

# IMPACT OF TAX POLICY – REVENUE PERFORMANCE



**ANTIGUA AND BARBUDA**

Ministry of Finance and the Economy

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# Introduction

- Tax policy initiatives - impact on revenue performance.
- Objectives of fiscal reform programme.
- Specific interventions on the revenue side.

# Format of Presentation

- Objectives of Fiscal Reform
- Tax Policy Initiatives
- Revenue Profile
- Overall Revenue Performance
- Performance of Property Tax
- Performance of PIT
- Performance of ABST
- Conclusion

# Objectives of Fiscal Reform

- 1998-2003 - chronic deficits
- Disparity between revenue and expenditure
- Revenue  24.6%

# Objectives of Fiscal Reform

- Expenditure ↑ 38%
- Current account deficits: \$109.6m - high of \$148.8m
- Fiscal reform programme to correct imbalances

# Objectives of Fiscal Reform

- **Objectives:**

- current account surplus 4.0% of GDP
- overall fiscal deficit < 3.0% of GDP
- Debt to GDP ratio < 60.0% of GDP
- Interest payment to current revenue of 15.0%

# Objectives of Fiscal Reform

- **Interventions:**

- Improving revenue collection
- New measures
- Removing inefficient measures
- Streamlining public service
- Rationalizing expenditure
- Expenditure management systems

# Tax Policy Initiatives

- Interventions on the revenue side:
  - Streamline the tax system
  - Improve efficiency in tax administration
  - Generate additional revenue

# Tax Policy Initiatives

- Eliminate Taxes
- Reduce Taxes
- New Measures

## **Tax Policy Initiatives – Measures Eliminated**

- Foreign Exchange Levy
- 2% Gross Turn-over tax
- 3% tax on Loans to Non-citizens
- Entertainment tax
- Consumption tax

## **Tax Policy Initiatives – Measures Eliminated**

- Telecommunications tax
- Restaurant and Catering Services tax
- Hotel (bed-night) tax
- Hotel Guest tax
- Hotel Guest levy
- Nuisance taxes - radio & TV licence

## Tax Policy Initiatives – Measures Reduced

- Corporate Income: 35% to 30%
- The Stamp Duty - residential mortgages: \$6 per '000 to \$4 per '000
- The Stamp Duty - transfer of property from parent to child: 10% to 2%

## Tax Policy Initiatives – New Measures

- Personal Income Tax in 2005
- ABST in January 2007
- Enhance capacity Customs and IRD:
  - Equipment and human resources

# Revenue Profile

- Revenue - tax and non-tax sources
- Tax revenue accounts for over 90%
- Direct Taxes:
  - property tax, corporate tax, personal income tax

# Revenue Profile

- Indirect taxes:
  - stamp duties
  - import duty
  - customs service tax
  - consumption tax (until January 2007)
  - ABST

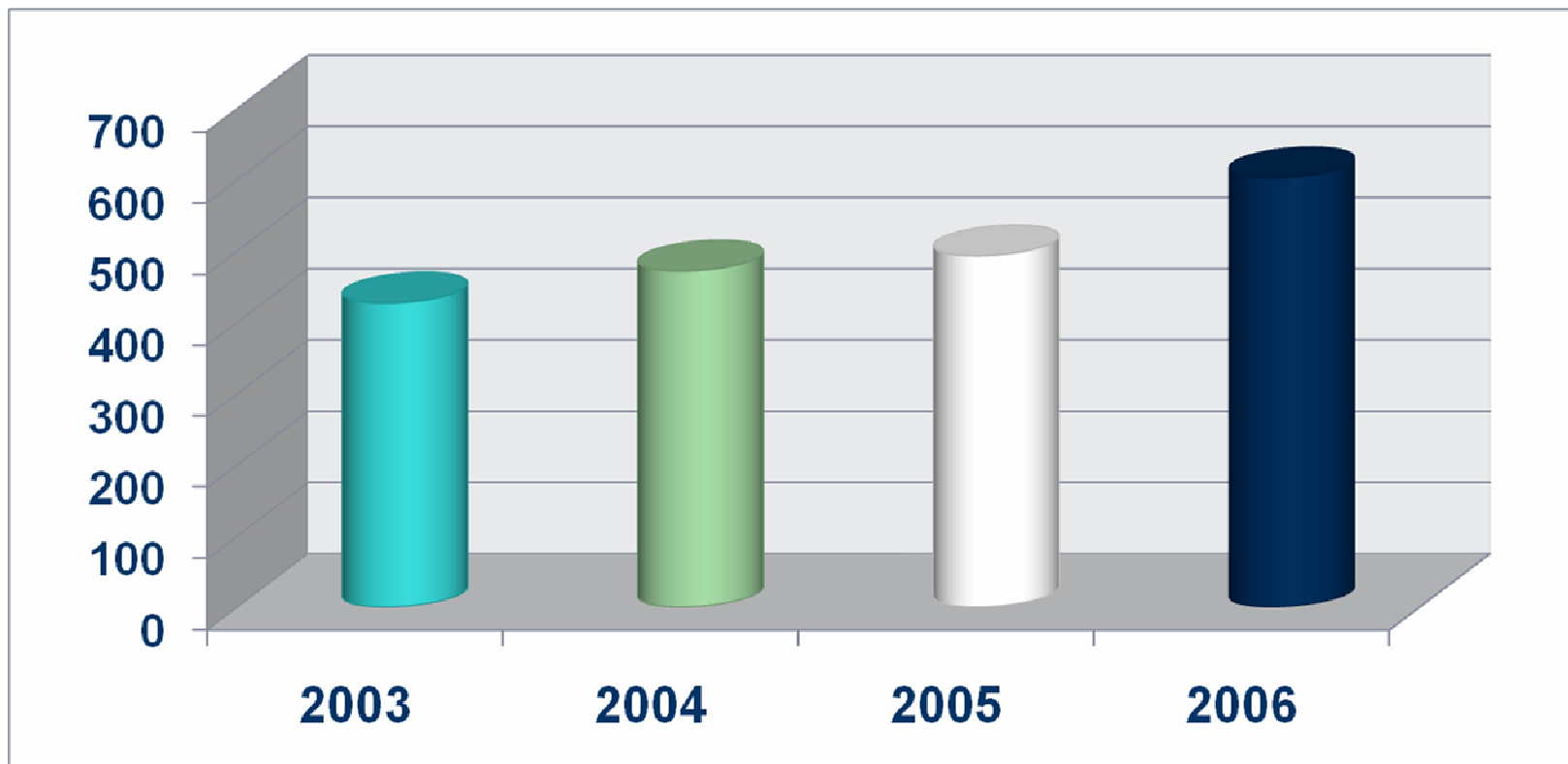
# Overall Revenue Performance

- 2003: revenue = \$427m:
  - \$382.6m = tax revenue
  - \$44.4m = non-tax revenue
- 2004: revenue = \$472m:
  - \$426.9m = tax revenue
  - \$45.1m = non-tax revenue

# Overall Revenue Performance

- 2005: revenue = \$493.5m:
  - \$454.8m = tax revenue
  - \$38.6m = non-tax revenue
- 2006: revenue = \$602.7m:
  - \$567.6m = tax revenue
  - \$35.1m = non-tax revenue

# Overall Revenue Performance



# Overall Revenue Performance

- Increase due to:
  - Economic growth avg. 7.5% (04-06)
    - 12.2% in '06
  - Streamlined tax system
  - Efficiencies in tax administration

# Overall Revenue Performance

- Additional \$175.7m in revenue:
  - \$65.4m: PIT
  - \$110m: due to economic growth & efficiencies in revenue collection

## Performance of Major Taxes

<b>Direct Taxes (EC\$M)</b>	<b>2003</b>	<b>2006</b>	<b>Diff.</b>
Corporation tax	56.9	69.1	12.2
Property tax	11.1	11.3	0.2
<b>Indirect Taxes(EC\$M)</b>			
Hotel (bed-night) tax	5.2	6.1	0.9
Hotel guest tax	14.6	25.7	11.1
Hotel guest levy	2.9	8	5.1
Stamp duties	21.4	45.6	24.2
Import duty	56.9	82.3	25.4
Customs service charge	52.8	79.5	26.7
Consumption duties	85.7	123.2	37.5

# Performance of Personal Income Tax (PIT)

- PIT - incomes  $>$  \$3,000 / month
- Persons earning \$3,000/ less do not pay PIT
- \$3,001 to \$4,000 per month -10%
- \$4,001 to \$10,000 per month - 15%
- \$10,001 to \$15,000 per month - 20%
- \$15,001 and above per month - 25%

## Performance of Personal Income Tax (PIT)

- Income of \$3,500 per month = \$50 PIT
- Income \$5,000 per month = \$250 PIT

# Performance of Personal Income Tax (PIT)

- 2005: PIT = \$23.4m
  - Avg. \$2.6 million per month
- 2006: PIT = \$42m
  - Avg. \$3.5 million per month

## Performance of Personal Income Tax (PIT)

- Sept. 2007: PIT = \$38.6m
  - Avg. \$4.3 million per month
- 43,731 registrants:
  - 37,898 – employees
  - 5,049 – self employed
  - 784 – partnerships

# Performance of Property Tax

- Property tax revenue = \$5m August 2007
- late processing and distribution of citations
- Collections to increase - target of \$17 million will be met

## Performance of Antigua Barbuda Sales Tax (ABST)

- ABST = \$122.5m
  - \$68.4m – Customs
  - \$54.1m – IRD
- ABST avg. \$16m per month

## Performance of Antigua Barbuda Sales Tax (ABST)

- Six repealed taxes = avg. \$11m in 2006
- ABST projected revenue = \$180m for 2007
- Six repealed = \$132.5 million
- ABST to generate \$47.5m additional

## Performance of Antigua Barbuda Sales Tax (ABST)

- 1000 registered businesses
- Significant compliance
- Payment of refunds - \$5.14m to over 50 businesses

## Conclusion

- Tax policy focus on efficiency:
  - Revenue generation
  - Tax collection
- positive impact on revenue
- 2007 revenue = \$692.9m

## Conclusion

- \$266 million > revenue in 2003
  - \$169.5m = revenue from new measures
- PIT = \$121m (2005-2007)
- ABST = net income of \$48.5m
- \$96.5m = additional revenues from pre-existing measures



THANK YOU