

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND
THE GRENADINES**
For the year ended March 31, 2019

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, 2019. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at March 31, 2019 indicates that the Central Government fiscal operations improved when compared to the same period in 2018. Current Revenue increased by 17.0 percent to \$134.05 million, while Current Expenditure grew by 8.0 percent to \$141.30 million. Consequently, the Current Balance recorded a deficit of \$7.25 million, down from the \$16.30 million recorded for the same period in 2018. During the review period the Overall Balance also improved, moving from a deficit of \$15.97 million in 2018 to a deficit of \$7.93 million in 2019.

Table 1: Summary of fiscal operations for the period ended March 31, 2019

	BUDGET 2019 \$ M	ACTUAL 2019 \$ M	ACTUAL 2018 \$ M	% CHANGE
Current Revenue	134.73	134.05	114.53	17.0
<i>of which:</i>				
Taxes on Income & Profits	28.78	27.19	23.79	14.3
Taxes on property	7.22	6.07	3.66	65.7
Taxes on Goods & Services	44.03	43.24	35.49	21.8
Taxes on International Trade	35.89	36.46	34.02	7.1
Sale of Goods & Services	15.75	15.89	15.29	3.9
Current Expenditure	148.34	141.30	130.84	8.0
<i>of which:</i>				
Compensation Employees	78.72	75.61	71.07	6.4
Use of Goods & Services	14.65	13.32	11.21	18.8
Interest Payments	13.75	12.17	9.91	22.8
Transfers	41.22	40.20	38.64	4.0
Current Balance	(13.61)	(7.25)	(16.30)	55.6
Primary Balance	(9.99)	4.24	(6.05)	170.1
Capital Expenditure	13.30	3.13	1.50	108.6
Capital Revenue	3.17	2.44	1.84	33.1
Overall Balance	(23.74)	(7.93)	(15.97)	50.3

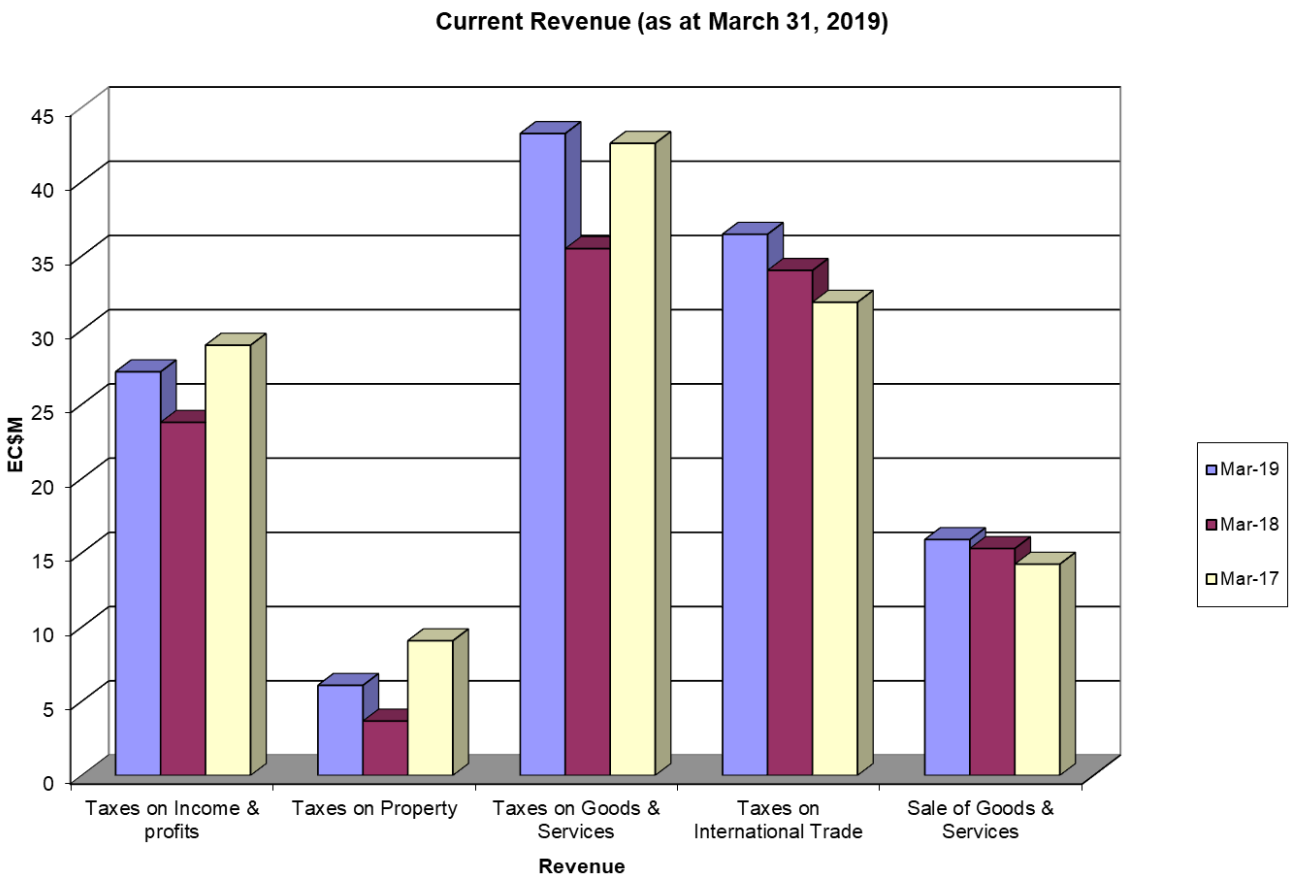
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased by 14.3 percent to \$27.19 million with higher collections from all subcategories. The increase in Personal Income Tax of 1.0 percent is reflective of the recent salary enhancement received by public servants for the period July- December 2018 along with the 1.5 percent for 2019. Corporation Taxes and Non-Resident (Withholding) Tax collections improved growing by 76.9 percent and 23.9 percent respectively. The increase in Corporate Tax receipt was mainly on account arrears collected during the first quarter of 2019.

Revenue from Taxes on Property grew by 65.7 percent to \$6.07 million during the period. This resulted mainly from higher receipts from Stamp Duty on Property (which went up by 76.7 percent) and Alien Land Holding Licence (which amounted to \$0.46 million from \$0.22 million in 2018). Collections in the above categories reflect greater land sales during the quarter.

Figure 1: Items of Current Revenue as at March 31, 2019



Taxes on Goods and Services which totaled \$43.24 million, increased by 21.9 percent as at 31st March, 2019. This was mainly as a result of the \$4.8 million collected during the period for Telecommunications and Broadcast Licence which was mainly related to activities in 2018. Additionally, Value Added Tax performed well as collections increased by 19.5 percent to \$23.24 million, but this was largely due to timing issues in the reporting of revenues for the first quarter of 2018. Greater receipts from Insurance Premium Tax (1.0 percent) and Motor Vehicle Licence (9.8 percent) also contributed to the growth in revenue from this tax type. The increase in revenue from Taxes on Goods and Services was however moderated by lower takings from Yacht Licence, Merchant Shipping (International) Fees and Interest Levy during the period.

Revenue from International Trade Taxes rose by 7.2 percent, to \$36.46 million. Under this rubric, revenue collection from all major subcomponents increased; VAT receipts went up by 4.7 percent, Import Duty increased by 8.6 percent and Vehicle Surtax grew by 31.7 percent. The significant increase in Vehicle Surtax resulted from a 12.5 percent increase in the importation of vehicles along with an increase in rates applied to these vehicles consequent upon the 2018 fiscal measures (effective May 1, 2018).

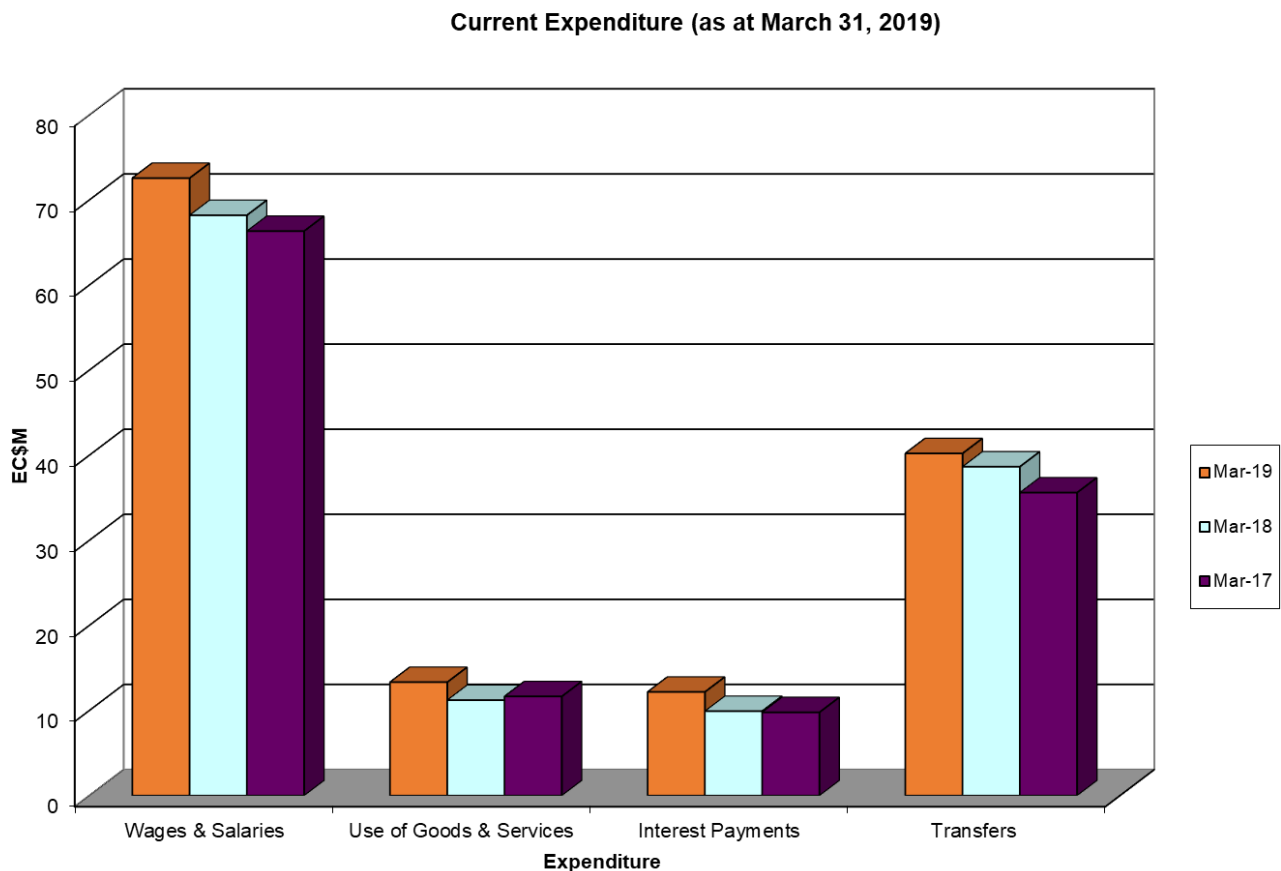
Revenue from Sale of Goods and Services grossed \$15.89 million. This represents a 3.9 percent improvement over the amount collected in 2018. Collections from most major subcategories under this heading increased during the period, with the more significant ones being: International Financial Services (24.1 percent), CIPO Registration Fees (35.7 percent) and Drivers Licence (5.8 percent).

Capital inflows as at March 31, 2019 amounted to \$2.44 million, up 33.1 percent from the amount collected in the corresponding period in 2018 and due mainly to higher Grants receipts. Revenue from grants moved from \$1.69 million in 2018 to \$2.14 million in 2019.

Expenditure

As at March 31, 2019, Current Expenditure amounted to \$141.30 million. This figure represents an increase of 8.0 percent when compared to the amount spent during the same period in 2018. Payment of Wages and Salaries amounted to \$72.56 million and the Employer’s Social Security Contribution to \$3.05 million, these were responsible for the overall 6.4 percent increase in Compensation of Employees. The increased spending on Wages and Salaries was mainly due to the 1.5 percent salary increase paid to public servants on top of the 1.0 percent for the period July-December 2018. Changes in increments and allowances would have also contributed to the growth in Wages and Salaries.

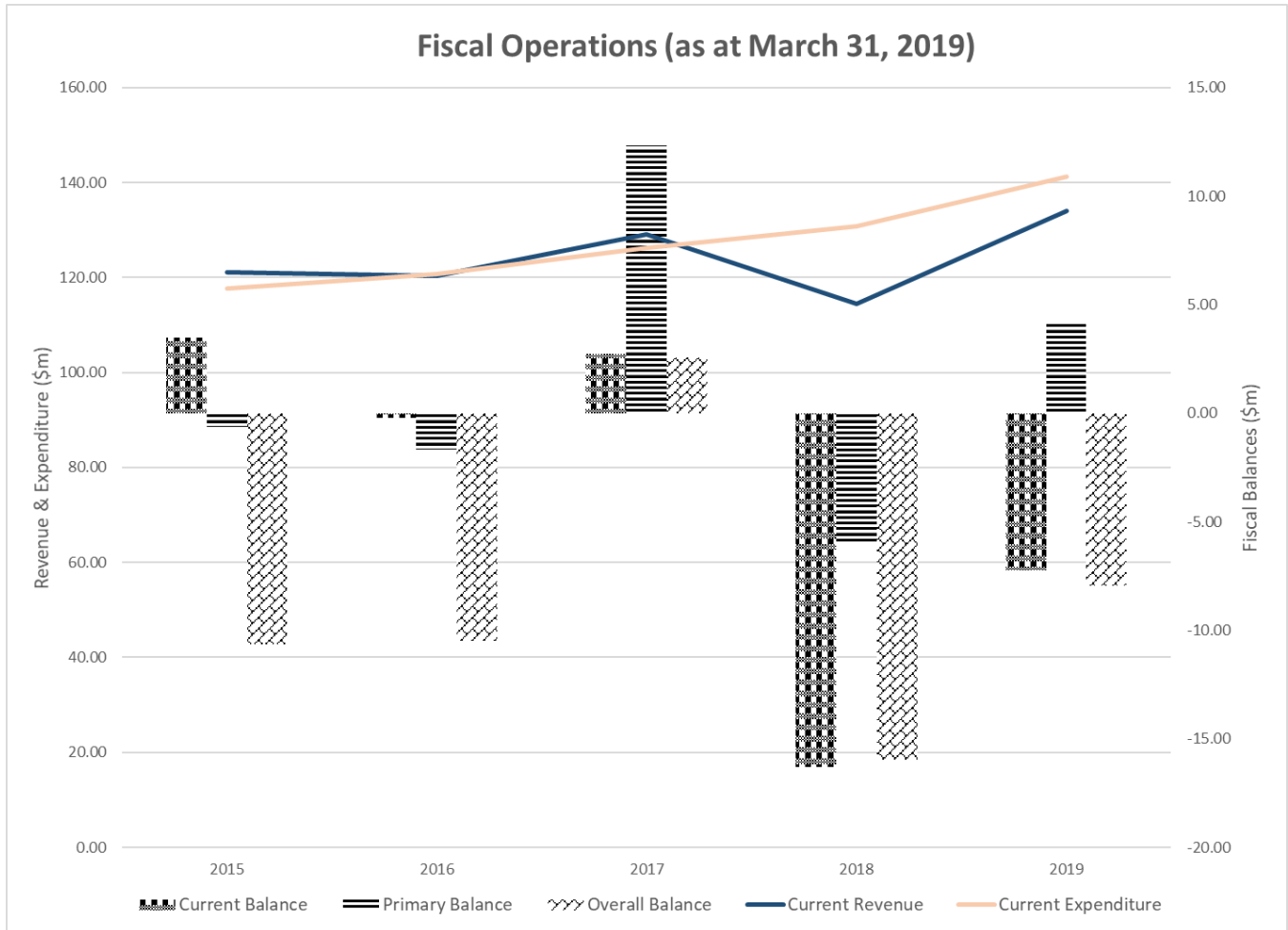
Figure 2: Items of recurrent expenditure as at March 31, 2019



Interest Payments increased during the period by 22.8 percent to \$12.17 million as a result of higher payments on both the domestic and external components of the debt. External and Domestic interest payments increased by 20.9 percent and 24.2 percent respectively which rose by 24.2 percent and 20.9 percent respectively, due to the contraction of new debt. Outlays on Transfers increased by 4.0 percent

to \$40.20 million mainly based on higher amounts expended on pension benefits (9.8 percent). Grants to Local Authorities and Social Welfare payments also increased by 3.5 percent and 10.3 percent respectively, during the period.

Figure 3: Fiscal Recurrent Activity March 2015-2019



Preliminary data indicates that Capital Expenditure for the quarter amounted to \$3.13 million, up from the \$1.50 million recorded for the same period in 2018. Capital Spending though improved remains relatively low mainly because of slow processing of journals to account for expenditure and similarly slow implementation of some projects.

Financing

Table 2 below summarizes the Central Government financing as at March 31, 2019 with comparable numbers for 2018.

Table 2: Summary of Central Government Financing as at March 31, 2019 compared with 2018

	2019 \$ M	2018 \$ M
OVERALL DEFICIT	(7.93)	(15.97)
FINANCED BY:	7.93	15.97
External Loans	(12.04)	(12.67)
Disbursements	0.00	0.00
Less: Amortisation	(12.04)	(12.67)
Domestic Financing (net)	19.96	28.64

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$7.93 million for the period financed from domestic sources. The majority of the domestic financing came from disbursements of domestic loans amounting to \$15.00 million.