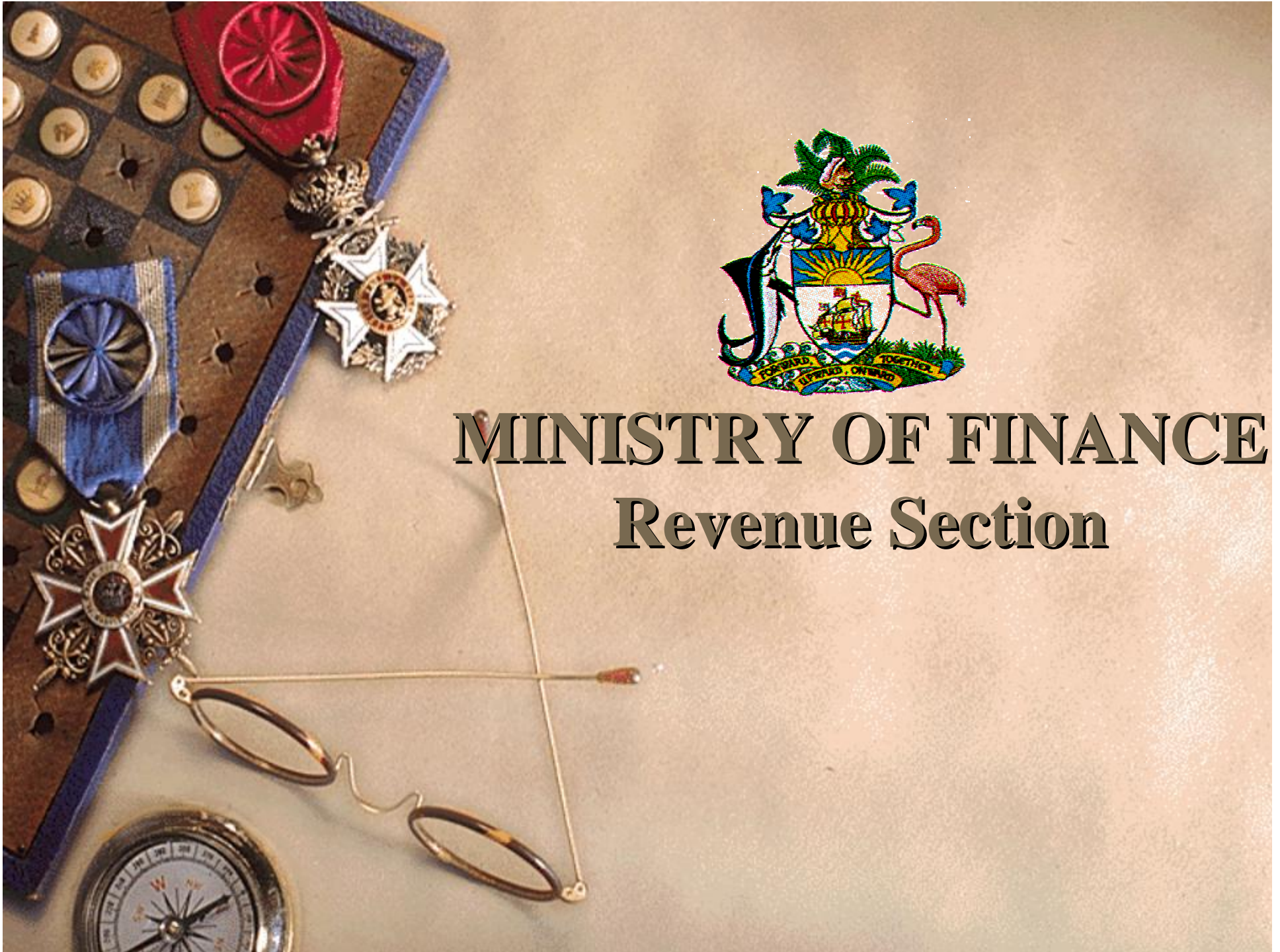




MINISTRY OF FINANCE
Revenue Section





TREASURY DEPARTMENT

“REVENUE IN GOVERNMENT” SEMINAR

BRITISH COLONIAL HILTON

23rd March 2004



ROLE OF THE REVENUE SECTION

- Oversee the administration of all revenue due to the Government
 - ❖ Moneys due is received
 - ❖ Timely and accurate accounting for moneys

- Advise the Minister of Finance on revenue related matters which also includes.
 - ❖ Concessions
 - ❖ Changes to legislation
 - ❖ Enhancement to the administration machinery



REVENUE

Linkage with Fiscal Policy

- ◆ Revenue policy is inextricably linked with fiscal policy.
- ◆ An evaluation of revenue policy should not be undertaken without an evaluation of expenditure policy.
- ◆ Essentially a political decision, this is one of the more difficult challenges facing any Government.
- ◆ The Bahamas Government has established a policy that annual total revenue should not be greater than 20% GDP at any time.
- ◆ The level of GFS Deficit is established on an annual basis with the understanding that the move is toward a balance budget.



Fiscal Summary

Budget Projections 2003/2004

\$ Million

1. Recurrent Expenditure	1,062
2. Recurrent Revenue	1,005
3. Recurrent Deficit (1 minus 2)	57
4. Capital Expenditure	145
5. Capital Expenditure	3
6. Capital Deficit (4 minus 5)	142
7. Total Deficit (3 minus 6)	199
8. Debt Redemption	77
9. GFS Deficit (7 minus 8)	122
10. GDP (Current prices)	5,365
11. GFS Deficit as % of GDP	2.2
12. Government Debt as % of GDP	42



Revenue Administration

- ◆ **The Revenue Section should be advised of any situation in your Agency which has an adverse effect on your ability to efficiently collect and report on revenue due or collected by your Agency**
- ◆ **The Revenue Section requires quick explanations for any variances between actual and forecasted amounts. Therefore, agencies must monitor revenue collections on a regular basis.**
- ◆ **Explanations for these variances must be obtained quickly as the Minister must report on the revenue position to Cabinet for possible policy decisions.**



REVENUE ADMINISTRATION

- ✓ Every effort must be made to ensure that for the year end, **ALL** revenue collected are deposited on or before June 30.
- ✓ All revenue Agencies are to ensure that **ALL** deposits are accounted for I.e. assigned to the proper revenue account and the correct deposit slips are being used.



REVENUE ADMINISTRATION

- Review of fees and taxes being change to determine their adequacy
- Analysis of the effect on revenue of changes to the fees and taxes being levied.



REVENUE ADMINISTRATION

Cash Receipting System

- Remove receipt books from all agencies in New Providence and the major Family Islands.
- Computer generated receipts will be used.
- Posting to the Treasury System will be better facilitated
- Misappropriation of funds will be removed or at least minimized.



REVENUE (RANKED BY ITEM SIZE)

	\$	% of Total Revenue
Import & Excise Duties	437,310,506	47.58%
Stamp Tax	173,687,650	18.90%
Tourism Tax	81,957,162	8.92%
Fees & Services Charges	81,353,759	8.85%
Real Property Tax	37,110,317	4.04%
Motor Vehicle	22,838,051	2.48%
Company Fees	21,837,688	2.38%
Revenue from Gov't Properties	15,075,583	1.64%
Gaming Taxes	12,821,237	1.39%
Insurance Co. Fees	11,660,212	1.27%
Services of a Commercial Nature	9,673,409	1.05%
Interest & Dividends	5,838,905	0.64%
Bank & Trust Co. Fees	5,649,504	0.61%
Other Taxes	1,985,203	0.22%
Re-Imbursements & Loan Repayments	384,912	0.04%
TOTAL	919,184,098	

Note: Personal Emoluments & Allowances- \$397,513,852



Revenue Analysis

- ◆ An on going exercise during the year
- ◆ Comparing actual with forecast
- ◆ Analyzing variances
- ◆ Explaining surplus or deficits

REVENUE ANALYSIS

- ❖ It is recommended that the daily revenue form (I.e Form R1-91) be prepared DAILY
- ❖ This form facilitates the daily balancing process of revenue collected with revenue banked.
- ❖ Any difference should be immediately investigated and resolved as (A) should be equal to (B).





Agency: The Registrar General's Department
 REVENUE REPORT FOR: April 23rd, 1999

CODE: 10

Revenue Code Number	Revenue Account Description	Dollar Amount
		\$
908110011	Foreign Company Registration	-
908120011	Foreign Company Annual Fees	51,000.00
908130011	Bahamian Company Registration	4,644.00
908140011	Bahamas Company Annual Fees	39,300.00
908210011	IBC Registration Fees	19,440.00
908220011	IBC Continuation	-
908230011	IBC Annual Fees	218,450.00
919131011	Registration on Deeds & Documents	1,492.30
919132011	Trade Marks & Patents	824.00
919133011	Birth, Death & Marriages	1,597.00
919134011	Business Names Fees	1,200.00
3211000111	Exchange Reserve Accounts	-
	TOTAL (A)	337,947.30
	BANK DEPOSIT	
	B\$ Deposit	26,067.30
	US\$ Deposit	3,130.00
	B\$ Deposit	287,750.00
	US\$ Deposit	21,000.00
	TOTAL (B)	337,947.30

N.B. Total (A) must Equal Total (B)

Prepared By: _____ Checked By: _____



Revenue Analysis

Banking Procedures

- ◆ Revenue **MUST** be deposited within twenty four hour period at the latest—daily is the preferred and recommended position.
- ◆ Only correct and properly coded bank deposit slips are to be used.
- ◆ Certain agencies now have their own sub-bank accounts to which deposits are to be made.
- ◆ Deposit slips are to be promptly returned to the appropriate officer in the respective agency.



Revenue Analysis

- ◆ It is not sufficient to just get the deposit into the bank.
- ◆ Daily posting are to be made to the Treasury Accounts
- ◆ Accumulative of posting for weeks at a time must be discontinued.
- ◆ No need for physical possession of deposit slips before posting of entries.

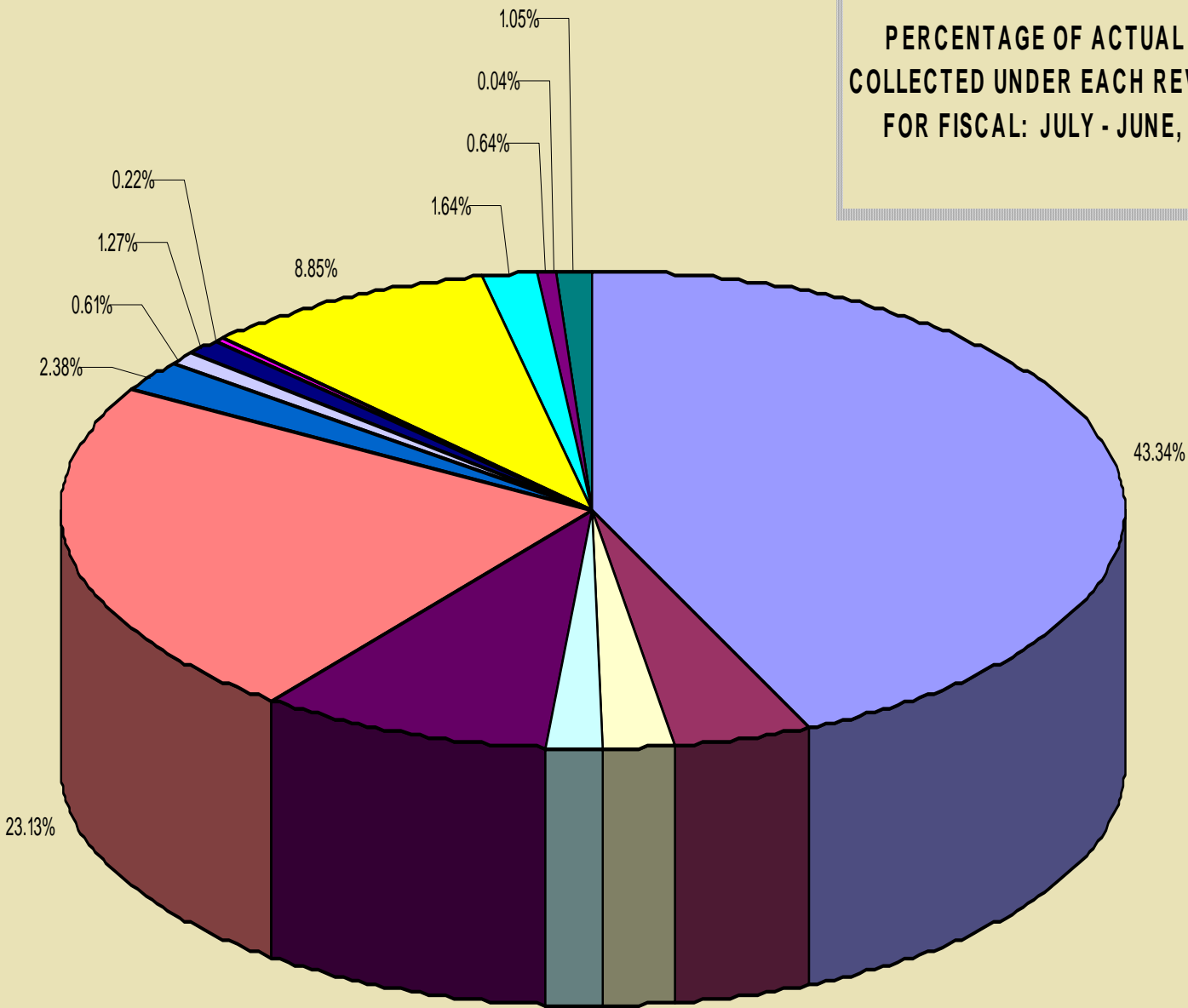
REVENUE ANALYSIS

	Actuals 2002/2003 \$	Forecast 2002/2003 \$	Actuals 2001/2002 \$	Variance Actual v.s Forecast \$	Variance Actual 2002/2003 Vs. Actual 2001/2002 \$
Import & Excise Duties	437,310,506	459,649,500	398,996,600	(22,338,994)	38,313,906
Real Property Tax	37,110,317	39,700,000	33,203,789	(2,589,683)	3,906,528
Motor Vehicle Tax	22,838,051	24,800,000	22,098,530	(1,961,949)	739,521
Gaming Tax	12,821,237	26,000,000	16,086,842	(13,178,763)	(3,265,605)
Tourism Tax	81,957,162	86,209,000	84,096,162	(4,251,838)	(2,139,000)
Stamp Duty	173,687,650	182,000,000	166,151,214	(8,312,350)	7,536,436
Companies Fees	21,837,688	19,400,000	22,906,345	2,437,688	(1,068,657)
Bank & Trust Companies Fees	5,649,504	9,200,000	7,418,163	(3,550,496)	(1,768,659)
Insurance Companies Fees	11,660,212	7,950,000	6,205,944	3,710,212	5,454,268
Other Taxes	1,985,203	1,800,000	922,670	185,203	1,062,533
TOTAL TAX REVENUE	806,857,530	856,708,500	758,086,259	(49,850,970)	48,771,271
Fees & Service Charges	81,353,759	82,754,001	81,228,735	(1,400,242)	125,024
Revenue from Government Property	15,075,583	14,959,999	15,430,955	115,584	(355,372)
Interest and Dividends	5,838,905	7,200,000	7,839,073	(1,361,095)	(2,000,168)
Re-imbursements and Loan Repayment	384,912	477,500	8,122,840	(92,588)	(7,737,928)
Service of a Commercial Nature	9,673,409	7,900,000	5,007,515	1,773,409	4,665,894
TOTAL NON TAX	112,326,568	113,291,500	117,629,118	(964,932)	(5,302,550)
GRAND TOTAL REVENUE	919,184,098	970,000,000	875,715,377	(50,815,902)	43,468,721



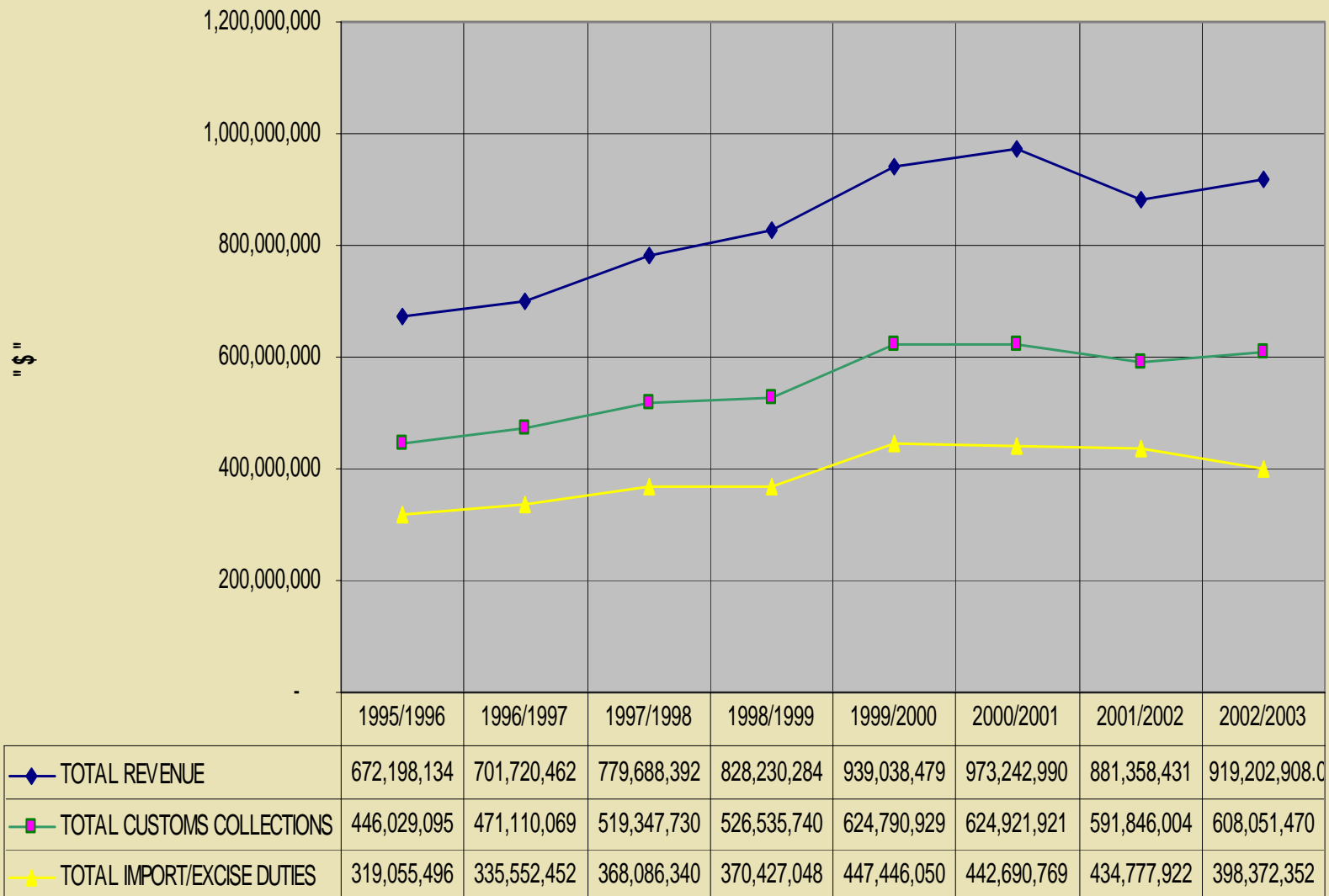


**PERCENTAGE OF ACTUAL REVENUE
COLLECTED UNDER EACH REVENUE HEAD
FOR FISCAL: JULY - JUNE, 2002/2003**



- Import and Excise duties
- Real property tax
- Motor Vehicle Tax
- Gaming Tax
- Tourism Tax
- Stamp Duty
- Companies Fees
- Bank & Trust companies Fees
- Insurance Companies Fees
- Other Taxes
- Fees and Service Charges
- Revenue from Government Property
- Interest and Dividends
- Re-imbursements and Loan Repayment
- Service of a Commercial Nature

CUSTOMS COMPARISON REPORT FOR THE FISCAL PERIODS: 1995/96 - 2002/03





Maximizing Revenue Enhancement


In order to maximize revenue enhancement there is a need to modernize the tax system. Since 1998/99 there has not been any real substantial growth in revenue as a whole.

This should include replacing import duties with alternative form of taxation.

Control of the level of duty exemption.

Improved information/ statistical data on revenue agencies as a whole.

Establish taxpayer service unit.



Revenue Administration

The Informal Sector

(The Underground Economy)

- Nature of business makes them difficult to monitor
- Transactions not sufficiently structured to allow for easy monitoring
- Can have a major impact on tax policy in a small economy (i.e. no business license, or other permits, no real overheads; spontaneous; very mobile.)

Maximizing Revenue Enhancement

Acceptance of Credit Cards

- Discussions are now being held which will lead to the acceptance of all major credit cards throughout the Government System.
- The process will reduce the volume of cash and cheques
- Remove problem of dishonoured cheques
- Better facilitate the treasury's bank reconciliation
- Accommodate the more towards E-commerce and E-government





REVENUE FORECASTING

- ◆ The process of arriving at the best level of anticipated revenue for the year.
 - Ratios from historical data (i.e. three year moving average)
 - Graphs and linear regressions



Alternative Revenue Sources

In considering any changes to the present tax structure there are certain elements of a revenue policy which must be in place:

Political Acceptability

Revenue Adequacy and Stability

Revenue Diversification

Equity

Economic Neutrality

Administrative Feasibility



Alternative Revenue Sources

The Two most frequently mentioned alternative sources of revenue, given the position that the present Customs tariff rates are likely to be reduced are:

RETAIL SALES TAX

VALUE ADDED TAX