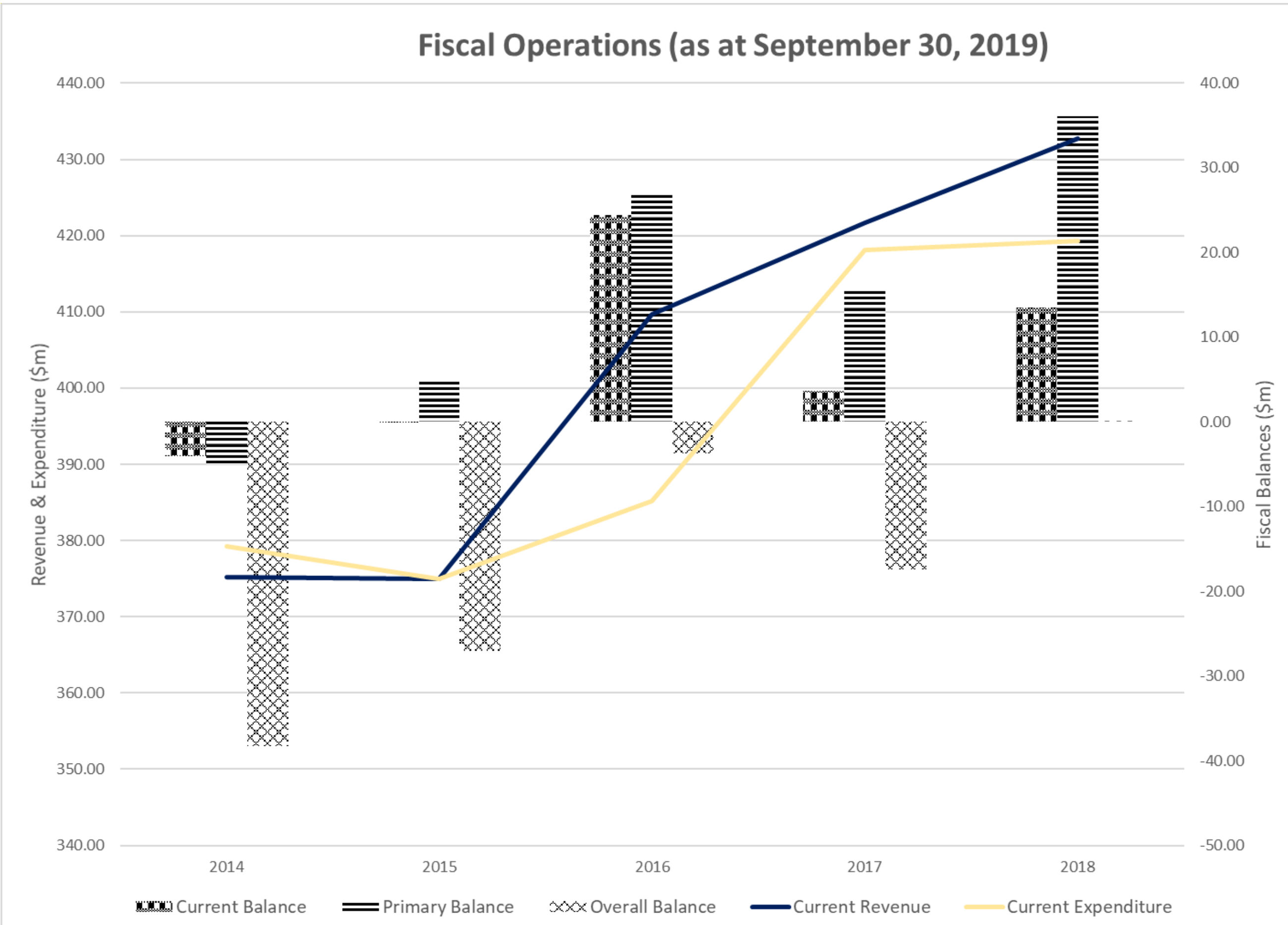
As at September 30, 2018, Current Expenditure amounted to $419.28 million. This figure represents an increase of 0.3 percent when compared to the amount spent during the same period in 2017. Payment of Wages and Salaries amounted to $204.39 million and the Employer's Social Security Contribution to $9.61 million, these were responsible for the overall 2.6 percent increase in Compensation of Employees. The 2.5 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 September 30, 2018**



Interest Payments increased during the period by 8.9 percent to $36.05 million, mainly as a result of higher payments on both the domestic and external components. On the domestic side Interest Payment amounted to $21.59 million on account of new loans contracted. Meanwhile, Interest on the external component of the debt went up by 12.0 percent because of increases in the CDB variable interest rate during the period. Outlays on Transfers declined by 7.2 percent to $119.47 million due to a decrease in the amounts expended on Current Grants to Other Agencies, Pension Benefits and Social Assistance Benefits. Expenditure on these items fell by 6.7 percent, 4.7 percent and 4.6 percent respectively.

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



Preliminary data indicates that Capital Expenditure for the first nine months amounted to $33.34 million, down 16.2 percent from the $39.77 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 September 30, 2018 with comparable numbers for 2017.

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

	2018 $ M	2017 $ M
OVERALL BALANCE	**0.03**	**(17.41)**
FINANCED BY:	**(0.03)**	**17.41**
External Loans	**(40.74)**	**(29.20)**
Disbursements	2.64	16.66
Less: Amortisation	(43.38)	(45.87)
Domestic Financing (net)	**40.71**	**46.61**

Source: Ministry of Finance and Planning

The Overall Surplus of $0.03 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.