

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

**For the year ended March 31, 2024**

*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 quarter ended March 31, 2024. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.*

The fiscal performance of the Central Government worsened in the first quarter of 2024 compared to the same period last year. Current Revenue rose by 2.0 percent to \$160.44 million, while Current Expenditure increased by 3.0 percent to \$174.10 million. As a result, a Current Deficit of \$13.66 million was recorded in 2024, as opposed to a deficit of \$11.68 million in 2023. The Overall Balance also deteriorated, moving from a deficit of \$18.11 million in 2023 to a deficit of \$41.28 million in 2024. The outturn was driven mostly by the very significant increase in Capital Expenditure during the period.

**Table 1: Summary of fiscal operations for the period ended March 31, 2024**

	Budget 2024 \$ m	Actual 2024 \$ m	Actual 2023 \$ m	% Change
<b>Current Revenue</b>	<b>183.57</b>	<b>160.44</b>	<b>157.34</b>	<b>2.0</b>
<i>of which:</i>				
Taxes on Income & Profits	32.51	26.12	30.16	(13.4)
Taxes on Property	6.88	12.61	5.28	138.8
Taxes on Goods & Services	69.49	54.05	57.23	(5.6)
Taxes on International Trade	48.29	44.36	41.63	6.5
Sale of Goods & Services	20.94	19.72	18.55	6.3
<b>Current Expenditure</b>	<b>176.09</b>	<b>174.10</b>	<b>169.02</b>	<b>3.0</b>
<i>of which:</i>				
Compensation Employees	94.71	91.24	85.92	6.2
Use of Goods & Services	23.32	21.80	23.44	(7.0)
Interest Payments	17.35	17.36	13.22	31.3
Transfers	40.72	43.69	46.43	(5.9)
<b>Current Balance</b>	<b>7.48</b>	<b>(13.66)</b>	<b>(11.68)</b>	<b>(16.9)</b>
<b>Primary Balance</b>	<b>9.60</b>	<b>(24.92)</b>	<b>(4.89)</b>	<b>(409.3)</b>
<b>Capital Expenditure</b>	<b>16.56</b>	<b>30.21</b>	<b>7.09</b>	<b>325.9</b>
<b>Capital Revenue</b>	<b>1.33</b>	<b>1.58</b>	<b>0.66</b>	<b>139.6</b>
<b>Overall Balance</b>	<b>(7.75)</b>	<b>(42.28)</b>	<b>(18.11)</b>	<b>(133.5)</b>

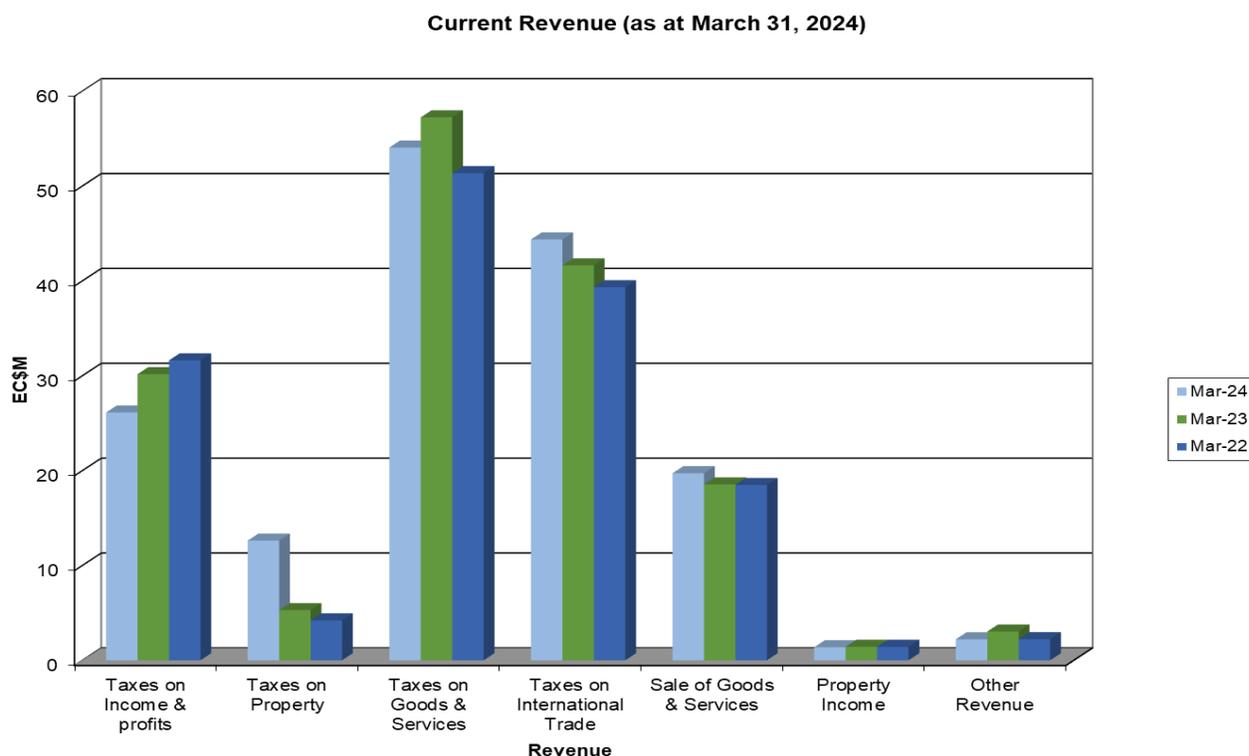
Source: Ministry of Finance and Planning

## Revenue

Revenues from Taxes on Income and Profits declined by 13.4 percent to \$26.12 million. All the direct tax subgroups recorded decreases: Individual Income Tax (6.0 percent), Corporate Income Tax (44.8 percent) and Non-Resident (Withholding) Tax (25.2 percent). The movement in the taxable income threshold from \$22,000 in 2023 to \$25,000 as at January 2024 was mainly responsible for the decline in Individual Income Tax. Meanwhile, the drop in Corporate Income Tax was on account of a timing issue which resulted in some collections for the period not being recorded in the period. The fall in Non-Resident (Withholding) Tax collection was related to stronger collections of arrears in 2023, compared to the smaller amount collected in 2024.

Revenue from Taxes on Property grew by 138.8 percent to \$12.61 million during the period and resulted in a significant positive variance of 83.2 percent. This performance was mainly driven by higher receipts from Stamp Duty on Property (which increased by \$4.67 million) and Alien Land Holding License (which increased by \$2.64 million) due largely to greater land sales to non-nationals over the period. Collections of Property Tax at the Inland Revenue Department also increased by 12.4 percent in keeping with the Department's efforts to collect the tax including outstanding amounts.

**Figure 1: Items of Current Revenue as at March 31, 2024**



Taxes on Goods and Services which totalled \$54.05 million, decreased by 5.6 percent when compared to 2023. Lower collections from Telecommunications and Broadcast Licences and Interest Levy were the main sources responsible for the above-mentioned decline. The drop in collections from Telecommunications and Broadcast Licences was due to timing issues related to the receipt of the licences as the 2023 figures included amounts collected for Quarter 4, 2022 but received in Quarter 1, 2023, thus inflating the amount received for 2023. Due to similar timing issues, no payments of Interest Levy were recorded for Quarter 1, 2024. Other sub-categories under this rubric recorded declines, including, Insurance Premium Tax (23.4 percent), Merchant Shipping International Fees (18.4 percent), Excise Duty on Domestic Transactions (17.7 percent), VAT (1.7 percent) and Motor Vehicle Licence (1.3 percent). Conversely, collections from Excise Duty on Imports went up by 33.3 percent mainly due to similar issues related to timing of payment where receipts for some transactions which occurred in 2023 were actually recorded in Quarter 1, 2024.

Revenue from International Trade taxes grew by 6.5 percent to \$44.36 million during the review period. The main impetus behind this improved performance were:

- VAT \$26.4 million (up 6.2 percent)
- Vehicle Surtax \$1.84 million (up 51.7 percent)
- Import Duty \$15.95 million (up 3.3 percent)

Revenue from Sales of Goods and Services grossed \$19.72 million. This represents a 6.3 percent increase on the amount collected for the same period in 2023, as most of the major subcategories turned in improved performances. The most noteworthy being:

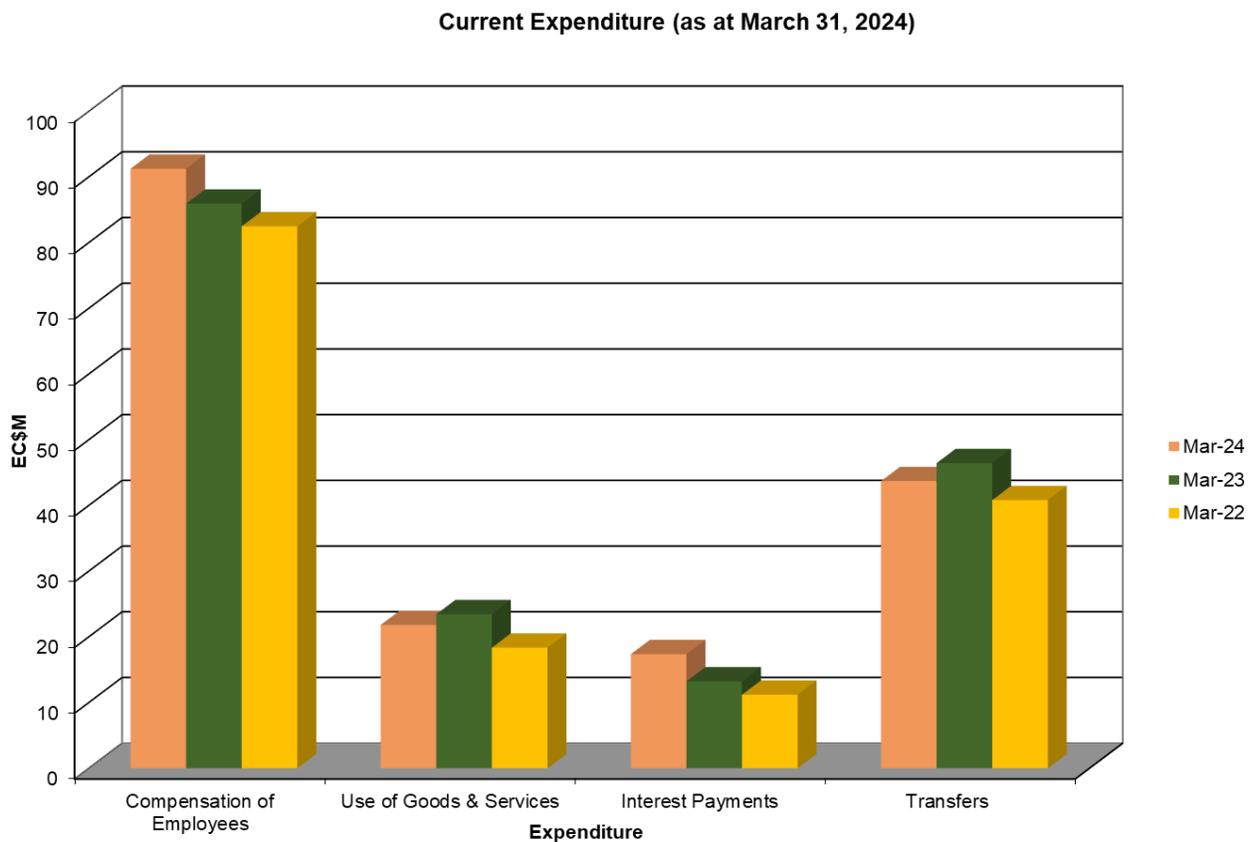
- Customs Service charge of \$12.84 million (up 8.1 percent)
- Drivers Licences of \$1.15 million (up 3.5 percent)

Capital inflows as at March 31, 2024 amounted to \$1.59 million, up from \$0.66 million collected in the corresponding period in 2023. This was due mainly to the \$1.12 million received in grants from Taiwan and the EU million, along with \$0.45 million collected from the sale of Crown Lands.

## **Expenditure**

As of March 31, 2024, Current Expenditure amounted to \$174.10 million, an increase of 3.0 percent when compared to the amount spent during the same period in 2023. Wages & Salaries went up by 6.3 percent to \$87.52 million partly on account of the 2.0% salary increase paid to public servants from January 1, 2024. Also included is an allowance to nurses amounting to 5.0 percent of their salaries for a six-month period also beginning January 1, 2024. The wage component also increased due mainly to the introduction of the new minimum wage regulation. A 4.1 percent increase in the Employer's Social Security Contribution also contributed to the overall increase in Compensation of Employees.

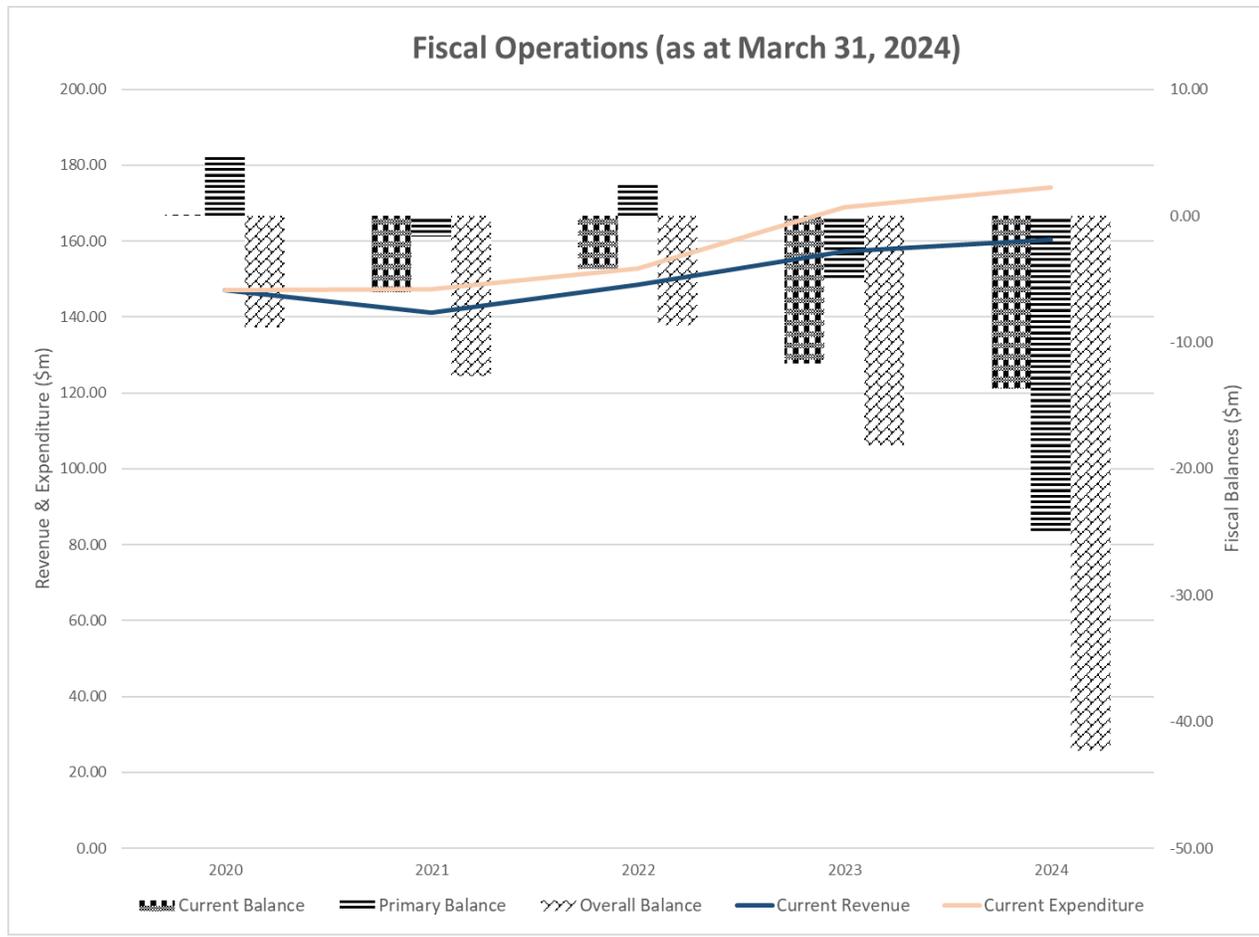
**Figure 2: Items of recurrent expenditure as at March 31, 2024**



Interest payments jumped by 31.3 percent during the period to reach \$17.36 million as higher payments on both the external and domestic components of the debt occurred during the review period. The external and domestic interest payments increased by 40.2 percent and 23.7 percent, respectively. This is reflective of the increased debt service cost due mainly to the Port Modernization Project and the maturing of a \$15.0 million bullet bond during the period. Conversely, outlays on Transfers decreased by

5.9 percent to \$43.70 million mainly due to the lower amounts that were expended on Grants to Other Agencies, and Social Assistance Benefit, these went down by 17.3 percent and 8.0 percent, respectively.

**Figure 3: Fiscal Recurrent Activity March 2020-2024**



Preliminary data indicates that Capital Expenditure for the first quarter of 2024 amounted to \$30.21 million, up from the \$7.09 million recorded for the same period in 2023. It is important to note that the capital projects implementation rate has been increasing over the past few years. Some of the projects responsible for the increase in capital spending during Quarter 1 are: the Arnos Vale Sporting Complex (\$8.64 million) in preparation for the Cricket World Cup in June 2024, the Diamond Hotel project (\$7.5 million), the Volcanic Eruption Emergency Project (VEEP) \$1.78 million, the Road Rehabilitation Project (\$1.70 million), the Pro Tempore CELAC meeting (\$1.27 million), and the Digital Transformation Project (\$1.22 million).

## **Financing**

Table 2 below summarizes the Central Government financing as at March 31, 2024 with comparable numbers for 2023.

**Table 2: Summary of Central Government Financing as at March 31, 2024 compared with 2023**

	<b>2024 \$ M</b>	<b>2023 \$ M</b>
<b>OVERALL DEFICIT</b>	<b>(42.28)</b>	<b>(18.11)</b>
<b>FINANCED BY:</b>	<b>42.28</b>	<b>18.11</b>
<b>External Loans</b>	<b>(5.68)</b>	<b>(6.56)</b>
Disbursements	12.78	13.50
Less: Amortisation	(18.46)	(20.06)
<b>Domestic Financing (net)</b>	<b>47.96</b>	<b>24.67</b>

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$42.28 million for the period financed from domestic sources. The main categories of domestic financing were a reduction in cash balances (by \$109.44 million) and the issuance of domestic bonds (amounting to \$4.50 million).