

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT
AND THE GRENADINES
For the year ended March 31, 2020**

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, 2020. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at March 31, 2020 indicated that the Central Government fiscal operations turned in a mixed performance when compared to the same period in 2019. Current Revenue increased by 9.7 percent to \$147.12 million, while Current Expenditure grew by 4.0 percent to \$147.02 million. Consequently, a Current Surplus of \$0.10 million was recorded, up from a deficit of \$7.16 million recorded for the same period in 2019. The Overall Balance worsened, moving from a deficit of \$7.84 million in 2019 to a deficit of \$8.80 million in 2020 mainly on account of increased capital spending.

Table 1: Summary of fiscal operations for the period ended March 31, 2020

	BUDGET 2020 \$ M	ACTUAL 2020 \$ M	ACTUAL 2019 \$ M	% CHANGE
Current Revenue	141.51	147.12	134.15	9.7
<i>of which:</i>				
Taxes on Income & Profits	29.11	27.96	27.22	2.7
Taxes on Property	7.45	9.25	6.07	52.4
Taxes on Goods & Services	46.19	55.07	43.28	27.2
Taxes on International Trade	37.76	35.47	36.46	(2.7)
Sale of Goods & Services	17.23	15.74	15.91	(1.1)
Current Expenditure	154.29	147.02	141.31	4.0
<i>of which:</i>				
Compensation Employees	81.74	79.10	75.61	4.6
Use of Goods & Services	15.80	15.47	13.33	16.0
Interest Payments	14.75	13.50	12.17	11.0
Transfers	42.01	38.94	40.20	(3.1)
Current Balance	(12.78)	0.10	(7.16)	101.4
Primary Balance (net CCF)	3.08	4.70	4.33	8.6
Capital Expenditure	5.68	9.72	3.13	210.9
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	3.21	0.21	0.00	0.00
Capital Revenue	3.58	0.61	2.44	(74.9)
Overall Balance (net CCF)	(11.67)	(8.80)	(7.84)	(12.2)

Source: Ministry of Finance and Planning

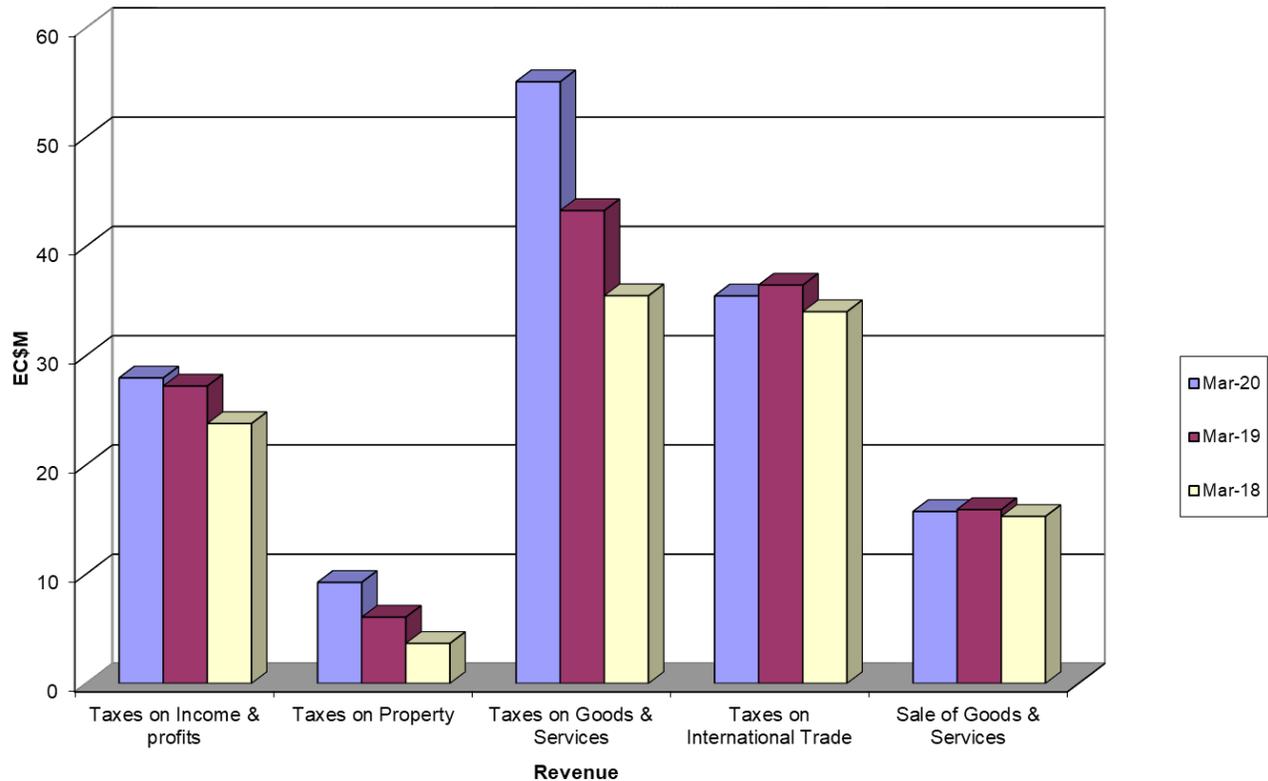
Revenue

Receipts from Taxes on Income and Profits increased by 2.7 percent to \$27.96 million due to higher collections from Personal Income Tax. The increase in Personal Income Tax of 11.8 percent is partially reflective of the 2.0 percent salary enhancement received by public servants for 2020. Collections from Corporate Income Tax and Non-Resident (Withholding) Tax declined by 13.3 percent and 23.5 percent, respectively. The fall-off in revenue from Corporate Income Tax was mainly due to timing issues with the recording of revenues received during the period while the decrease in Non-Resident Taxes was related to a drop in the number of audits conducted during the period.

Revenue from Taxes on Property grew by 52.4 percent to \$9.25 million during the period. This resulted mainly from higher receipts from Stamp Duty on Property (which went up by 25.5 percent) and Alien Land Holding Licence (which amounted to \$2.53 million, compared to \$0.46 million in 2019). The boost in collections in the above categories was due to greater land sales during the quarter.

Figure 1: Items of Current Revenue as at March 31, 2020

Current Revenue (as at March 31, 2020)



Taxes on Goods and Services which totaled \$43.28 million, increased by 27.2 percent as at 31st March, 2020. This was mainly as a result of improved receipts from Value Added Tax (29.7 percent) and Excise Duty on Imports (84.8 percent). The performance of Value Added Tax (VAT) and Excise Duty (on Imports) were largely due to timing issues in the reporting and recording of revenues. In the case of VAT, revenues reported for the first quarter of 2019 were understated while Excise Duty (on Imports) improved due to payments received in 2020 which were related to 2019 imports. The increase in revenue from Taxes on Goods and Services was however moderated by lower takings from Telecommunications & Broadcast Licence fees and Interest Levy during the period.

Revenue from International Trade Taxes fell by 2.7 percent, to \$35.47 million. Under this rubric, revenue collection from all major subcomponents decreased; VAT receipts went down by 2.8 percent, Import Duty decreased by 0.6 percent and Vehicle Surtax fell by 16.2 percent. The decline in revenue from Vehicle Surtax reflects a 6.1 percent drop in vehicle

imports during the period while VAT and Import Duty reflect a fall-off in non-oil imports during the period.

Revenue from Sales of Goods and Services grossed \$15.74 million. This represents a 1.1 percent reduction on the amount collected in 2019 as major subcategories turned in mixed performances. Collection of International Financial Services fees and CIPO Registration Fees declined by 33.0 percent and 18.0 percent respectively. Conversely, receipts from Driver's Licence and Customs Service Charge went up by 2.1 percent and 1.9 percent respectively.

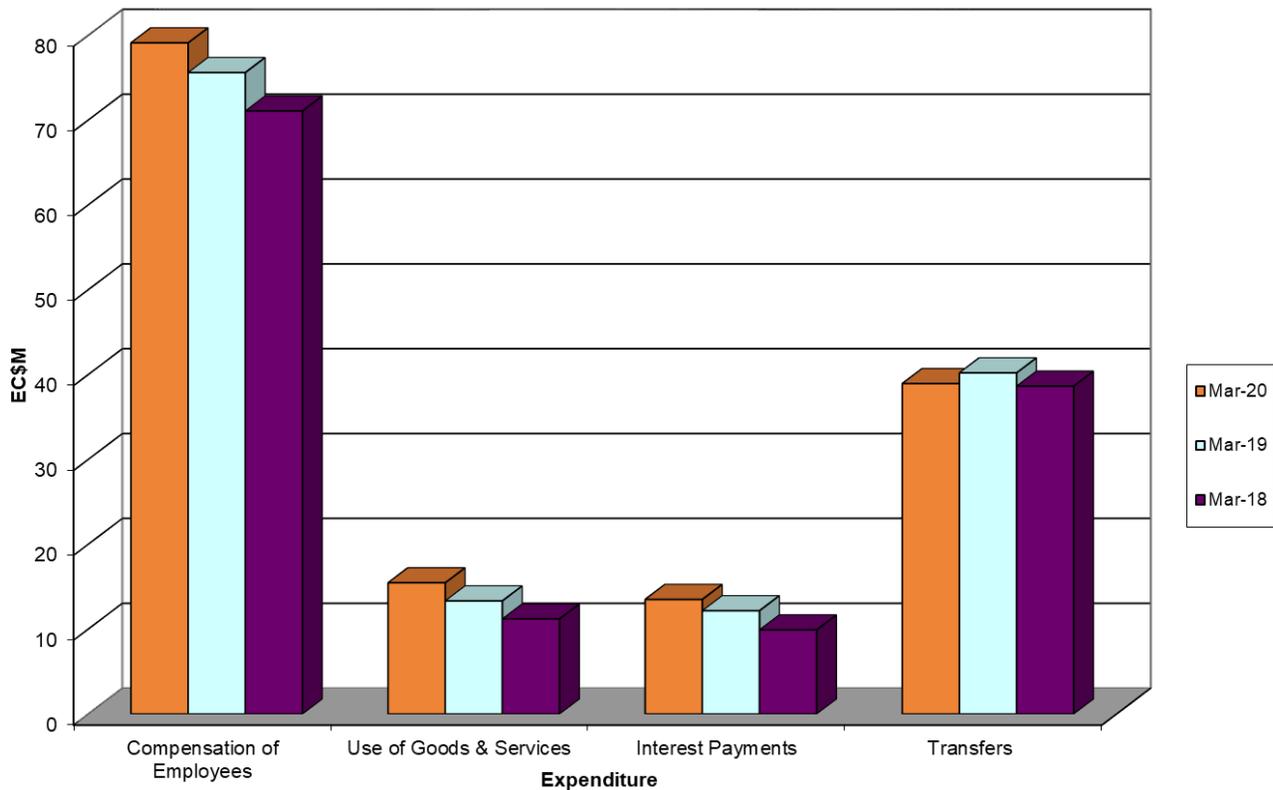
Capital inflows as at March 31, 2020 amounted to \$0.61 million, down 74.9 percent from the amount collected in the corresponding period in 2019. This was due mainly to lower Grants receipts which moved from \$2.14 million in 2019 to \$0.30 million in 2020.

Expenditure

As at March 31, 2020, Current Expenditure amounted to \$147.02 million. This figure represents an increase of 4.0 percent when compared to the amount spent during the same period in 2019. Payment of Wages and Salaries amounted to \$75.83 million and the Employer's Social Security Contribution to \$3.28 million, these were responsible for the overall 4.6 percent increase in Compensation of Employees. The increased spending on Wages and Salaries was mainly due to the 2.0 percent salary increase paid to public servants from January 2020. Changes in increments and allowances also contributed to the growth in Wages and Salaries.

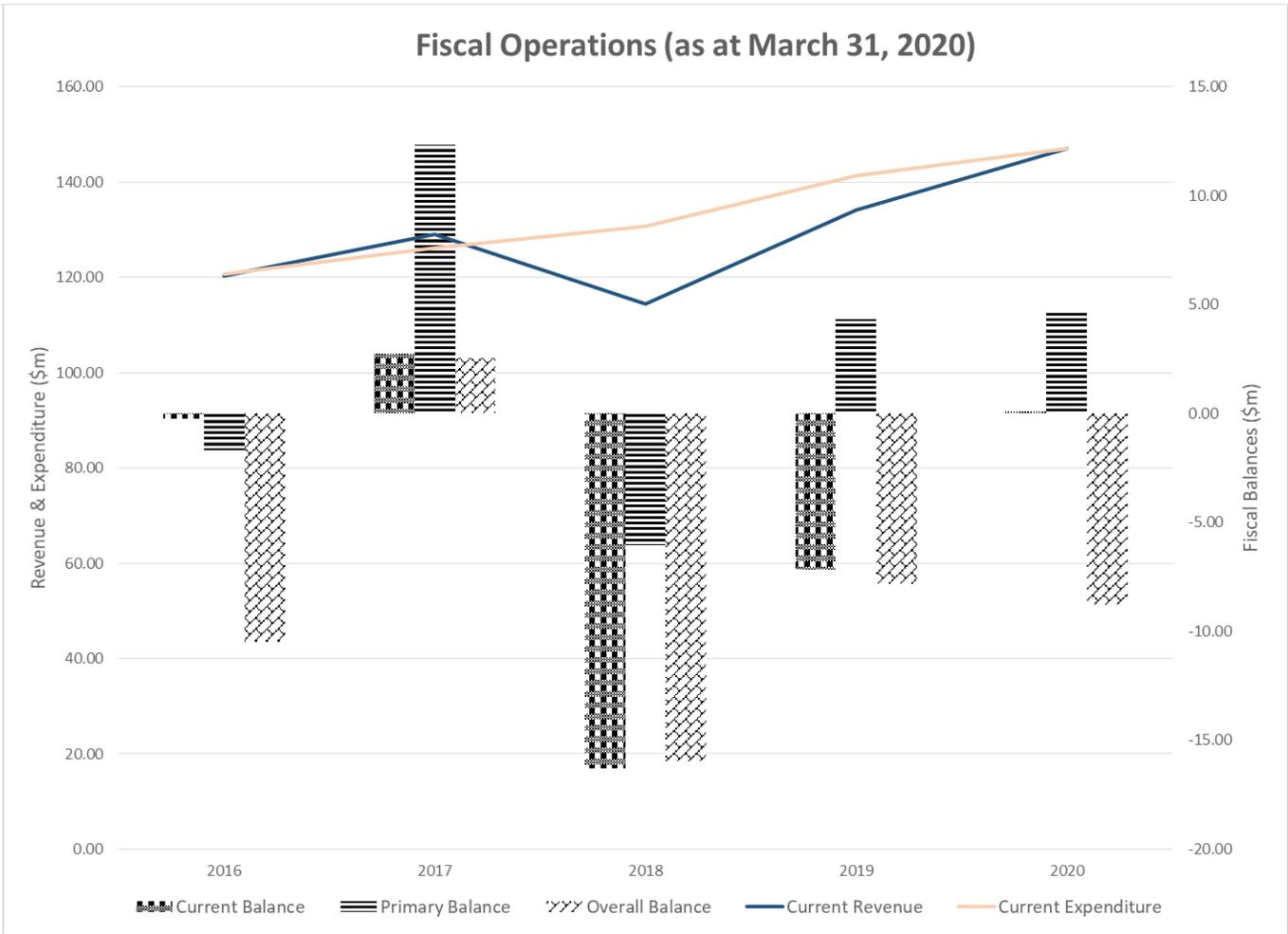
Figure 2: Items of recurrent expenditure as at March 31, 2020

Current Expenditure (as at March 31, 2020)



Interest Payments increased during the period by 11.0 percent to \$13.50 million as a result of higher payments on both the domestic and external components of the debt. External and Domestic interest payments increased by 9.3 percent and 12.2 percent, respectively, due to the contraction of new debt. Outlays on Transfers decreased by 3.1 percent to \$38.94 million mainly based on lower amounts expended on pension benefits (11.4 percent) to date. Grants to Local Authorities and Grants to Other Agencies also went down by 3.3 percent and 2.7 percent respectively, during the period.

Figure 3: Fiscal Recurrent Activity March 2016-2020



Preliminary data indicates that Capital Expenditure for the quarter amounted to \$9.72 million, up from the \$3.13 million recorded for the same period in 2019. The improvement in capital spending was mainly related to expenditure on the purchase of equipment for the Milton Cato Memorial Hospital and the Diamond hotel and sporting facility projects.

Financing

Table 2 below summarizes the Central Government financing as at March 31, 2020 with comparable numbers for 2019.

Table 2: Summary of Central Government Financing as at March 31, 2020 compared with 2019

	2020 \$ M	2019 \$ M
OVERALL DEFICIT	(8.80)	(7.84)
FINANCED BY:	8.80	7.84
External Loans	(19.63)	(12.04)
Disbursements	0.07	0.00
Less: Amortisation	(19.70)	(12.04)
Domestic Financing (net)	28.43	19.88

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$8.80 million for the period financed from domestic sources. The main categories of domestic financing were reducing cash balances by \$32.37 million and the disbursement of domestic loans amounting to \$24.08 million.