



Annual Report 2007



Contents

Board of Directors	2
Executive Management	3
Chairman's Statement	5
Corporate Governance	9
Commissioner General's Report	14
Internal Revenue Division	19
Customs and Excise Division	31
Human Resources Division	40
Finance and Administration Division	44
Information Technology Division	46
Internal Audit Division	47
Legal Services Division	48
Communications and Public Relations	48
Conclusion	49
Annual Financial Statements	51-70
Appendix	71-72
Directory	73





Tax revenues contribute to the provision of health services.



Vision

"To become the regional leader in revenue and border administration whilst maximising revenue collection."

Mission

"To efficiently and effectively assess and collect revenue needed for the development of Botswana.

We will do this by

- fairly administering and enforcing revenue laws and
- facilitating legitimate imports and exports

Values

Botho

We subscribe to the national aspiration of Botho, embracing trust and respect for one another.

Professionalism

We are professional in our dealings and we act with impartiality, honesty and integrity.

Consistency

We administer the law in a consistent manner.

Accountability

We act with accountability in all interactions.

Team work

We work in unity and collaboration with our colleagues and partners.

Responsiveness

We anticipate and promptly meet internal and external stakeholders' needs.

Directors

1. **Dr. Taufila Nyamadzabo**
Chairperson

2. **Mr. Bartholomew O. Gaobakwe**
Vice Chairperson

3. **Mr. John Y. Stevens**

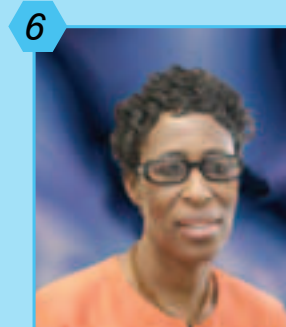
4. **Mr. Daniel N. Loeto**

5. **Ms. Siamisang T. Morolong**

6. **Ms Ntsetleng M. Masisi**

7. **Mr. Freddy Modise**
Commissioner General

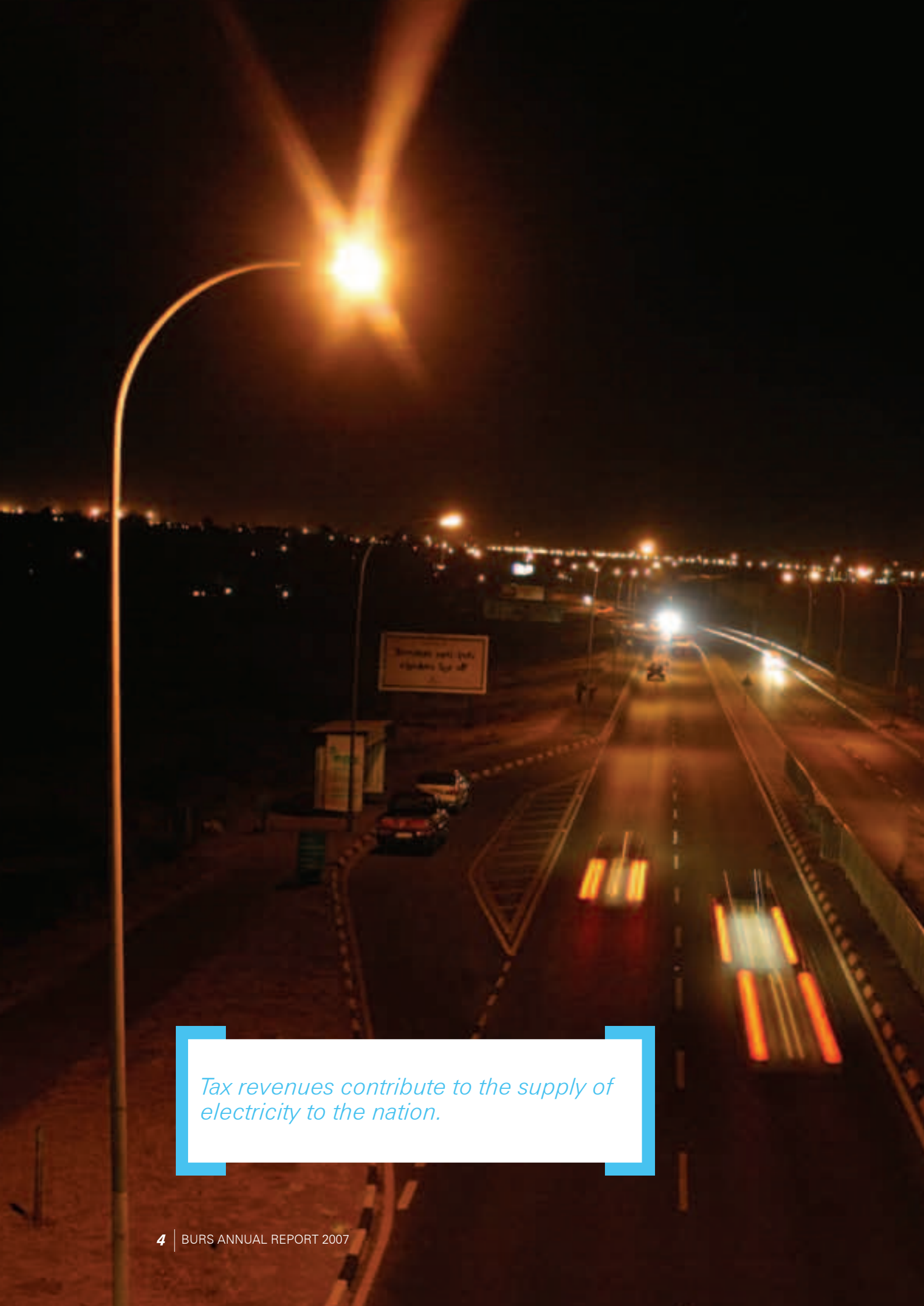
8. **Mr. Wilfred Mandlebe**
Ex-Chairman
(resigned on 31st July 2007)



Executive Management



1. **Mr. Freddy Modise**
Commissioner General
2. **Mr. Keneilwe R. Morris**
Commissioner Customs & Excise
3. **Mr. Segolo Lekau**
Commissioner Internal Revenue
4. **Ms. Cynthia Ross**
*Director Legal Services
& Board Secretary*
5. **Mukani Pelaelo**
Director Human Resources
6. **Ms. Lebesani Mosweu**
Director Information Technology
7. **Mr. Kingsley Kgosidintsi**
Director Finance & Administration
8. **Ms. Lesedi Lesetedi**
Chief Internal Auditor
9. **Ms. Lulu Seakgosing**
Acting Administration Manager



Tax revenues contribute to the supply of electricity to the nation.

Chairperson's Statement



Dr. Taufila Nyamadzabo
Chairperson

Introduction

It is with pleasure that I present the Botswana Unified Revenue Service's (BURS) Annual Report for the financial year ended 31st March, 2007, a second of such report. The year 2006/07 saw BURS taking shape as a distinct legal entity and adapting to its crucial role in the reform of revenue administration in Botswana.

The development of BURS has been a process of gradual evolution rather than a single act of creation. This allowed the Commissioner General and his staff to address both day-to-day operational needs and the strategic matters of establishing BURS. During the year under review, the organisation adopted new organisational and pay structures, commenced the development of a performance management and reward based systems. The organisation also relocated some of its offices to a single site.

Performance

During 2006/07, BURS managed to more than fulfil its core statutory mandate by not only achieving its Revenue Collection Target,

but exceeding it by 14.5%. A total of P15.8 billion was collected by BURS on behalf of the Government of Botswana and remitted to the Consolidated Fund. The amount collected accounted for 58.3% of the Government total revenue for 2006/07. Over the past three years, the revenue collected by BURS has increased from P9.9 billion in 2004/05 to P15.8 billion in 2006/07. This translates to a year-on-year increase of 17.9%.

Strategic Plan

The financial year 2006/07 saw the first year of implementation of the BURS Strategic Plan 2006-09. BURS has committed itself to an ambitious programme of reform in order to improve the administration of the Revenue Laws in Botswana. Underpinning the programme of reform is a number of desired, but challenging, activities. These include – increasing the amount of tax and duties collected, increased use of electronic interaction between taxpayers and BURS, an integrated business and technology solution to give a single view of the taxpayer, and to be an internationally respected revenue agency brand. These activities together form a formidable, but necessary, challenge to BURS, which require innovation, initiative, hard work and the flexibility to adapt to a new working environment.

The Strategic Plan 2006-09 sets out a variety of strategic initiatives, some of which were prioritised for implementation in 2006/07. All these recognise the need for BURS to change the historic methods of tax and Customs and Excise collection and administration to address the needs and resources of Botswana's taxpayers. The common theme of these initiatives is the recognition by BURS of the benefits of increased voluntary compliance for both taxpayers and the Government. BURS has, during 2006/07, adopted a principle of replacing 'red tape' with 'red carpets'. BURS will strive to remove bureaucratic processes and/or bottlenecks and to replace them with processes which

invite taxpayers, through their ease of use, to comply voluntarily. BURS recognises commercial pressures that taxpayers operate in and is striving to make filing and paying taxes less cumbersome and less costly. BURS will enhance taxpayer education to assist taxpayers in understanding and voluntarily complying with their obligations. Similarly, where voluntary compliance is lacking, BURS will apply firm but fair and consistent enforcement measures to ensure that the correct revenue is collected from all those obliged to pay taxes by the Revenue Laws. For this reason, BURS has during 2006/07, engaged a communications specialist to assist with developing its communications strategy for taxpayer education. The strategy will co-ordinate all BURS educational activities – such as advertising, leaflets, seminars and assistance visits.

Organisational and Pay Structures

The organisational structure was adopted following recommendations made after an extensive consultative and benchmarking exercise. The new structure is based on two revenue divisions of Internal Revenue and Customs & Excise, supported by seven corporate services functions. As the reform process continues, the Board will work with the Commissioner General to ensure that the structure is the most appropriate for the envisaged tax administration measures which BURS wishes to implement.

The new pay structure should enable BURS to successfully compete for the limited human resources in Botswana when it is broadly at par with other parastatal and commercial sectors pay structures. The remuneration structure was reviewed and implemented, with the agreement of the Government, to allow BURS to and be attractive to prospective potential staff.

Performance Management System and Performance Reward System

During the year, BURS commenced work to develop its Performance Management System and related Performance Reward System. In doing so, BURS recognises the need for staff to be motivated and supported in order to perform at their full potential. The PMS and PRS will assist BURS in positioning itself as an employer of choice so that it can attract and retain the best qualified and most competent personnel.

Relocation of BURS office to improve Taxpayer Services

BURS relocated three offices in different parts of Gaborone to a single site in Gaborone, on Kudumatse Drive. For the first time, BURS is able to provide all its services under a single roof. Over and above this, dedicated Taxpayer Service Centres (TSCs) were established in Gaborone, Francistown and Selibe-Phikwe. The TSCs will over time provide integrated service centres for many of the transactions which taxpayers must conduct with BURS such as filing of returns and payment of taxes. In doing this, BURS, with the backing of the Board, is enhancing its capacity to provide an integrated and value adding service to taxpayers. International experience has demonstrated that revenue agencies which invest in service delivery enjoy the highest levels of voluntary compliance and corresponding revenue collections.

Revenue Accounting Responsibilities

In accordance with provisions of the Act, BURS successfully took over revenue accounting responsibilities from the Accountant General with effect from 1 April 2007.

ICT Strategy

ICT is a crucial aspect of any forward thinking organisation. BURS is committed to embracing the changes that increased and

more expansive use of technologies in Botswana can bring about. BURS aims to achieve electronic interaction with self-assessing corporate taxpayers by the end of the Strategic Plan period (March 2009). The first step for BURS has been to establish its own IT Division and to rely less on the Government's Department of Information Technology which had hitherto provided IT personnel and equipment to it. During 2006/07, BURS benefited from technical assistance from the European Union and the United States Treasury Department in assessing its ICT needs. The development of an integrated ICT strategy commenced during 2006/07 with external consultants expected to be engaged in early 2007/08 to help BURS map out its IT best direction, in line with its needs and resources.

Revenue Laws

During the year under review, the Income Tax (Amendment) and the Value Added Tax (Amendment) Acts were passed by the National Assembly, and came into force from 1 July 2006. The Income Tax Act was amended to levy 10% withholding tax on interest incomes; tax capital gains; increase the personal tax threshold; reform the tax treatment of BDC Group of Companies and to expand IFSC activities qualifying for low rates. On the other hand, the Value Added Tax Act was amended to extend the list of exempt goods and services and the list of zero-rated goods and services.

Technical Assistance

BURS has continued to benefit from the provision of technical assistance funded and provided by two of Botswana's major development partners: The European Union and US Treasury continues to support BURS through secondment of technical Advisors. This assistance has been of crucial importance during 2006/07 in ensuring that BURS puts in place, within the resources available to it, the best structures and facilities to support the longer term objective of tax administration reform. In addition, BURS has benefited from the provision of specific short-

term assistance funded by the EU in areas of financial and administration procedure integration, and the development of ICT policies and procedures.

The United States Department of the Treasury partnered with the Ministry of Finance and Development Planning for the third consecutive year in providing specialised technical assistance to BURS. Areas which have benefited from this assistance include audit training, human resources development, executive leadership, internal ethics and investigations. The World Customs Organisation assisted BURS by undertaking a diagnostic review to assess Botswana's ability to undertake changes required as part of Botswana's commitment to WCO Framework of Standards to Secure and Facilitate Global Trade.

On behalf of the Board, I would like to record our appreciation of the continued assistance to BURS by these valued development partners.

Conclusion

Despite a number of challenges, the Board is pleased to be able to report that 2006/07 has been a success – the Revenue Collection Target was exceeded substantially, the Strategic Plan commenced implementation and BURS has assumed responsibility for all tax revenue accounting. This can be attributable to the determination of everyone involved in BURS and their individual contributions to the organisation's success. The challenges to be faced by BURS over the next and coming years will be as great, if not greater, but I am confident that BURS will be able to meet and overcome them.



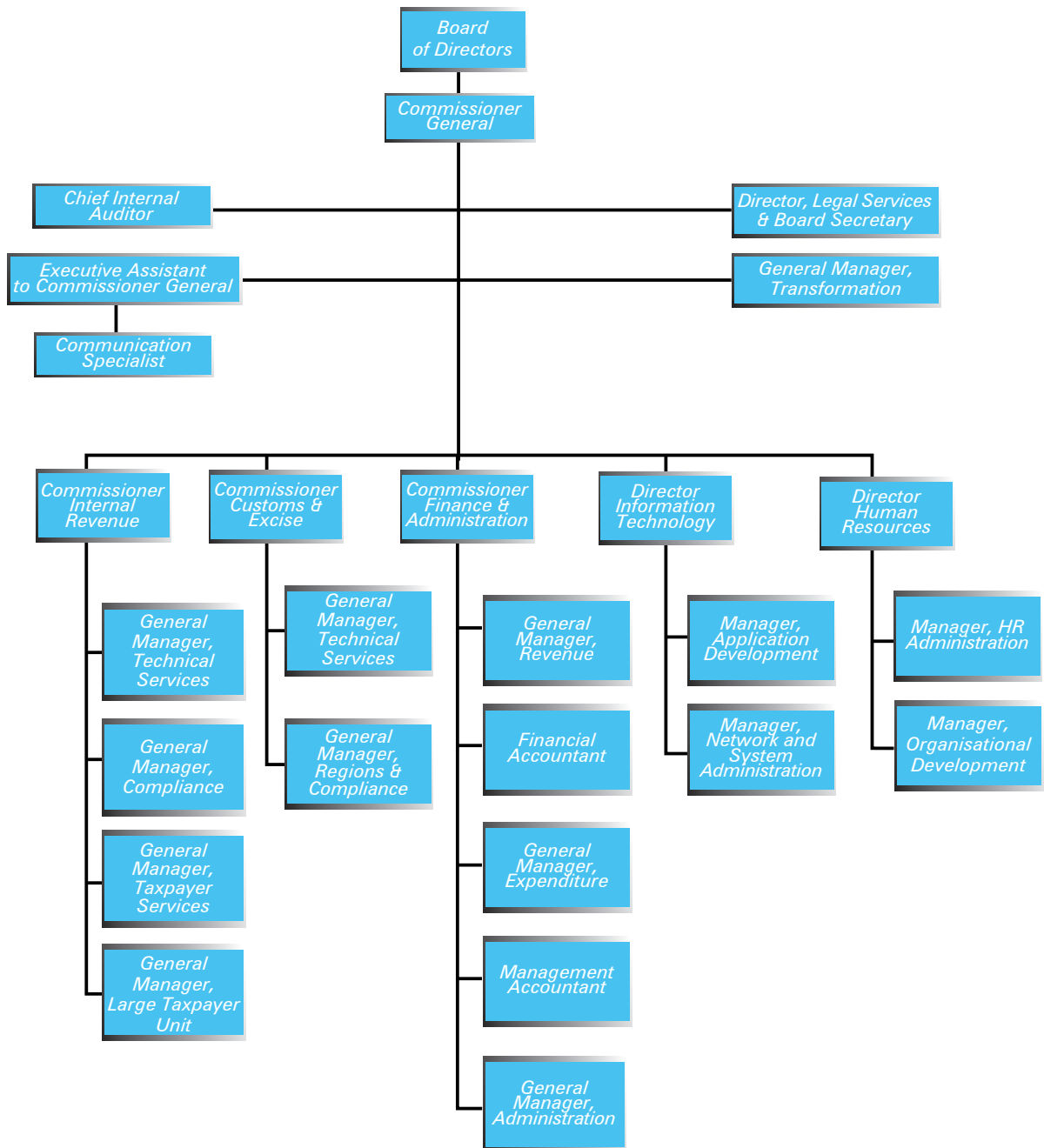
Dr T Nyamadzabo
BOARD CHAIRMAN



BURS is committed to improving national security.

Corporate Governance

The following diagram presents BURS's organisational structure.



The Board Members are appointed by the Minister of Finance and Development Planning, in accordance with section 6 of the Botswana Unified Revenue Service Act 2003 (No. 17 of 2004). The Board meets at least four times in a year pursuant to its statutory mandate to ensure proper and effective control of the Revenue Service's operations and to carry out periodic evaluation of the Revenue Service's operational performance.

The BURS Board for the year was constituted by the following members: □

<i>Member</i> □	<i>Position</i> □	<i>Date and period of appointment</i> □	<i>Comment</i> □
<i>Dr. T. Nyamadzabo</i> □	<i>Chairman</i> □	<i>Ex-officio</i> □	<i>Appointed with effect from 1st August 2007</i> □
<i>Mr. W. J. Mandlebe</i> □	<i>Ex-chairman</i> □	<i>Ex-officio</i> □	<i>Resigned on 31st July 2007</i> □
<i>Mr. B. O. Gaobakwe</i> □	<i>Vice-Chairman</i> □	<i>July 2004 – 30 June 2008</i> □	
<i>Ms. N. M. Masisi</i> □	<i>Ex-member</i> □	<i>July 2004 – 30 June 2007</i> □	<i>Replaced by Mr. Laletsang with effect from 1st July, 2007</i> □
<i>Ms. S. T. Morolong</i> □	<i>Member</i> □	<i>July 2004 – 30 June 2008</i> □	
<i>Mr. K. Laletsang</i> □	<i>Member</i> □	<i>July 2007 – June 2010</i> □	<i>Appointed with effect from 1st July, 2007</i> □
<i>Mr. J. Y. Stevens</i> □	<i>Member</i> □	<i>July 2004 – 30 June 2008</i> □	
<i>Mr. D. N. Loeto</i> □	<i>Member</i> □	<i>July 2004 – June 2007</i> □	<i>Re-appointed with effect from 1st July 2007</i> □
<i>Mr. F. Modise</i> □	<i>Member</i> □	<i>Ex-officio</i> □	
<i>Ms. C. O. Ross</i> □	<i>Secretary</i> □	<i>Ex-officio</i> □	

Attendance at Meetings & Remuneration of Board Members

Section 14(2) of the BURS Act provides that the Board should meet at least four times a year for purposes of transacting BURS business. During the reporting period, the Board met five times. In addition, Board Members make annual declarations of interest and assets at the beginning of every year and also at every sitting, members make a declaration of interest on matters before them. The Board adheres to best practice as stipulated in the Revenue Service's founding legislation (the BURS Act), common law provisions on Corporate Law and internationally set and accepted standards on the observance of sound corporate governance.





Board Committees

Section 15(1) of the BURS Act empowers the Board to appoint committees. The Board may delegate any of its powers, functions or duties under the Act to the appointed Committees. The Committees may be of a general or special nature, consisting of members whose with such qualifications, may be prescribed by the Board.

The specific Committees as may be appointed have defined mandates:

1. Board Audit and Finance Committee

This Committee, comprises four members. It is chaired by Mr. B. O. Gaobakwe with Mr. J. Y. Stevens, Mr. G. Dobo and M. Lesokola being other members. The principal mandate of the Committee is:

- 1.1.1 To consider the financial performance of investments and prepared budgets before consideration, adoption and approval by the Board.
- 1.1.2 Review financial statements with external auditors prior to approval by the Board.
- 1.1.3 Ensure the effectiveness of the Internal Audit function.
- 1.1.4 Ensure the carrying out and effectiveness of the annual statutory audits.
- 1.1.5 Co-ordination of the internal and external audit coverage.
- 1.1.6 Review current accounting policies and guide on amendments thereto, and generally oversee systems of internal controls and their effectiveness.

In observance of good corporate governance, the Internal and External Auditors have unrestricted access to the Committee.

1.2 Board Tender Committee

The Committee is chaired by Mrs. S. Morolong with Mr. D. Loeto and Ms. O. Zikhwa as the other members. The responsibility of the Committee is the adjudication of tenders in respect of the procurement of goods and services around and over P1, 000,000 and above, and also to deal with matters incidental to procurement.

1.3 Board Human Resources Committee

The Board has appointed the Board Human Resources Committee comprising four members. The Committee is chaired by Mrs N.M. Masisi with Mr. D. Loeto, Mr S. Meti and Mrs S. Morolong as members. The responsibility of this Committee is to deal with recruitment of senior members of staff, remuneration of all BURS staff and advise the Board on all staff welfare and human resources related matters. The Board has approved the Terms of Reference of the Committee which guide its operations and mandate.

1.4 Ad hoc Committees

Other Committees may include Ad hoc Committees. These may be appointed to consider specific issues before submission to the Board for a final decision. The Terms of Reference of such Committees are determined by the Board.

2. Internal Audit

The Internal Audit function assists Management, the Board and the Board Audit and Finance Committee by reviewing BURS's activities, ensuring protection of its assets and advising on issues of corporate governance. Internal Audit submits its reports, findings and recommendations for improvements to Management. It also reports on a quarterly basis to the Board Audit and Finance Committee on significant issues and observations.

3. Internal Control

The Board Members and Management are responsible for the maintenance of effective systems of internal control. The systems are designed to provide reasonable assurances about the integrity and reliability of the financial statements and other operational information as provided.

Approval of Annual Financial Statements

The Financial Statements of the Revenue Service were approved by the Board on the 9th October 2007 and were accordingly signed by the Commissioner General and the Board Chairman on behalf of BURS.



Tax revenues contribute to the provision of safe road usage.

Commissioner General's Report



Mr. Freddy Modise
Commissioner General

The operational review report for BURS covers the period of 1st April 2006 to 31st March 2007. The revenue collected by BURS during 2006/07 was P15.8 billion. This includes revenue amounting to P52.7 million (0.33%

of total revenue collected), which BURS collected on behalf of other Government agencies. BURS Management is proud to report that the collected revenue exceeded actual revenue collected in 2005/06 by P4 billion or 33.9%. In achieving this, BURS has delivered on its statutory mandate to the Government of Botswana, and the people of Botswana.

The achievement is more remarkable in that it came against a backdrop of low business confidence in the Botswana economy and Government's decision to reduce both income tax and value added tax collected. Amendments to the Income Tax Act (increasing the personal threshold to P30,000) and the Value Added Tax Act (extending zero-rated and exempt supplies) reduced the total revenue collected by at least P240m. In addition the Government remitted P17.3 million of the tax that was to be paid by the Botswana Meat Commission. The cumulative effect was to forgo a total of P257 million in 2006/07 tax year.

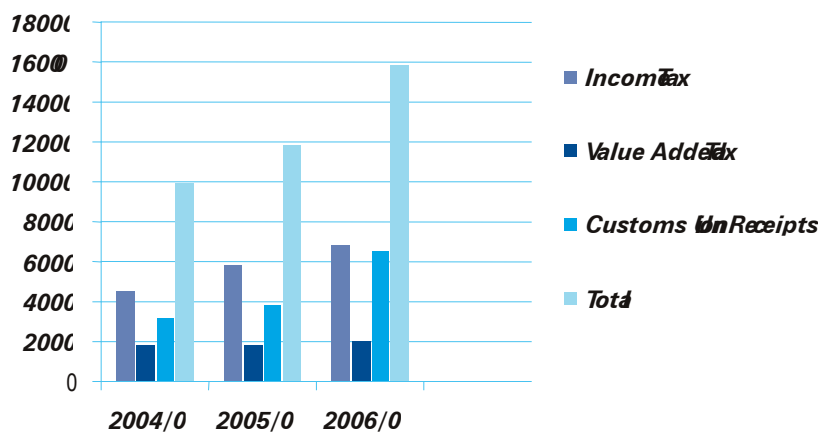
Table 1: Total Revenue Collection

Revenue type	2005/06	2006/07	Increase/	% Increase/	% Collection of	
	Actual Collections (P)	Actual Collections (P)	Decrease (P)	Decrease Variation (P)	2005/06	2006/7
A (Tax Revenue)						
Income Tax	5,898,256,992	6,875,102,173	976,845,181	16.6	49.9	43.5
Value Added Tax	1,872,893,674	2,110,702,969	237,809,295	12.7	15.8	13.3
Fuel Levy	114,840,336	135,480,581	20,640,245	18.0	1.0	0.9
Customs Union Receipt	3,929,847,765	6,610,484,366	2,680,636,601	68.2	33.1	41.7
Other Tax Revenue	6,447,126	82,611,428	76,164,302	1181.4	0.1	0.5
Sub Total	11,822,285,893	15,814,381,517	3,992,095,624	33.8	99.6	99.7
B (Non-Tax Revenue)						
Revenue for other Agencies	44,490,849	52,779,710	8,288,861	18.6	40.00%	0.3
Sub Total	44,490,849	52,779,710	8,288,861	18.6	40.00%	0.3
Grand Total	11,866,776,742	15,867,161,227	4,000,324,485	33.7	100.0	100

As noted the total tax collected was P15.8 billion. This comprised of P6.9 billion Income Tax, P2.1 billion Value Added Tax, P130 million Fuel Levy, P750, 826 Capital Transfer Tax, P6.6 billion SACU Receipts and P82 million being other tax revenues. This collection compared favourably against P11.8 billion collected in 2005/06 financial year which consisted of P5.9 billion Income Tax, P1.9 billion Value Added Tax, P115 million Fuel Levy, P126, 000 Capital Transfer Tax, P3.9 billion SACU Receipts and P6.4 million other tax revenues (see Table 1). The revenue collected for 2006/07 represents an increase of about 33.8% (P4 billion) compared to the 2004/05 increase of 19%. The consideration by each major source of the revenue for the three years period is depicted in Chart 1 below.

- a system of intelligence gathering and investigation of high risk cases has been put in place;
- continued audits will be maintained to help determine the legitimacy of the declared information, including levels of income and expenditure, and the viability of businesses that declare losses;
- BURS is considering areas where withholding or a presumptive tax may be introduced to curb non-reporting of rental incomes or taxation of transport operators, training of potential taxpayers not registered as taxpayers,
- ensuring that the tax returns are filed and tax liabilities paid.

Chart 1: BURS Revenue Collections (P. Millions) 2004/05-2006/07



Tax Gap

The increase in tax revenues has to match the enhanced economic activities. Currently, BURS is faced with the challenge of collecting all tax revenue from potential sources.

To address this challenge:

- concerted efforts continue to be made to detect the under reporting of incomes;

Strategic Plan

The year 2006/07 marked the first year of implementation of the BURS Strategic Plan 2006/09. The Plan, with its 10 Strategic outcomes, sets the future direction of revenue administration in Botswana over the next three years. The public should therefore

expect to see a move towards service-oriented organisation. This is all intended to reduce the compliance costs by making it easier for taxpayers to voluntarily comply with the provisions of the Revenue Laws. The first year of the Strategic Plan has seen the start of changes in the way BURS delivers its service. Strategic initiatives which commenced in 2006/07 include the following:

Revenue Accounting Responsibilities

BURS achieved a significant milestone in its establishment process at the end of 2006/07 by assuming responsibility from the Department of the Accountant General, for the collection and accounting for all tax and customs revenues in the country. This achievement was made following BURS's partnership with a commercial bank which acts as a collection agent. A reconciliation system was also co-operatively developed. VAT tax refunds over P5000.00 are paid by BURS through the Banking system. Once BURS is furnished with the banking details of the taxpayers, the VAT tax refunds will be paid into the accounts of payers.

BURS Funding

BURS continues to receive its funding principally by way of a subvention from the Government of Botswana, which is payable quarterly. However, as BURS becomes more fully established and implements independent financial policies and procedures, it will explore with the Government the best funding arrangement to put in place.

Revenue Collection to Cost Ratio

The measurement of the performance or effectiveness of a revenue agency is not an easy task, as many intangible factors must be taken into account. The cost to collection ratio (CTC ratio), which measures the cost of collecting the revenue, based on BURS's operating and development costs, and the

actual revenue collected by BURS, is a useful baseline indicator. For 2006/07, the CTC ratio was 1:113.0 compared to 1:107.9 in 2005/06. While this is a welcome improvement, efficiency should be evaluated taking into account a number of factors, such as international standards, levels of operational expenditure and economic performance of the country. For this reason, the CTC ratio should be interpreted carefully.

First, the BURS CTC ratio is generally lower than relevant international benchmarks. Second, operational expenditure by BURS for its Strategic Initiatives was low in 2006/07 as many of its initiatives were either in or at the planning or procurement phase. In 2007/08, many projects, including on-going transformation activities, will come on stream and therefore directly increasing BURS expenditure. Third, the CTC ratio reflects the staffing costs incurred primarily before the introduction of the BURS improved remuneration. The 2007/08 financial year will be the first full year of higher remuneration which may impact negatively on the CTC ratio. Fourth, the revenue collection was bolstered by adjustments from the SACU pool (which may not be repeated in the future) that distorted the CTC ratio in the direction of cost-effectiveness. Fifth, the general impact of the performance of the economy on revenue collections may influence the CTC ratio much more than BURS's operational efficiency.

Going forward BURS anticipates that the CTC ratio will rise, as a result, for example of the recruitment of skilled and appropriately qualified employees as BURS becomes competitive in the local market for the limited skills, and more capital-intensive strategic development projects, such as ICT system enhancements, come into line.

Valuation of Assets

In February, 2006, Government formally vested fixed assets consisting of motor vehicles, computers, furniture, office equipment, border post buildings and office buildings into BURS. The International Financial Reporting Standards (IAS16) require that the residual values of the fixed assets, for purposes of calculating depreciation, be reviewed on an annual basis and appropriate steps taken to reassess the depreciation charge. Accordingly, the transferred fixed assets were valued by an independent professional consultancy during 2006/07. For this reason, BURS will be able to comply with the International Financial Reporting Standards in terms of the calculation of the depreciation charge in respect of the 2006/07 accounts, as well as for the ensuing years.

Section 31 of the BURS Act: Remission of Taxes

Section 31 of the BURS Act provides that the BURS Board may recommend to the Minister responsible for Finance the criteria or factors by which any exemption, mitigation, deferment or remission of any tax may be granted, and procedures to be followed in granting any exemption, mitigation, deferment or remission of any tax. BURS is developing capacity to ensure that, where circumstances merit a recommendation, it is able to work with the Tax Policy Division in the Ministry of Finance and Development Planning to allow the Board to make such recommendations to the Minister.

Border Post Facilities

Following the formal transfer of the border posts from the Government to BURS, BURS will implement a programme to refurbish, improve and maintain the facilities, with the principal focus being on the business needs of travellers, taxpayers and traders who use the border posts. As well as rolling out the improvement and maintenance programme, BURS will, in 2007/08 recruit appropriately experienced employees who will assist BURS in maintaining their border posts and offices.

Cooperation with Law Enforcement Agencies

BURS has adopted a strategy of forging operational links with other Law Enforcement Agencies including the Botswana Police Service and the Directorate on Corruption and Economic Crime, to combat incidents of tax evasion and wilful non-compliance. Through such partnerships, it is hoped that a number of cases will be successfully investigated.



Tax revenues contribute to the provision of education for Batswana.

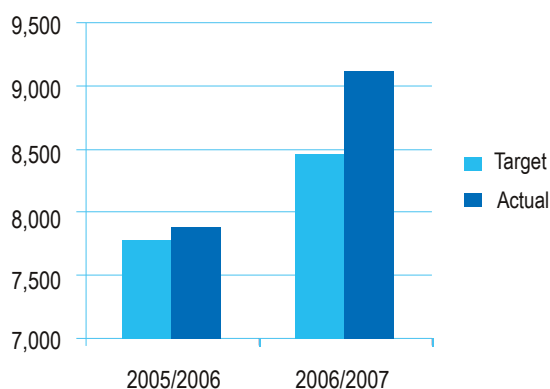
Internal Revenue Division

The Internal Revenue Division (IRD) is charged with the responsibility for the assessment and collection of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax. The Division's revenue targets exceed two thirds of the total revenue collection by BURS.

Overall Internal Revenue Collection Performance: 2006/07

The IRD collected P9, 121.3 million in 2006/07 compared to P7, 886 million in 2005/06. The collection exceeded the target of P8 455.4 million by P665.9 million or 7.9%. The improved performance is due to the growth in the economy, increased audits by BURS, increased filing rates as well as new compliance strategies in dealing with debt. The actual internal revenue collection in 2006/07 exceeded actual revenue collection in 2005/06 by 15.7% or P1 235.30 million. The following Chart presents a comparison of the actual revenue performance against targets for 2005/06 and 2006/07.

Chart 2: Comparison of Revenue Performance against the 2005/06 and 2006/07 Target (Billions of Pula)



Internal Revenue Collection Performance for 2006/07 by Tax Type

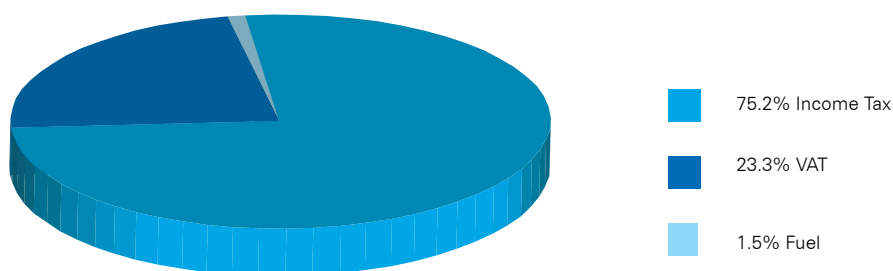
The actual Internal Revenue collection broken down by tax type is as depicted in Table 2. The revenue streams are Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax. The actual collections in 2006/07 for all the tax types depict a favourable outturn against targets. The actual revenue collected in 2006/07 exceeded the targeted revenue collection for 2006/07 by P665.9 million or 7.9%.

Table 2: Internal Revenue 2006/07 Revenue Collection by Tax Type

Tax Type	Revenue Collection Target (RCT) (Pula)	Actual Revenue Collected (Pula)	% Variation against RCT
Income Tax	6,336,853,000	6,874,332,256	7.73
Value Added Tax	2,018,427,870	2,110,702,969	4.6
Fuel Levy	100,000,000	135,480,531	35.0
Capital Transfer Tax	126,000	750,527	511.9
Total	8,455,406,870	9,121,266,333	7.9

In terms of the tax type analysis, the Income Tax revenue makes the bulk of the collection at 75.2%, followed by the Valued Added Tax at 23.3% and the rest is contributed by the fuel levy and capital transfer tax at 1.5%. Chart 3 below shows contributions by tax type.

Chart 3 – Tax Type Contributions to the Internal Revenue for 2006/07



Analysis of Performance by Tax Type – 2006/07

Income Tax

The Income Tax revenue comprises both non-mineral and mineral income taxes. The non-mineral Income Tax is made up of the personal income tax, corporate self-assessed income tax, dividend tax and other withholding taxes. Mineral income tax revenue includes the corporate self-assessed Income Tax paid by mining companies (including Debswana).

As shown in Table 3 below, non-mineral income tax was slightly below target in 2006/07 by P104 million or 3.6%. However, the actual non-mineral income tax collected in 2006/07 was in excess of the actual non-mineral income tax collected in 2005/06 by P645 million or 29.7%. The lower than expected performance for the non-mineral income tax revenue is attributed to the estimated revenue loss of P100 million attributable to the Government's decision to increase the personal tax free threshold from P25,000 to P30,000 and adjustments of the income tax brackets. In addition, the P17.3 million that was to be paid by the Botswana Meat Commission (BMC) was not collected because the tax was remitted by the Government during 2006/07. Mineral income tax exceeded target by P642 million or 18.8%.

Table 3: Mineral Tax Revenue

Income Tax	Revenue Collected 2005/06 (P million)	2006/07 Revenue Target (P million)	Actual Revenue Collected (P million)	Variation from RCT (P million)	Variation from RCT (%)	% Collection of Total Actual Tax Collection 2006/07
Non-Mineral	2,171	2,920	2,816	(104)	(3.6)	41.0
Mineral	3,727	3,417	4,059	642	18.8	59.0
Total	5,898	6,337	6,875	538	8.5	100.0

Comparison of Non-mineral and Mineral Income Tax for 2005/06 and 2006/07

The mineral income tax revenue has always been the predominant portion of the total income tax revenue. The mineral income tax revenue collected in 2006/07 showed an increase of 16.6% compared to 2005/06. This was due to a number of factors including an increase in the value of minerals in Pula terms, increased sales volumes of diamonds and improved international prices for minerals. The contribution of the mineral tax revenue to the total income tax revenue during 2006/07 was 59%, down by 4% when compared to 2005/06.

During the financial year 2006/07, the contribution of the non-mineral income tax to the total income tax revenue was 41.0%, up 4% when compared to 2005/06. This growth reflects both the general growth of the Botswana economy and also increased compliance measures undertaken by BURS. BURS secured 4.6% more tax returns from companies, 29.2% more returns in respect of individuals and 20.6% more PAYE withholding tax returns during 2006/07. BURS expects the non-mineral income tax to continue to grow given government's efforts to diversify the economy and improvement in tax compliance and reduction of outstanding tax arrears.

Income Tax Revenue by Source

The tax source analysis of the income tax collection shows clearly that the major portion of the income tax collection is the Self Assessment Tax (SAT) by companies, which is now fully implemented and operational. The second most significant source of the income tax collection is through the withholding taxes (including PAYE). The remaining income tax collections come from assessments of the non-corporate taxpayers, including individuals running businesses such as farming, real estate and professional services.

The following chart depicts contributions of each income tax source to the overall income tax revenue. Detailed collection figures are shown in Table 4.

Chart 3: Contributions of Each Income Tax Source to overall Income Tax Collections

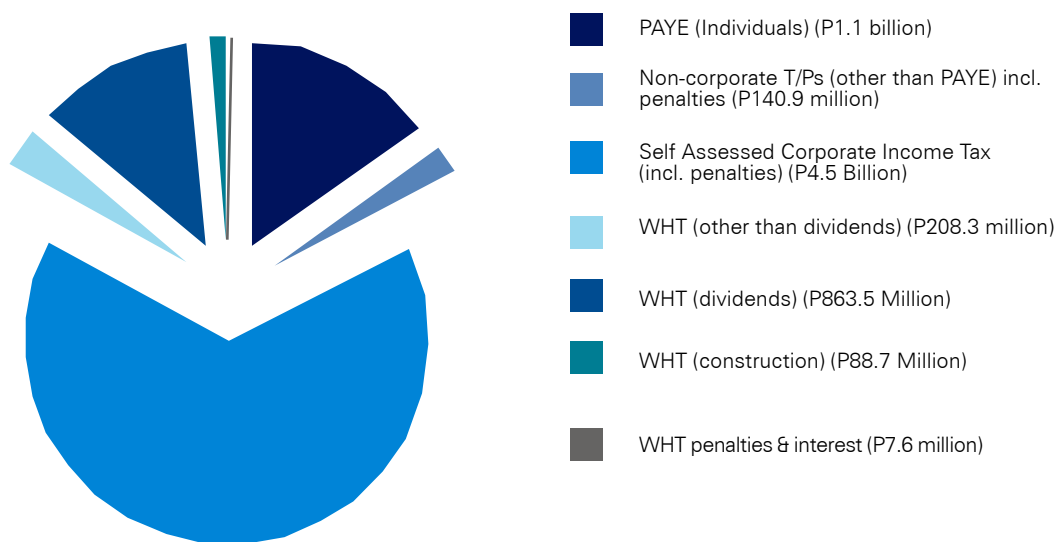


Table 4: 2006/07 Income Tax Source compared to 2005/06

	2005/6 Collections (P)	% of Contribution by Tax Sources to Total Collection 2005/6	2006/7 Collections (P)	% of Collection against total collection 2006/07	% Variation from 2005/07 to 2006/07
PAYE (from Individuals)	1,038,710,655	17.62	1,054,640,673	15.34	1.53
From Non-Corporate taxpayer (other than PAYE) including penalties	111,863,269	1.90	140,939,595	2.05	25.99
From Companies Self Assessment Tax including penalty interest	3,781,666,442	64.11	4,511,442,046	65.62	19.29
Withholding taxes from Interest, Royalties, Management & Consultancy fees and Entertainment fees	120,297,381	2.03	208,315,596	3.03	73.17
Withholding taxes from Dividends (residents and non-residents)	788,152,143	13.37	863,512,833	12.56	9.56
Withholding tax on construction contract payments	54,349,265	0.92	88,688,818	1.29	63.18
Withholding tax penalty interest	3,217,837	0.05	7,562,612	0.11	135.02
Total Income Tax Collection	5,898,256,992	100.00	6,875,102,173	100.00	16.56

Value Added Tax Revenue

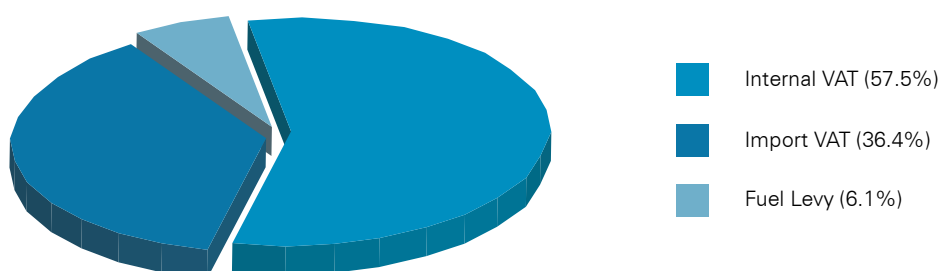
VAT revenue is collected on produced goods and services consumed or used in Botswana and on goods and services imported into Botswana. The collection breakdown for VAT in terms of import and internal consumption is as depicted in Table 5. VAT revenue includes Fuel Levy which is levied on fuels in place of the VAT. During 2006/07, the Value Added Tax Act was amended to exempt from VAT passenger transportation, donations, grants and condoms. Further, basic food stuffs such as millet grain, flour, sugar, maize cobs and Setswana beans were zero-rated. Fertilisers, pesticides and farming tractors were also zero-rated. The VAT revenue loss as a result of expanding the list of goods and services exempted from VAT and zero-rated with effect from 1st July, 2006 was at least P140m.

Table 5: Value Added Tax Revenue Collection

Source of VAT	VAT Revenue Collected					
	Target 2005/2006 (P million)	Actual collection 2005/06 (P million)	Target 2006/07 (P million)	Actual Collection 2006/07 (P million)	Percentage of Actual Collection against Total Collection	
					2005/06	2006/07
Internal VAT	1,160	1,158	1,243	1,277	58.2	57.5
Import VAT	651	715	750	809	36.0	36.4
Fuel Levy	135	115	100	135	5.8	6.1
Total VAT Collected	1,946	1,988	2,093	2,221	100	100

In 2006/07, the VAT collected amounted to P2,221 million, which exceeded the revenue collection target by P128 million or 6.1%. The bulk of the VAT is collected from internal consumption taking place within Botswana, (57.5%), followed by the VAT imposed on vatable imports (36.4%) and the Fuel Levy (6.1%). The breakdown of VAT revenue sources is shown in Table 5 and Chart 4.

Chart 4: VAT by Source



VAT Collections 2006/07 Compared to 2005/06

The combined effects of the higher value of vatable imports and consumption of goods and services, including fuel consumption have contributed significantly to the VAT revenue collected in 2006/07 which was more than the 2005/06 VAT revenue collection by P233.0 million or 11.7%. The internal VAT, Imported VAT and Fuel Levy all recorded increases of 10.3%, 17.4% and 13.0% respectively. The increase in the VAT collected revenue is attributed to the growth in the economy as well as in compliance measures that were undertaken by BURS such as increased audits of the accounts of taxpayers.

Although the economy is expected to expand, the VAT revenue is not expected to increase in direct proportion to the increased economic activity. A significant proportion of the increase in economic activity is export driven (for example in the mining and textile sectors). The growth in Botswana's exports will result in an increase of refunds of the input tax to exporters because exported goods and services, which are not consumed in Botswana, are zero-rated.

Table 6: 2006/07 VAT Collections Compared to 2005/06

Revenue Type	2006/07 Revenue Collected (P million)	2005/06 Revenue Collected (P million)	Variation (P million)	Variation (%)
Domestic Consumption	1,277	1,158	72	6.2
Imports	809	715	104	14.5
Fuel Levy	135	115	14	13.0
Total	2,221	1,988	191	9.6

Income Tax and VAT Returns Filing

The number of income tax returns filed in 2006/07 has increased by 17.2% compared to 2005/06 as depicted in Table 7 below. The tax returns filed in any financial year include some returns for the previous tax years as a result of the BURS pursuit of tax filers. The filing of past tax returns contributes to the filing compliance rates of the appropriate tax years. The increase in the number of tax returns filed in 2006/07 is due to increased efforts by BURS to ensure that potential taxpayers are registered for tax, and are therefore within the tax net, and ensuring that, after registration, taxpayers comply with the filing provisions of the Revenue laws.

Table 7: Number of Income Tax Returns Handled in 2006/07

Taxpayer Type	Taxpayer Subtype	Number of returns filed for 2005/06	Number of returns filed in 2006/07	% variation
Companies	Resident	16,067	16,863	4.95
	Non-resident	184	142	(22.8)
Sub-Total (1)		16,251	17,005	4.6
Individuals	Business & farming	95	94	
	Business only	12,297	13,002	
	Farming only	435	444	
	Non-business & non farming	52	3,106	
Sub-Total (2)		12,879	16,646	29.2
Partnerships		87	212	143.7
Trusts		-	-	-
PAYE Withholding		14,186	15,510	9.3
Other Withholding Taxes		927	1,120	20.8
Charitable Organisations		29	1,517	5131.0
Income Tax Total		44,359	52,010	17.2

With respect to VAT returns, there has been an increase, as shown in Table 8 below, in the number of returns filed owing mainly to new registrants. The decline in returns with respect to companies with monthly turnover in excess of P1 million is mainly due to the cleaning up of the VAT register, with companies that do not meet the P12 million turnover per annum threshold being classified as having a turnover below P12 million per annum.

Table 8: Number of VAT Returns Processed in 2005/06 and 2006/07

Taxpayer Type	Number of returns filed in 2005/06	Number of returns filed in 2006/07	% Variation
Companies with monthly Turnover in excess of P1million	5,483	5,439	(.8)
Companies with monthly Turnover of less than P1million	46,250	51,503	10.1
Total Returns	51,733	56,942	9.1

Compliance Performance

The compliance rate measure takes into account the number of returns in the BURS register mailed to taxpayers against those received back from the taxpayers for processing. The Income Tax returns that have been filed for the year ended 31st March, 2007 were 52,010 as opposed to 44,359 for the year ended 31 March, 2006. The VAT returns that had been filed for the year ended 31 March, 2007 were 56,942 as compared to 51,733 for the year ended 31st March 2006. Thus, there has been improvement in reaching out to taxpayers.

Challenges in increasing the Compliance Rate

BURS faces challenges in securing a 100% Compliance rate due to a number of reasons:

Database

Change of addresses by taxpayers without notifying BURS, closure of businesses and change of employment has made it difficult to keep records or details of taxpayers. During the year under review, BURS has sought to establish the correct number of registered taxpayers with a view of computing the correct compliance rate.

Extension of Time Limits

In 2006/07, BURS received 1410 applications for extension of time limits to file tax returns in respect of income tax from corporate entities and only 399 were approved. The rest of the applications were declined as they failed to meet the litmus test of a just cause. BURS had also received 169 requests for extension of time limits from individual taxpayers which were granted and 359 applications for extension of time limits to file VAT returns of which 324 were approved. There is an assumption by taxpayers that time limits for filing tax returns will always be extended willy-nilly. This mindset makes filing compliance difficult to achieve.

Change of Accounting Years

Again in 2006/07, a total of 965 companies informed BURS that they had changed their accounting year periods. Taxpayers are entitled under the Income Tax Act to an automatic extension to submit tax returns, if they change their accounting years. The change in the accounting years delays the final submission of the tax returns with the results that outstanding tax liabilities are paid late. Further, the changing of accounting periods impacts negatively on compliance rates.

Inactive Taxpayers

BURS is faced with many inactive taxpayers in its database. Taxpayers that have ceased operations, died or migrated can only be de-registered after BURS confirms that the concerned taxpayers no longer exists. If the investigations show that the taxpayers are in fact still trading or economically employed, they will be pursued to file tax returns.

Penalties and Interest

In cases where taxpayers fail to comply with their obligations such as failure to file tax returns and pay taxes, non compliance attracts statutory penalty, and/or interest charges. Penalties and interest charges collected in the year 2006/07 amounted to P21.5m in respect of Income Tax and P22.7 million in respect of VAT as against P22.6 million for VAT and P22.0 million for Income Tax in 2005/06. The reduction in the collection of penalties and interest could be due to the BURS compliance strategy of ensuring that tax returns and tax liabilities are filed and paid respectively in accordance with the provision of the revenue laws.

Tax Clearance Certificates

Tax Clearance Certificates (TCC) are required as part of Government tendering process and/or precedures. Companies are required to prove that they have complied with the provisions of the Revenue Laws to qualify for the award of Government tenders. BURS issued 4 817 TCCs in 2006/07 compared to 1 546 in 2005/06. During the year under review, BURS rejected 469 applications because the applicants were not fully compliant with the provisions of the Revenue Laws. The intention now is to computerise the issuance of the Tax Clearance Certificates in an endeavour to curb possession of Tax Clearance Certificates not issued by BURS. Tax Clearance Certificates issued through the computer would be verified by BURS quickly and easily.

The total revenue collected from taxpayers who sought TCCs in 2006/07 was P7.5 million (Income Tax P3.3 million and VAT P4.3 million). The collection represents a 115% increase over the 2005/06 revenue of P3.0 million.

Table 9: Tax Clearance Certificates

Year	No. of TCC applications			Collected (P)
	Rejected	Total	Revenue	
2005/06	1,546	216	1,762	3,402,719
2006/07	4,817	469	5,286	7,575,870

Debt Management

One of the greatest challenges for any tax administration is the management of tax debts. IRD has implemented a number of strategies to keep the tax arrears under control, including enhanced management of tax debts so that enforcement action, as required, is undertaken as soon as possible after the debt becomes due. Enforcement methods include agreeing payment plans with taxpayers, issuing garnishee orders and court actions by obtaining enforceable judgements, which permit the attachments of assets with a view to disposing off of the assets to liquidate the outstanding tax liabilities.

As illustrated in Table 10 below, the 2006/07 total tax liabilities stand out at P823.4 million (including penalty and interest charges for late payment etc) compared to P649.2 in 2005/06. This means that the tax arrears increased by P174.2 million or 26.7%. The income tax arrears account for 64.7% of the total arrears.



Table 10: Tax in Arrears as at 31st March 2007

Type of Tax	Arrears as at 1st April 2006 (P)	Tax charges During the Year (P)	Total Collections Discharges & Remissions at 31st March 07 (P)	Total Arrears as at 31st-Mar-07 (P)
Income Tax	421,405,006	2,453,664,960	2,322,062,963	553,007,003
VAT Imports	227,758,602	155,735,630	113,142,566	270,383,870
TOTAL	649,163,608	2,609,400,590	2,435,205,529	823,390,843

The net income tax arrears as at 31st March 2007 stood at P533 million compared to P421 million in 2006 which means that income tax arrears had increased by P112 million, or 26.6%. Arrears amounting to P468 million are attributable to five taxpayers and have not been paid because the taxpayers are disputing the tax assessments and have lodged appeals with either the Board of Adjudicators or the High Court. Almost half of the P468 million amount comprises penalty and interest charges for late payment etc. Until appeals are determined, it is not clear whether the outstanding tax arrears in respect of the four taxpayers are collectable or not. The additional income tax liabilities accumulated during the year amounted to P2,453.7 million while the total reduction through collections, discharges and remissions of the income tax during 2006/07 was P2,322.1 million.

VAT arrears at 1st April, 2006 were P227.8m. Additional VAT liabilities accumulated during the year amounted to P155.7 million. The total reduction of VAT arrears during the year was P113.1 million. The net VAT liabilities as at the end of 2006/07 were P270.4 million, which means that the VAT arrears had increased by P42.6 million or 19%.

In order to address the growing arrears situation, BURS is challenged to adopt new strategies with a view to reducing tax arrears. It may become necessary for BURS to pursue the taxpayers through court processes and contracting independent 3rd parties to assist BURS to collect the outstanding tax arrears. Meanwhile BURS is strengthening its legal services capacity in order to assist in taking advantage of the provisions of the tax law to deal with the problem of the arrears.

Tax Refunds

VAT refunds are generated in three main ways - by a business having principally an export market (e.g. mining and textiles), by supplying goods and services which are zero-rated in Botswana (such as millers of grains) and any business having a fluctuating or cyclical market. About 50% of the VAT claims were paid to exporters. Non-exporters such as suppliers of zero rated goods and services also claimed a significant portion of the VAT refunds. A total of P906.2 million tax refunds were paid to taxpayers in 2006/07 (i.e. income tax P197.6 million and Value Added Tax P708.6 million), representing a 21.4 % increase from the 2005/06 figure of P746.4 million. The number of refunds processed was 3,546 and 5,879 for income tax and VAT respectively. For Income Tax, sectors which attract significant numbers of refunds are the construction industry and the farming community (farming is predominately loss making and incurred losses are off-set against other sources of income such as employment). These refunds may be a result of tax planning as it is unclear how companies can remain in business with huge debt overhang.

The challenge for BURS is to process applications for refunds on a risk basis to ensure that taxpayers with legitimate refund entitlements are not inconvenienced, whilst refund claims which suggest risk by being incorrect or exaggerated are identified through scrutiny and audit.

Appeals and Objections

Objections and Appeals proceedings are an integral part of any revenue administration and BURS is no exception. Table 11 illustrates the status of objections and appeals received by IRD during 2006/07. A total of 10 objection letters were received in respect of income tax assessments and amended assessments following audits, out of which four were settled, leaving six objections and appeals to be disposed of in accordance with the provisions of the Revenue laws. There were nine objections and appeals in respect of VAT assessments (following audits) of which seven were settled during the year under review, leaving two VAT objections and appeals outstanding. During the same period, twelve appeal reports (ten Income Tax and two VAT) were prepared and lodged with the Board of Adjudicators.

Table 11: Number of Objections and Appeals outstanding as at 31st March 2007

	<i>Lodged during the year</i>	<i>Settled during the year</i>	<i>Pending as at 31st March, 2007</i>
<i>Objections (Income Tax)</i>	10	4	6
<i>Appeals (Income Tax)</i>	10	1	9
<i>Objections (VAT)</i>	9	7	2
<i>Appeals (VAT)</i>	2		2
<i>Total</i>	31	12	19

BURS in 2006/07, constituted a formal panel to consider all appeals to ensure speed, transparency and consistency in the way the appeals are resolved.

Tax Audits and Findings

The importance of audits in a predominately self assessment environment such as Botswana is crucial. In conformity with the global trend, Botswana is speeding up the tax return processing by requiring or allowing certain taxpayers to self-assess themselves and pay the appropriate

taxes simultaneously when they submit their tax returns. Returns are accepted on their face value. However, BURS ensures the validity and accuracy of self-assessed returns through risk profiling and auditing.

In 2006/07, 98 income tax audits and 993 VAT audits were conducted. The audits conducted revealed that record keeping is still a major problem with many taxpayers, especially for small to medium scale enterprises. Common audit findings are; unsubstantiated expenses, falsely claimed expenses, understated incomes, overstated input taxes on purchases and understated output taxes on goods and services supplied.

During the period under review, some special audit projects were undertaken which focused on imported vehicles from outside the Common Customs Area. As a result of the audit, 33 vehicles were impounded for non-declaration and the total amount of P9.8 million (being P6 million for Income Tax and P3.8 million) VAT was collected.

Intelligence and Risk Management Unit

For the period under review, BURS established the Intelligence and Risk Management Section within IRD. The new Unit's mandate is to collect intelligence and undertake all risk profiling. It proactively gathers information from a variety of sources and analyses it to generate trends and associated risks. The Unit also collates information received from third parties, government agencies and members of the public (for example using the tax fraud hotline which is to be installed in 2007/08). The work of the unit will help track all taxpayers who default and provide a database that can be used by most Divisions of the organisation. The Unit works hand in hand with the Audit and Debt Management Units to achieve BURS's ultimate goal of voluntary compliance.

Taxpayer Education

IRD also established a Unit that is dedicated to Taxpayer Education. BURS's aim is to increase voluntary compliance, and Taxpayer Education will play a pivotal role in promoting voluntary compliance. IRD conducts seminars countrywide and issues public notices to assist taxpayers and tax consultants to understand their obligations such as payment of quarterly self assessment instalments, dates for filing tax returns and the provisions of Double Taxation Avoidance Agreements. IRD also provides resource personnel for various invitational seminars conducted by professional organisations and taxpayer associations to clarify legal and procedural issues for improving compliance with the Revenue Laws and procedures.

Taxpayer Assistance Centre (TAC)

During 2006/07, BURS established a dedicated Taxpayer Assistance Centre in the new Headquarters building in Gaborone where taxpayers can access all VAT and Income Tax information from a single office. Consequently, during the period under review, TAC registered 8,568 and 1,685 new Income Tax and VAT registrations respectively. As at the end of March 2007, the taxpayers register depicted 15,577 VAT registrants, 17 128 corporate registrants, 16 259 PAYE and other Withholding Tax registrants and 15 589 Individual and other registrants.



BURS ensures restriction of prohibited goods at places of entry.

Customs and Excise Division

The main responsibility of the Customs and Excise Division (CED) is to assess and collect customs and excise duties and administer statutory controls at various border posts and other points of entry through the effective and efficient implementation of the provisions of the Customs and Excise Duty Act and other pieces of legislation pertaining to the control of imports and exports. In addition, the Division collects fuel levy and Value Added Tax on imports in accordance with the provisions of the VAT Act and other levies under delegated authority in terms of other pieces of legislation such as the Road Traffic and Transport Act.

Performance indicators

The Customs and Excise Division has developed performance indicators as illustrated in Table 12 below. The performance indicators relate to the number and value of seizures, number of reassessments through selectivity, the number of audited declarations, number of passenger movements and vehicle movements at border posts and investigated cases.

Table 12: Performance Indicators for the Customs and Excise Division for 2006/07 Year

Year	No. of Vehicle Movements	Seizures	No. of Investigated cases	No. of declarations audited	No. of Export declarations	No. of Import declarations	No. of passenger movements	Fines and admission of guilty deposits	Customs & excise duties collected	Rev. collections & other customs duties
2005/6	1,046,185	258	55	49,615	35,099	595,696	4,180,125	P1,153,410	P150,437,501	P8,061,683
2006/7	1,222,218	601	37	59,079	55,825	600,653	4,470,233	P502,672	P163,141,092	P23,692,047
Variation (%)	16.8	133	(33)	19.1	59.1	0.8	6.9	(56)	8.4	193.8

During the period under review, 600,653 import declarations were processed at different customs offices and border posts and 55,825 export declarations were processed during the same period. The bulk of the declarations were processed at Tlokweng Border Post, Pioneer Gate and Martins Drift Border Posts with few processed at Mohembo and Ngoma Border Posts.

The number of persons who entered and left Botswana at the seven airports and 24 border posts continues to increase as depicted in Table 12 above. Four and half million (4,5 million) persons were cleared at various ports of entry during the 2006/07 financial year compared to four million one hundred and eighteen thousand (4,18 million) who crossed our borders in 2005/06 financial year, an increase of 290,000 or 7%. The increase is attributable to normal growth in passenger trends and the effect of the extension of hours of operation at some ports of entry which occurred during the last quarter of the 2005/06 financial year and the increases in the hours of operation of our major airports namely Sir Seretse Khama Airport, Maun, Francistown and Selibe Pikwe during the 2006/7 financial year. The reopening of the passenger train services between Bulawayo in Zimbabwe and Francistown also contributed to the growth in passenger traffic.

The increases in the numbers of passengers using our border posts challenges BURS to implement modern methods of passenger and cargo processing, upgrade the border infrastructure and mobilise additional resources to ensure that travellers are not unduly

impeded. For this reason, BURS intends, during the 2007/08 financial year, to provide additional manpower to some border posts. Consideration will also be given to extending the hours of operation of Tlokweng Gate and Pioneer Gate Border Posts to ease congestion that is often experienced at these stations.

During the year under review the numbers of cases reported to customs authorities for investigations were 37 compared to 55 recorded during the 2005/06 financial year. The significant drop in the number of cases by 19 or 48 % could be attributed to the reduction in the number of cases of undervalued vehicles which went down because of the deterrent penalties imposed on offenders during the previous year and the arrest of a customs officer who assisted some importers to undervalue their vehicles.

Audits conducted in 2005/06 and 2006/07

A total of 59,079 declarations were audited compared to 49,615 declarations audited during 2005/06 as depicted in Table 13 below.

Table 13: Table of Audit of customs declarations conducted during 2005/06 and 2006/07

<i>Financial Year</i>	<i>Import and Export declarations processed</i>	<i>Declaration audited</i>	<i>Percentage of declarations audited</i>
2005/06	630,795	49,615	7,9%
2006/07	656,478	59,079	9,0%

The audited declarations represent a 19% increase on the previous year and 9% of the total number of declarations processed. The increase is due to the fact that trade flows increased resulting in an increase in the number of declarations processed during the period as illustrated by figures on Table 13. The latter figure closely approximates the target of 10% which the Division had earmarked for the year under review. The target was missed because of inadequate manpower resources. Additional revenue amounting to P23.7m was recovered through the audits compared to P8.1m recovered during 2005/06. This shows an increase of 193%.

BURS intends to setup a dedicated Post Clearance Audit Unit within the Customs and Excise Division during the 2007/08 financial year to coordinate this work. The expectation is that with the Unit established, the scale of audits would be intensified resulting in improved compliance and additional revenue collections.



Table 14: Imports and Exports -2005/06 and 2006/07 (P'000)

Month	Imports (CIF)		Exports (FOB)	
	2005/06	2006/07	2005/06	2006/07
April	1,236,900	1,272,327	1,780,807	711,127
May	1,253,242	1,482,980	1,202,731	2,197,008
June	1,461,090	1,573,861	1,533,644	2,331,065
July	1,333,293	1,504,689	2,442,375	2,513,240
August	1,500,734	1,706,137	2,381,259	2,572,902
September	1,350,704	1,609,854	2,396,599	1,479,406
October	1,410,304	1,656,219	519,255	3,120,005
November	1,509,048	1,818,288	2,886,273	3,099,614
December	1,324,132	1,422,598	1,493,106	1,992,999
January	1,081,584	1,490,354	2,485,889	2,908,144
February	1,248,815	1,572,950	2,523,202	2,912,838
March	1,488,393	1,719,275	1,366,148	3,062,248
Total	16,198,242	18,829,532	23,012,288	28,900,599

External Trade

As shown in Table 14 and further illustrated in Figure 1, during 2006/07 Customs and Excise Division processed a substantially greater amount of imports and exports. Imports declarations worth P18.8 billion were processed in 2006/07 as compared to imports declarations in 2005/06 which were worth P16.2 billion. The value of the 2006/07 imports increased by P2.6bn or 16%. Exports declarations processed by Customs and Excise Division were worth P28 billion while exports declarations for 2005/06 were worth P23 billion as illustrated in Table 14. The value of 2006/07 exports increased by P5.9 billion or 26%. The overall growth in the value of exports is mainly attributable to diamond sales (except during the months of April and September, 2006 where there were no sales) and the undervaluation of the Pula, relative to other currencies.

Figure 1: Trade Balance (billions of Pula)



The figure above shows that, Botswana recorded a cumulative positive trade balance during 2006/07 amounting to P10,07 billion except for April 2006 and September 2006 where trade deficits were recorded. The deficits resulted from the decline in exports of diamonds for the two months.

Southern African Customs Union (SACU) revenue pool receipts

During the year under review Botswana's share from the Common Revenue Pool increased from P3.9 billion to P6.6 billion, which represented an increase of P2.68 billion or 68% over the 2005/06 amount. A significant proportion of the increase amounting to P1,4 billion or 52% resulted from the better than anticipated performance of the common revenue pool receipts which was attributed to the growth of the value of imports and excisable goods into the SACU Area, largely fuelled by rising international commodity prices. Botswana's share from the pool was nearly 16% of the total shares due to be paid to SACU member States during 2007/08.

It is anticipated that the size of the pool will grow in spite of the continued reduction of the average tariffs in the SACU External Tariff resulting from SACU's commitments under the World Trade Organisation (WTO). The lower tariffs will make international commodity prices cheaper and result in increased volumes of imports into SACU.

Agency work performed by BURS Customs and Excise Division on behalf of other Government Departments

The Customs and Excise Division continues to undertake agency work on behalf of other government departments at border posts and airports on account of its permanent presence at these places. It would not be cost effective and perhaps create unnecessary bottlenecks if each of the departments were to deploy their officials at borders posts. The Agency work performed per department is as summarised in Table 15 below.

Table 15: Agency work performed by BURS Customs and Excise Division on behalf of other Government Departments.

<i>Government Department</i>	<i>Area of Control/Type of Goods</i>
<i>Animal Health and Protection</i>	<i>Livestock and Poultry</i>
<i>Botswana Police Service</i>	<i>Arms and Ammunition</i>
<i>Central Statistics Office</i>	<i>Trade Statistics</i>
<i>Coop Production</i>	<i>Food and Plants</i>
<i>Internal Trade</i>	<i>Flour Levy</i>
<i>Road Transport and Safety</i>	<i>Road Transport permits, Road Safety levies and other fees</i>
<i>Water Affairs</i>	<i>Boats and other aquatic apparatus</i>
<i>Wildlife and National Parks</i>	<i>Game Animals and Trophies</i>

Most of this work is currently undertaken for free as it has to do more with implementing statutory controls on the movement of goods whose importation or exportation may be restricted or prohibited. BURS also collects flour levy and Road Transport Permit fees and Road Safety levy fees on behalf of the Ministries of Trade and Industry and Works and Transport in respect of cross-border traffic, respectively. Flour levy is imposed on bread flour which is imported for resale in Botswana and is intended to protect the local Flour milling industry from unfair competition from subsidised exports, whilst the Road Transport fees and Road Safety Levy fees are imposed for purposes of providing revenue for the maintenance of the road infrastructure and road safety campaigns, respectively.

During 2006/07, Customs and Excise Division collected a total of P52.73 million, from these revenue sources compared to P44.47 million for 2005/06 (see Table 16). This represents an 18.6% increase in the total revenue from these sources. The substantial increase in the flour levy receipts is attributable to the general increase in the volume of imports, whilst the moderate increase in the Road Transport fees is consistent with the normal growth in the number of foreign registered vehicles entering Botswana.

Table 16: Revenue collected on behalf of Government Departments

<i>Fee/Levy Type</i>	<i>Amount Collected 2005/06 (Pm)</i>	<i>Amount Collected 2006/07 (Pm)</i>	<i>Variation (Pm)</i>	<i>% Variation</i>
<i>Road Transport</i>	42.90	48.82	5.92	13.80
<i>Flour Levy</i>	1.57	3.91	2.34	149.0
<i>Total</i>	44.47	52.73	8.26	185.7

The collection of these levies and fees places an additional burden on BURS human resources at border posts. BURS has therefore initiated discussions with the Ministry of Works and Transport, whose levies constitute the bulk of the work to introduce a cost recovery element for services rendered. At the time of writing this report, the two parties had exchanged a draft document detailing how the cost recovery measures would be implemented. It is anticipated that details of the agreement will be finalised during the 2007/08 financial year.

Smuggling and non-declaration of goods

Smuggling and non-declaration of imported goods continues to be a major challenge for BURS because such illegal practices deny Government of the much needed revenue for development in the form of unpaid customs duties and Value Added Tax (VAT). The other major concern regarding these types of customs offences is that they impact on the competitiveness of legitimate businesses. Smuggling could also undermine other law enforcement efforts such as the prevention of drug trafficking, money laundering and other serious economic crimes, if left unchecked.

During 2006/07, 601 people were intercepted by customs officials attempting to illegally import goods into Botswana compared to 258 caught during the 2005/06 financial year. This shows an increase of 133% between the two periods as illustrated in Table 17 below. The ASYCUDA selectivity module which is an embedded management tool, has helped a great deal in the selection of suspect consignments which are either physically examined or re-assessed resulting in the recovery of additional revenue.

Table 17: Seizures recorded during 2005/06 and 2006/07

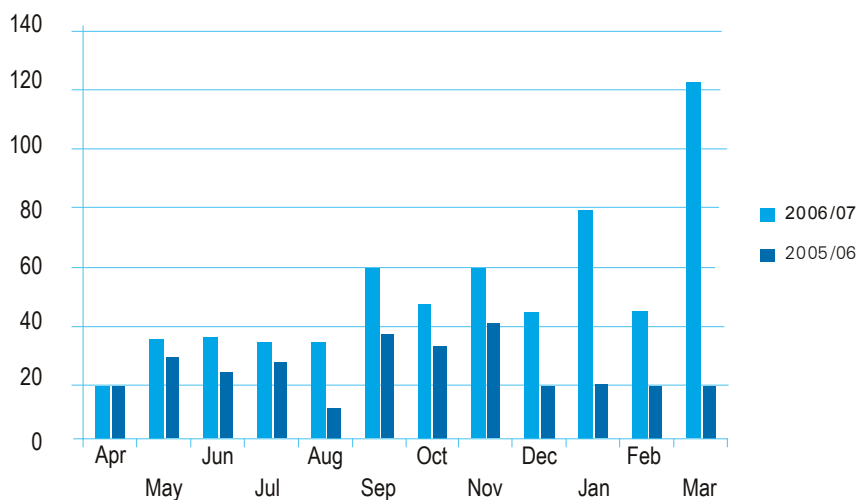
<i>Year</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Ju</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Total</i>
<i>2006/7</i>	18	34	35	33	33	58	46	58	43	78	44	121	601
<i>2005/6</i>	18	28	23	26	11	36	32	39	18	19	18	18	258
<i>Variations (%)</i>	0	26	52	64	200	61	44	49	139	310	144	572	132

Since the beginning of 2006 the Southern Africa region has experienced an upsurge of trade in illegal cigarettes, which mainly originate from Zimbabwe although there is a strong indication that some of the brands are from Europe and Dubai. It has been established that the final

market for the illicit cigarettes is South Africa. This is a serious problem as it is one of the main contributing factors to revenue loss in the region.

The interception of cigarettes smugglers has contributed to the significant increase in the numbers of seizures recorded during the year under review. The cigarettes were illegally imported into Botswana through both gazetted and ungazetted entry points, using various means of conveyance and concealment, such as public transport and train passengers, cargo vehicles, private vehicles as well as fuel tankers with false compartments through Botswana's northern borders. Some of the most significant detections include four consignments comprising 2,7 million cigarettes with a duty and VAT liability of over five million Pula. Cigarettes are subject to substantial excise duty in accordance with the Southern African Customs Union (SACU) tariff. BURS will continue to consult with other similar organisations and law enforcement agencies in the region to address this emergent scourge.

Chart 5: 2006/07 & 2005/06 Seizures



Traffic Patterns

BURS recorded an increase in both vehicular and passenger traffic at border posts and airports countrywide. Vehicular traffic increased by 16.8% and passenger traffic increased by 6.9%. There are substantial differences in traffic levels between the eight principal entry points, which account for 80% of the traffic and the remaining 20% of the traffic at entry points. Maun Airport remains Botswana's busiest airport in terms of passenger movements compared to other small airports country wide. It recorded 57,346 passenger movements for the year 2006/07. The geographic spread of the entry points and the variations between them continue to present operational challenges to BURS in providing an efficient and effective border control regime, which is one of the pillars of a modern revenue and customs administration.

The African Growth and Opportunity Act (AGOA)

Botswana continues to benefit from the provisions of AGOA. For the financial year 2006/07, textile and apparel products exported to the United States of America under the scheme amounted to US\$36.3 million (approximately P221.4 million). However, this was a decrease of 56% from the 2005/06 exports which stood at US\$81.8 million (approximately P498.3 million). The decrease is mainly attributable to the phasing out of textile and clothing quotas

by the WTO, which has resulted in stiff competition particularly from China and other Asian countries. It is anticipated that Botswana will continue to benefit from the scheme particularly with the recent extension of the provision for least developed beneficiary countries to source fabric from third countries. This provision, which was scheduled to expire in September 2007, has now been extended to 2012. Botswana, being a middle income country has been granted a special dispensation to benefit from the scheme.

Botswana/Zimbabwe Trade Agreement

The past few years have seen little activity with regard to the implementation of the Botswana/Zimbabwe Trade Agreement. However, the signing by countries in March 2007 of the amended Agreement, which incorporates cumulation of origin principle between the two countries, is expected to increase the utilisation of the Agreement especially by Botswana manufacturers, because they will be able to source cheap raw material inputs from Zimbabwe.

Table 18: Botswana/Zimbabwe Trade Agreement Trade Figures

<i>Financial Year</i>	<i>Botswana's Imports (P)</i>	<i>Botswana's Exports (P)</i>
2005/06	162,440,740	6,755,584
2006/07	181,334,605	8,906,698

Botswana's Imports under the Botswana/Zimbabwe Trade Agreement increased from P162, 440 million during 2005/06 to P181, 334 million during 2006/07 financial year, an increase of P18, 9 million or 11.6%. Exports on the other hand also increased from P6, 755 million during 2005/06 to P8,907 million during 2006/07, an increase of P 2,2 million or 31.8%

International and Regional obligations

SACU

BURS continues to play an important role in the implementation of the 2002 SACU Agreement mainly by direct participation in the meetings of the SACU Customs Technical Liaison Committee and by playing an advisory role in other SACU Technical Liaison Committees, the SACU Commission and the Council of Ministers.

General Trade matters

The main involvement of the Customs and Excise Division in providing advisory service on trade related customs matters was in regard to the SADC EPA negotiations with the European Union and in the SADC Trade Negotiation Forum. The Division mainly provided advisory service on Rules of Origin in the SADC EPA negotiations. The Customs Division also had representation in the SACU Task Team on Regional Integration and in the SADC Customs Union Task Force, which were established respectively to formulate a SACU Regional Integration Programme and to prepare for the establishment of the SADC Customs Union by 2010.

World Customs Organisation (WCO) matters

By virtue of Botswana's membership of the WCO, the Customs and Excise Division participated in the annual meetings of the main decision making bodies of the WCO namely, the WCO East and Southern Africa Regional Heads of Customs Committee and the WCO Council Sessions in May and June, 2006 respectively. The objective of the WCO Council Sessions was to address topical Customs issues affecting WCO Members States and to enhance mutual cooperation among WCO members at a global level through discussing and making decisions on various strategic measures aimed at facilitating seamless international trade by further simplifying and harmonizing customs procedures.

The WCO Council agreed to assist Member States in carrying out national needs assessment projects during 2007 to enable Member States to negotiate at an informed level at the on-going negotiations at the WTO specifically on trade facilitation. The WCO, the WTO and other international organizations would provide facilitators for the national needs assessment project seminars which would give Customs administrations an opportunity to make the negotiators understand the situation with regard to Customs and border procedures. Further WCO conducted a Diagnostic Study of the Customs and Excise Division to assess its level of preparedness to implement the Framework of Standards aimed at securing global trade in goods. The study was undertaken by Customs Experts from the Swedish Customs Administration.

Organisation of Economic and Cooperation and Development (OECD) and United Nations

BURS attended the Global Forum on Taxation held in Paris in September 2006. This forum provides an opportunity for non-OECD member states to consider issues under discussion at the OECD and allows their participation during the meeting and the workshops that follow the meeting. The Forum provided invaluable opportunity for BURS to expand its knowledge base in the area of international taxation with specific focus on the double taxation avoidance agreements.

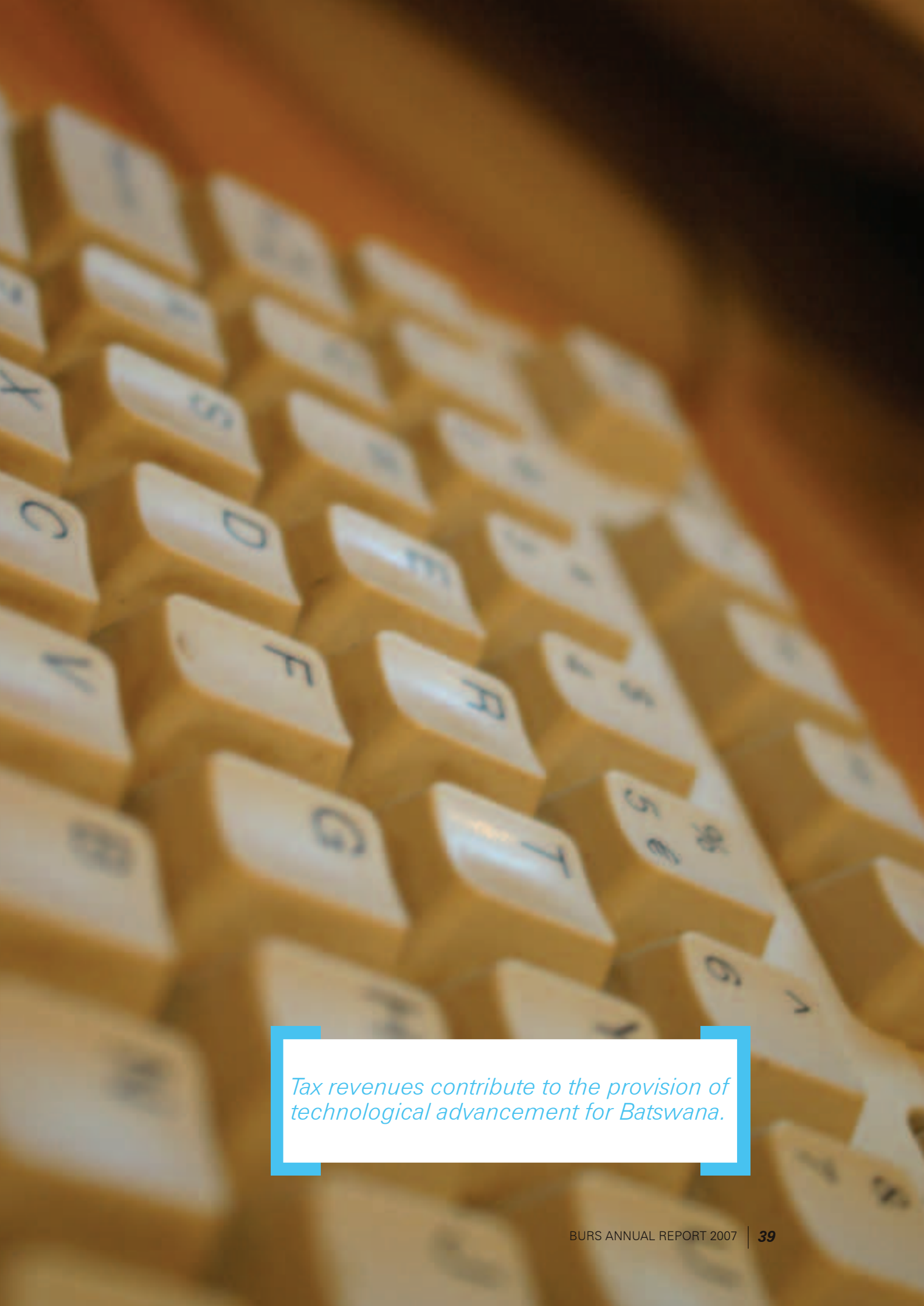
Botswana was also invited as an observer country to the United Nations Committee of Experts meeting held in Geneva, Switzerland in October 2006. BURS attended the meeting which provided a further opportunity for learning and participation in the development of the United Nations Model Double Taxation Convention between Developed and Developing Countries.

Commonwealth Association of Tax Administrators (CATA)

The 2006 CATA technical conference was held in Port Louis, Mauritius. Member states discussed two pre-selected topics at the Conference; "Practical approaches towards ensuring integrity in tax administration" and "Strategies for taxation of the self employment sector". Coupled with the 2006 Conference was the meeting of member states where regional representatives were chosen for each of the CATA regions. For the next three years Lesotho was chosen to represent the Southern African Region which comprises Botswana, Lesotho, South Africa, Swaziland and Namibia.

Double Taxation Avoidance Agreements (DTAAs)

In February 2006, BURS was involved in the negotiation of a DTAA with Mozambique. Negotiations of DTAAs are the mandate of the Ministry of Finance and Development Planning but BURS has been instrumental in assisting this process from a practical and technical perspective.



Tax revenues contribute to the provision of technological advancement for Batswana.

Human Resources Division

Overview

BURS recognises that employees are its greatest asset, and, therefore is committed to their training and development to ensure that they are well positioned to deal with the ever increasing challenges facing the Revenue Service. Some of these challenges include:

- Ensuring that Divisions are adequately staffed with employees with requisite skills and competencies;
- Ensuring that employees are assisted to change from a bureaucratic orientation to a taxpayer aware orientation.
- Inculcating and nurturing a mindset of continuous improvement and hard work within BURS; and
- Concluding transitional issues to steer BURS towards the achievement of its goals.

During the period under review the Human resources Division was able to complete the following projects:

- BURS organisational and pay structures;
- Establishment of the Botswana Unified Revenue Service Employees Pension Fund; and
- Appointment of the Pula Medical Aid as BURS' Medical Aid Scheme.

Organisational and Pay Structure development

Organisational Structure

A team of consultants commenced work in April 2006 to develop the BURS' Organisational and Pay Structures. The process involved an extensive programme of consultation, benchmarking and review of existing information pertaining to how Revenue Services are structured. This exercise resulted in the Board approving a Tax Type Organisational Structure for BURS in September 2006.

The approved structure has created new positions of Executive Assistant to the Commissioner General and General Manager Transformation. The Executive Assistant to the Commissioner General is expected to manage the flow of information in the Commissioner General's office and take responsibility for corporate planning and research. The General Manager Transformation will on the other hand manage the development projects and the change process resulting from the adoption of the Strategic Plan 2006-09 and the strategic activities that BURS will undertake.



Revised Grading and Pay Structure

BURS adopted the Hay Guide Chart Profiling Method of Job Evaluation for grading its positions. Consequently, detailed job profiles were developed and graded using the Hay Job Evaluation. Subsequent to the evaluation of positions, a grade structure was developed. Ten grades were identified and designated BURS 10 to 01, with BURS 10 being the lowest grade. In developing the pay structure, the Revenue Service adopted the median of the parastatal market as its pay policy, benchmarking the maximum of the BURS pay scale for each grade with the parastatal market median.

Recruitment

BURS establishment as at 31st March 2007, stood at 1158, with 1023 employees in post and 135 vacancies. 84 job positions were advertised both internally and externally. As at 31st March 2007 78 employees had taken up appointments, out of which 32 were new employees while the other 46 were internal appointments. Although BURS embarked on an extensive recruitment drive, the vacancy rate did not go down because most of the appointments were made from within BURS. The process to convert all employees to the new organisational structure, and to designate them accordingly, took longer than expected. On completion of the conversion and assimilations, BURS will embark on an aggressive external recruitment programme to fill existing vacancies.

Educational Profiles of Staff

The table below shows a summary of the current educational profile for BURS employees for 2006/07.

Table 19: Current Educational Profile for BURS 2006/07

EDUCATION LEVEL	TOTAL	%
Doctorate	-	-
Masters Degree	27	2.33
Chartered Accountant	5	0.43
Honours Degree	-	-
Degree + AAT	166	14.34
Higher National Diploma	10	0.86
Diploma	186	16.06
Certificate	58	5.01
Basic qualifications	2	0.17
COSC	151	13.04
GCE	81	6.99
Junior Certificate	88	7.60
Others	11	0.95
Vacant not indicated	135	11.66
Unknown	238	20.55
GRAND TOTAL	1158	100

Some officers' qualifications are not known hence a staff skills audit will be conducted in the ensuing financial year. BURS is committed to the training and development of its employees. A sum of P5 million has been set aside for staff training. Table 20 provides a summary of the training activities undertaken during the 2006/07 financial year.

Table 20 - BURS staff training during 2006/2007

PROGRAMME OF STUDY	No. of Candidates.
Masters	4
Degree	4 (2 Part-time)
AAT (Part-time)	33
ACCA (Part-time)	10
Short courses (Core Customs and Excise)	80
Short courses (Core Internal Revenue)	72
Short courses (in other specialised areas)	47
Advanced Taxation Course	30
Policy	1
Customer Care Workshop	30
Public Finance and Accounting (Certificate and Diploma)	14 (4 Part-time)
Secretarial training (Certificate and Diploma)	6
Advanced Excel	20
Professional Training (Part-time)	10
Taking Disciplinary Action and Chairing a Disciplinary Hearing (all Divisions)	19



Staff Turnover

The table below shows the staff turnover within the Botswana Unified Revenue Service:

Table 21 – Staff Turnover

Head Count	Appointments	Loss of employees				Total	%
		Termination	Dismissals	Natural Attrition			
1158	78	15	6	12	33	2.85	

Details of loss of employees during 2006/2007 are as per the table below:

Table 22 - Loss of Employees in 2006/07

Reasons	Number	%
Contract expiry	2	0.17
Retirement (normal)	1	0.09
Retirement (Medical)	3	0.26
Resignations	9	0.78
Dismissals	6	0.52
Deaths	12	1.03
Total	33	2.85

Employee Relations

BURS is committed to building and nurturing good employee/employer relations. In this regard, BURS continues to consult with the Trade Union on issues of mutual interest and benefit. For example, the Trade Union was represented in the Steering Committee Supervising the Consultancy working on the development of the BURS Organisational and Pay Structures, as well as on the Task Force working with the consultant to review the BURS General Conditions of Service. BURS will continue to engage the Trade Union in constructive labour relations dialogue from time to time.

BURS intends to establish in the future an Ethics Unit which would investigate employees related issues. In addition, a code of conduct would be developed to strengthen the integrity and ethics drive. The Human Resources policies and practices for the Botswana Unified Revenue Service are also being reviewed to make BURS an employer of choice in order to attract and retain key skills and competencies.

Finance and Administration Division

The Finance and Administration Division is responsible for the cost effective, secure and efficient delivery of financial management, accounting, and administrative services to BURS in accordance with international accounting best practices. The year under review saw the Division making vast inroads and laying down foundations in a number of areas in an effort to develop systems and build human capacity with the aim of improving service delivery, capacity building in the division, compliance with statutory and international best practice requirements.

Major achievements recorded during the year include:

- The conclusion of negotiations with the MFDP to take over the responsibility of revenue accounting from the Government followed by the signing a Memorandum of Understanding between BURS and the Department of Accountant General.
- Establishing, separate from government accounts, new bank accounts with commercial banks and the Bank of Botswana for depositing revenue on behalf of the government in order to improve control over the revenue accounting function. Funds collected are eventually transferred to the Government Remittance Account.
- Engaging a commercial banking partner to develop banking services to enhance the collection of revenues through increased and improved taxpayer facilities.
- Developing Financial Policies and Tender Procedures for BURS independent from Government Policies and Procedures.
- Completing an independent valuation of fixed assets transferred from the Government for proper recording in BURS' books of accounts.
- Re-building the fixed assets register that will facilitate the calculation of depreciations for incorporation into BURS accounts
- Completing the fitting out of the new HQ building and facilitating the relocation of the three BURS offices in Gaborone to the new Head Office Building.
- Taking over the management of BURS vehicle fleet (which includes fuelling, fleet maintenance) from the Government's Central Transport Organisation and registering the vehicles in BURS' name.
- Establishing a Stores system that will properly record movement of BURS inventories.

The main areas of responsibility for the Administration Department are Documentation, Procurement, Fleet, Facilities and other General Administrative services such as the provision of secretarial services, security and management of the telecommunication facilities.

Documentation

The Section is faced with a seemingly insurmountable task of providing an effective documentation management, as a result of manpower constraints. To date the Section has managed to centralise over 175,300 live taxpayer files with about 200,000.

Facilities

The Facilities section is manned by one Manager and one operational member. Their main responsibility entails the design, tendering, awarding and supervision of all development projects, supervision of site maintenance projects, security and parking. The major achievement for the section has been the contracting of the Botswana Housing Corporation (BHC) as a partner to assist BURS in implementing some of its development projects. BHC will be responsible for the design, construction and supervision of some of the projects to be implemented during 2007/08.

Procurement

In the area of procurement, the major challenges have been to procure furniture and computers and dispose of old government assets consisting of furniture, cabinets and other office equipments, no longer needed.

Fleet

The 76 vehicles that had been transferred from the Government to BURS during 2005/06 still bear the BX registration numbers. The process of changing the ownership of vehicles is progressing albeit slowly. BURS has entered into agreements with Fuel and oil suppliers, Motor dealers and Service providers across the country for the effective management of its fleet.



Information Technology Division

The Information Technology (IT) Division is tasked with ensuring that ICT infrastructure and applications for business processes are functioning optimally and adequately supports business delivery. The major focus for the 2006/07 financial year has been on the following:

- Improving existing systems solutions
- Aligning technology delivery to BURS strategic plan
- Upgrading and updating the ICT infrastructure
- High level assessment of the ICT environment.

For the year under review, the Division undertook, an assessment of the current status of the BURS information communications technology which informed BURS of its strong and weak areas and provided an understanding of where things are technologically. All windows 98 workstations were upgraded to windows XP and all computers were equipped with the anti-virus software. In addition, the printing capability for Income Tax cashiers as well as a general upgrade of the computer facilities of cashiers were completed.

Challenges

Although revenue collection functions are automated, most business support functions with the exception of Finance remain largely on manual processes. Delivery of requisite systems/applications for these functions at their desired pace is a major challenge. Modernising tax services through technology and keeping abreast with technology that can provide business efficiency has been a challenge.

Although the task of modernising BURS through technology seems daunting, an ICT strategy aligned to the BURS business strategy will provide the necessary road map and direction for further development of ICT at BURS and will also provide appropriate prioritization of future ICT projects. Building the necessary processes and procedures will ensure a common understanding of the ICT environment, provide a standard way of dealing with ICT matters and eventually contribute towards a stable BURS ICT environment.

Introduction of a Service Delivery Unit in the Division will ensure that IT provides quality service to the BURS and its stakeholders community. This will be achieved by providing more user training, establishing a help desk function to properly manage requests for service and the introduction of other value add initiatives. There will be need to focus on technologies that will assist IT to reach the geographic spread of BURS offices and the stakeholders without an exponential increase in IT staffing, as well as focus on technologies that can handle growing transactions volumes, extended operational business hours and provide uninterrupted service. Most of the ICT initiatives will be implemented during 2007/08.

Internal Audit Division

The Internal Audit scope of work encompasses the examination and evaluation of the adequacy and effectiveness of the organization's systems of internal control and the quality of performance in carrying out assigned responsibilities. This system of internal control which aligns closely with current definitions of corporate governance encompasses the reliability and integrity of information; compliance with policies, plans, procedures, laws, and regulations; the safeguarding of assets; the economical and efficient use of resources; and the accomplishment of established objectives and goals for operations or programs.

While Management is responsible for internal controls, the Internal Audit Activity continues to provide assurance to Management and the Board/Board Audit and Finance Committee on whether the internal controls are effective and working as intended.

In 2006/07, various audits were conducted inclusive of the compliance and operational audits.

Compliance audits conducted

The compliance audits conducted focused both on the past and the present to answer questions like the following:

- Has BURS adhered to laws and regulations?
- Is BURS currently complying with legal and regulatory requirements?
- What are the organization's corporate standards of business conduct?
- Do all members of staff and Management consistently comply with internal policies and procedures?

Operational audits conducted

The operational audits focused on the current, with a clear perspective on the possibilities for the future. This was closely aligned with the organization's mission, vision, and objectives. It covered the evaluation of effectiveness, efficiency and economy of operations. The audits were geared at areas such as revenue maximization, expense minimization, fraud prevention, security and safety, revenue loss prevention, asset safeguarding, systematic approach to doing things, and planning for the future.

Legal Services Division

At the cornerstone of the collection of internal revenue and customs and excise duties lies the Revenue laws. The Legal Division plays a vital role in the drafting, amendment and interpretation and application of the laws. The Division is responsible for amongst others; drafting Agreements, giving advise and defending and instituting legal proceeding on behalf of BURS.

Table 23: 2006/07 Status of Revenue Litigation

Revenue Litigation	Conceded	Lost	Won	Withdrawn	Settled Against BURS	Settled in favour BURS	Pending
			2				5
Board of Adjudicators					1		5
Industrial Court							1

The division is resourced with four attorneys, two entry level attorneys and two Legal Services Managers who are responsible for the operational activities of the Division under the guidance and direction of the Legal Services Director. The current structure of Legal Services anticipates that about 80% of the work will be outsourced and 20% done internally. BURS has a panel of external attorneys' who are appointed periodically to act on its behalf.

Communications and Public Relations

The Communications and Public Relations Office was established in May 2006 principally to create awareness on tax issues and promote tax compliance. The office supports BURS' business areas by compiling material on tax matters and disseminating the information to the public. This office also liaises with the media to promote and protect the image of the Revenue Service.

During the period under review, the Communications & Public Relations Office produced a range of brochures, booklets, banners and other promotional materials, which were distributed nationally. Internally, a newsletter was started in order to keep employees abreast of activities taking place within BURS.

The BURS logo was launched and rolled out through the stationery as a way of creating an identity for the organisation. Active participation of BURS was also seen during exhibitions that were run during the year namely; Consumer Fair, Global Expo Botswana and the Vision 2016 commemoration which was held in Sehitwa. A Communications Strategy was developed during the year under review and will be fully implemented during the 2007/08 financial year together with a complementary communications plan.

Conclusion

It is pleasing to report that the overall performance of BURS during 2006/07 was generally impressive. I would like to extend special appreciation to the BURS staff for their hard work, dedication and commitment which ensured that BURS achieved good performance for the year under review. I encourage them to continue their hard work in the coming year in order to ensure that we reach even a higher service mark.

Now that the organisational and pay structures are in place, the challenge that remains is to ensure the implementation of the Strategic Plan and the Performance Management and Performance Reward Systems. It is important that these are implemented in order for BURS to effectively deliver on its mandate. As we move forward, in 2007/08, BURS will focus on continuously improving its processes and deliverables, to address primarily, the tax gap and, the business needs of its customers. Every effort will be made to ensure that BURS does not miss the 2007/08 target and other major goals such as improving its border posts facilities.



Mr. Freddy Modise
Commissioner General



Tax revenues contribute to the provision of infrastructure in Botswana.

BOTSWANA UNIFIED REVENUE SERVICE

GENERAL INFORMATION

for the year ended 31st March 2007

BOARD MEMBERS

Taufila Nyamadzabo	Chairperson (appointed : 01 August 2007)
Bartholomew O. Gaobakwe	Vice Chairperson
Freddy Modise	Commissioner General
John Y. Stevens	
Daniel N. Loeto	
Siamisang T. Morolong	
Kedibonye Laletsang	(Appointed: 01 July 2007)
Ntetleng M. Masisi	(Resigned : 30 June 2007)
Wilfred J. Mandlebe	(Resigned: 31 July 2007)

BOARD SECRETARY

Cynthia O. Ross

NATURE OF BUSINESS

The Botswana Unified Revenue Service (BURS) was established by the Botswana Unified Revenue Service Act, 2003. BURS is responsible for the assessment and collection of tax on behalf of the Botswana Government.

ADDRESS

Plot 53976
Kudumatse Drive
Gaborone

Private Bag 0013
Gaborone

AUDITORS

Auditor General

BANKERS

Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited

BOTSWANA UNIFIED REVENUE SERVICE

FINANCIAL STATEMENTS

for the year ended 31st March 2007

CONTENTS		PAGE
Statement of responsibility	□	53
Auditor General's report	□	54
Income statement	□	55
Balance sheet	□	56
Statement of changes in capital and reserves	□	57
Cash flow statement	□	58
Notes to the financial statements	□	59

BOTSWANA UNIFIED REVENUE SERVICE
FINANCIAL STATEMENTS
for the year ended 31st March 2007

STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 31ST MARCH 2007

The directors are responsible for ensuring that the Revenue Service maintains adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report as required by the Botswana Unified Revenue Service Act 2003. It is also their responsibility to ensure that the annual financial statements are prepared in conformity with International Financial Reporting Standards.

The Revenue Service's external auditors are engaged to express an independent opinion on the fair presentation of the financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Revenue Service and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The focus of risk management in the Revenue Service is on identifying, assessing, managing and monitoring all known forms of risk across the Revenue Service.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or loss.

In the light of the review of the Revenue Service's cash flow forecast and the current financial position, the directors are satisfied that the Revenue Service has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

The financial statements set out on pages 55 to 70 were approved by the Board of Directors on 9 October 2007 and signed on its behalf by:


.....
BOARD CHAIRPERSON




.....
COMMISSIONER GENERAL



REPORT OF THE AUDITOR GENERAL

To the Board of Directors of the Botswana Unified Revenue Service

I have audited the annual financial statements of the Botswana Revenue Service set out on pages 5 to 20, which comprises the balance sheet as at 31 March 2007, and the income statement, statement of changes in capital and reserves and cash flows for the year then ended.

The Directors' Responsibility

The Directors of the Botswana Unified Revenue Service are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Unified Revenue Service Act (CAP 53:03).

The responsibility includes: designing, implementing and internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement; and whether they were prepared in all material respects, in accordance with an applicable reporting framework.

An audit includes an examination, on a test basis, of evidence supporting amounts and disclosures in the financial statements. An audit also includes an evaluation of the appropriateness of the accounting principles, assessment of the reasonableness of the accounting estimates made by management, as well as the overall presentation of the financial statements.

I have examined the books, accounts and vouchers of Botswana Unified Revenue Service to the extent I considered necessary and have obtained all the information and explanations I required. I believe that the audit procedures used and the evidence obtained are sufficient and appropriate basis for the opinion given below.□

In my opinion:

The Botswana Unified Revenue Service has kept and maintained proper books of accounts and other records with which the financial statements are in agreement.

The financial statements present fairly, in all material respects the financial position of the Revenue Service's affairs as of March 31, 2007, and of its financial performance, its cash flows and changes in capital and reserves for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Unified Revenue Service Act (CAP 53:03).


P E Namogang
AUDITOR GENERAL

15 October 2007

BOTSWANA UNIFIED REVENUE SERVICE

INCOME STATEMENT

for the year ended 31st March 2007

Notes	P	2007	2006
		P	P
Revenue:			
Government grants	2	141,878,027	111,430,198
Bank interest earned	3	1,826,300	669,838
Sundry income	4	582,426	5,750
Total Revenue		<u>144,286,753</u>	<u>112,105,786</u>
Expenditure:			
Administrative expenses	5	(43,721,528)	(30,938,647)
Staff costs	6	(94,345,971)	(79,075,421)
Total expenses		<u>(138,067,499)</u>	<u>(110,014,068)</u>
Surplus for the year		<u>6,219,254</u>	<u>2,091,718</u>

BOTSWANA UNIFIED REVENUE SERVICE

BALANCE SHEET

at 31st March 2007

	Notes	2007 P	2006 P
ASSETS			
<i>Non current assets</i>			
Property, plant and equipment	7	<u>111,840,322</u>	<u>111,012,119</u>
<i>Current assets</i>			
Inventories		201,433	0
Trade and other receivables	8	754,818	582,308
Cash and cash equivalents	9	<u>11,444,342</u>	<u>12,138,291</u>
		<u>12,400,593</u>	<u>12,720,599</u>
Total assets		<u>124,240,915</u>	<u>123,732,718</u>
CAPITAL, RESERVES AND LIABILITIES			
<i>Capital and reserves</i>			
Government capital grants	10	97,038,116	110,462,602
Accumulated surplus		<u>8,310,972</u>	<u>2,091,718</u>
		<u>105,349,088</u>	<u>112,554,320</u>
<i>Current liabilities</i>			
Trade and other payables	11	10,188,029	7,304,751
Provisions	12	<u>8,703,798</u>	<u>3,873,647</u>
		<u>18,891,827</u>	<u>11,178,398</u>
Total capital, reserves and liabilities		<u>124,240,915</u>	<u>123,732,718</u>

BOTSWANA UNIFIED REVENUE SERVICE

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

for the year ended 31st March 2007

	Government capital grants		Accumulated surplus		Total
	P	000	P	000	P
Balance at 31 March 2006 brought forward	110,462,602		2,091,718		112,554,320
Surplus for the year			6,219,254		6,219,254
Fair values of Property, Plant & Equipment (PPE) on valuation	99,442,379				99,442,379
PPE transferred from government during the year	1,044,000				1,044,000
Portion of government PPE grants amortised	(1,702,385)				(1,702,385)
Assets below P2,000 expensed	(1,745,878)				(1,745,878)
Balance at March 2006 reversed (replaced with fair values)	(110,462,602)				(110,462,602)
Balance at 31st March 2007	<u>97,038,116</u>		<u>8,310,972</u>		<u>105,349,088</u>

BOTSWANA UNIFIED REVENUE SERVICE

CASH FLOW STATEMENT

for the year ended 31st March 2007

		Note	2007 P	2006 P
Cash flows from operating activities				
Surplus for the year	III		6,219,254	2,091,718
Depreciation charge	III		2,852,764	802,619
Interest income	III		(1,826,300)	(669,838)
<i>Operating surplus before working capital changes</i>	III		<u>7,245,718</u>	<u>2,224,499</u>
Changes in working capital				
Increase in trade and other receivables	III		(172,510)	(582,308)
Increase in inventories	III		(201,433)	0
Increase in trade and other payables	III		7,713,429	11,178,398
<i>Net cash from operating activities</i>	III		<u>14,585,204</u>	<u>12,820,590</u>
Cash flows from investing activities				
Additions to property, plant and equipment	III		(16,503,163)	(111,814,739)
Adjustment for non cash items	I	13	12,822,198	0
Interest income	III		1,826,300	669,838
<i>Net cash used in investing activities</i>	I		<u>(1,854,666)</u>	<u>(111,144,901)</u>
Cash flows from financing activities				
Increase (decrease) in government capital grants	III		(13,424,486)	110,462,602
<i>Net cash used in financing activities</i>	III		<u>(13,424,486)</u>	<u>(110,462,602)</u>
Net increase (decrease) in cash and cash equivalents	III		(693,949)	12,138,291
Cash and cash equivalents at beginning of period	III		12,138,291	0
Cash and cash equivalents at end of period	III		<u>11,444,342</u>	<u>12,138,291</u>

BOTSWANA UNIFIED REVENUE SERVICE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st March 2007

Note 1: ACCOUNTING POLICIES

1.0 BACKGROUND

Botswana Unified Revenue Service (BURS) is a semi-autonomous body corporate established by an Act of Parliament (BURS Act no.17 OF 2003) as part of the Government's reform strategy for revenue administration. BURS is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws which include the Customs and Excise, Income Tax, the Capital Transfer and the Value added Tax.

1.1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements, which were applied consistently throughout the year, are set out below and are in accordance with the International Financial Reporting Standards.

1.1.1 BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis and in accordance with the International Financial Reporting Standards. Where necessary, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period have been used.

1.1.2 ADOPTION OF NEW REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following standards / amendments and interpretations are effective or available for early adoption for accounting periods ended March 2007. The Board is of the view that their adoption has no material effect on the financial statements of the Revenue Service:

- a) Standards/ amendments effective for March 2007 year ends
- IFRS 6, Exploration for and Evaluation of Mineral Resources
 - IAS 21 (Amendment), Rate-Net investment in Foreign Operation;
 - IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
 - IAS 39 (Amendment), The Fair Value Option;
 - IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

- c) Standards and interpretations available for early adoption
- IFRS 7, IAS 1 and IFRS 4, Financial Instruments: (Disclosures (including amendments to IAS1), Presentation of Financial Statements : Capital Disclosures)
 - IFRS 8, Operating Segments
 - IFRIC 8, Scope of IFRS 2
 - IFRIC 9, Reassessment of Embedded Derivatives
 - IFRIC 10, Interim Financial Reporting and Impairment
 - IFRIC 11 IFRS 2- Group and Treasury Share Transactions
 - IFRIC 12 Service Concession Agreements
 - IFRIC 13 Customer Loyalty Programmes
 - IFRIC 14 IAS 19 Economic benefits available as a reduction in contributions
- b) Interpretations effective for March 2007 year ends
- IFRIC 4, Determining whether an Arrangement contains a lease; and
 - IFRIC 5, Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation
 - IFRIC 6, Liabilities arising from Participating in a Specific Market- Waste Electrical & Electronic Equipment
 - IFRIC 7, Applying the Restatement Approach under IAS 29 -Financial Reporting in Hyperinflationary Economics

1.1.3 REVENUE RECOGNITION

- a) BURS is funded through grants appropriated by Parliament on an annual basis and released in the form of subventions by the Ministry of Finance and Development Planning. Government grants relating to recurrent expenditure are recognised on a receipt basis. Capital and Development grants, which are capitalised in the balance sheet and treated as deferred income, are systematically recognised in the Income Statement by amortising them on a straight line basis over the useful lives of related assets.
- b) Interest income includes interest on bank deposits and is recognised in the Income Statement on receipt basis.
- c) Commissions earned by BURS for administering deduction of staff loan repayments on behalf of banks and other financiers, are recognised on an accrual basis.

1.1.4 RECOGNITION OF ASSETS, LIABILITIES AND PROVISIONS

Assets are recognised in the balance sheet when it is probable that the future economic benefits associated with the assets will flow to the Revenue Service and that the assets have costs or values that can be measured reliably.

Liabilities (including provisions) are recognised in the balance sheet when the Revenue Service has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources / economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

No liability is recognised when:

The Revenue Service has a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Revenue Service, or it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

1.1.5 PROPERTY, PLANT AND EQUIPMENT

- (i) Property, plant and equipment are stated at cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight line basis to the estimated residual value to reduce the carrying amount over the estimated useful lives. Full month depreciation is charged on the first month of acquisition and no depreciation is charged on the month of disposal.
- (ii) Fair values of Property, Plant and Equipment transferred from Government in February 2006 have reliably been measured by an independent valuer in November 2006 and have been used as the basis for calculating current year and subsequent depreciation. Property, Plant and Equipment valued in November 2006 are stated in the Financial Statements at valuation net of depreciation accumulated from November 2006 to March 2007.
- (iii) The carrying amounts of Plant, Property, and Equipment reflected in the previous year's financial statements have been adjusted back to Government capital grants and replaced with independent valuation values. The treatment ensures that both Plant, Property and Equipment, and Government capital grants are reflected at their fairest values as at 31.03.2007

Estimated useful lives are:

Leasehold property	□	50 years or lease period	□	2%
Freehold property	□	50 years	□	2%
Motor vehicles	□	4 years	□	25%
Computers	□	3 years	□	33.33%
Equipment	□	3 years	□	33.33%
Furniture and fittings	□	6.6 years	□	15%
Improvements to leased property		remaining lease period		

Land is considered to have an infinite useful life and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

Repairs and maintenance are generally charged to expenses during the financial period in which they were incurred.

Improvements to leased property include electrical installations and cabling infrastructure and are depreciated over the remaining period of the lease.

1.1.6 INVENTORIES

Inventories comprise stores and supplies to be consumed in rendering services and are valued at the lower of cost and net realisable value using the First-In-First-Out method.

1.1.7 COMPUTER SOFTWARE COSTS

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Revenue Service and will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software.

1.1.8 FOREIGN CURRENCIES

The financial statements are prepared in Botswana Pula. Transactions in foreign currencies are converted to Pula at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated into Pula using rates of exchange approximating those ruling as at the balance sheet date.

All exchange gains and losses arising on translations are recognised in the Income Statement.

1.1.9 RETIREMENT BENEFITS

The Revenue Service operates a defined contribution pension fund for its entire pensionable and permanent citizen staff. This fund is registered under the Pensions and Provident Funds Act (Chapter 27:03), of the Laws of Botswana.

The Revenue Service contributes to the fund 15% of the pensionable earnings of the members and employees contribute an additional 5% of their pensionable earnings.

The Revenue Service's contributions are charged to income in the year in which they accrue. Other than the regular contributions made in terms of the rules of the fund, the Revenue Service does not have any further liability to the fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

1.1.10 OTHER EMPLOYEE BENEFITS

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the balance sheet date. For daily rated employees, a provision is made for severance benefits on an annual basis.

1.1.11 LEASES

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Deposit payments of operating leases are recognised in the balance sheet under trade and other receivables.

1.1.12 RISK MANAGEMENT

a) Credit Risk

The financial assets of the Revenue Service, which are subject to credit risk consists mainly of cash resources. The cash resources are placed with a reputable financial institution.

b) Interest Rate Risk

Fluctuations in interest rate impacts on the value of short-term cash investment and financing activities and give rise to interest rate risk. The cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

1.1.13 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when the Revenue Service becomes a party to the contractual provisions of the agreement.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

b) Trade payables

Trade payables are initially measured at their nominal value, and are subsequently measured at amortised cost, using the effective interest method.

c) Trade and other receivables

Receivables represent the amount owed to BURS as a result of providing services or allowing others to use BURS assets and also includes amounts that have been prepaid. Receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts.

BOTSWANA UNIFIED REVENUE SERVICE**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31st March 2007

	2007	2006
P	P	P
2. GOVERNMENT GRANTS		
Subvention received	134,209,394	100,181,975
Rental grants	<u>4,220,370</u>	<u>10,506,276</u>
Total government operating grants	138,429,764	110,688,251
Transfer from deferred capital grants to income	<u>3,448,263</u>	741,947
Total government grants	<u><u>141,878,027</u></u>	<u><u>111,430,198</u></u>

Rental grants represent the estimated market rental for a portion of the Government Attorney General Chambers' building occupied by BURS for nine months to December 2006 pending relocation to BURS new Head Office building

3. BANK INTEREST EARNED

BURS maintains a call account for depositing subventions received from Government, and another call account for depositing accrued gratuities for employees hired on contract basis. Bank interest earned represents interest earned from these accounts as follows:

BURS Business Call Account	1,707,471	669,838
BURS Gratuity Call Account	<u>118,829</u>	<u>0</u>
	<u><u>1,826,300</u></u>	<u><u>669,838</u></u>

4. SUNDRY INCOME

Staff loans administration fees	179,595	0
BURS staff house rentals	342,559	0
Miscellaneous income	<u>60,272</u>	<u>5,750</u>
	<u><u>582,426</u></u>	<u><u>5,750</u></u>

BOTSWANA UNIFIED REVENUE SERVICE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

□

□

2007□

2006

P □

P

5. ADMINISTRATIVE EXPENSES

Administrative expenses includes the following:

Audit fees	□	104,044□	-
Computer support	□	1,361,317□	808,219
Consultancy costs and legal costs	□	2,723,390□	211,551
Depreciation on property, plant and equipment	□	2,852,764□	802,619
Operating lease rentals	□	12,492,589□	12,504,118
Training expenses	□	1,341,726□	531,195
Repairs and maintenance-property, plant and equipment	□	2,542,959□	1,154,521
Write-down of low value assets	□	2,864,837□	-

6. STAFF COSTS

Salaries and wages	□	79,401,025□	63,082,296
Medical aid contribution	□	1,595,082□	1,123,503
Termination benefits			
- Gratuity	□	562,289□	1,415,024
- Pension	□	8,087,993□	5,082,935
- Serverance	□	593,072□	127,695
- Leave	□	4,106,509□	8,243,969
	□	94,345,971□	79,075,421

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Land		Buildings		Motor Vehicles		Office Furniture		Office Equipment		Computers to leased property		Improvements	
	P	P	P	P	P	P	P	P	P	P	P	P	TOTAL	P
At 01.04.2006	0	100,118,341	2,683,936	5,594,471	3,417,990	0	111,814,739							
Additions	2,000	0	1,044,000	2,963,480	5,040,656	7,453,027	16,503,163							
Revaluation PPE transferred from government	11,466,300	77,754,500	5,259,000	1,382,750	1,833,950	0	97,696,500							
Management estimates of PPE from government reversed	0	(100,118,341)	(2,683,935)	(5,519,786)	(2,882,486)	0	(111,204,548)							
Items of PPE less than P2,000 expensed	0	0	0	(26,700)	(36,538)	0	(63,238)							
At 31.03.2007	<u>11,468,300</u>	<u>77,754,500</u>	<u>6,303,001</u>	<u>4,394,215</u>	<u>7,373,572</u>	<u>7,453,027</u>	<u>114,746,616</u>							
Accumulated depreciation														
At 01.04.2006	0	333,728	111,831	140,975	216,086	0	802,619							
Current year charge	0	829,409	511,269	256,877	865,433	389,776	2,852,764							
Management estimates of PPE from government reversed	0	(333,728)	(111,831)	(136,250)	(160,138)	0	(741,947)							
Items of PPE less than P2,000 expensed	0	0	0	(1,780)	(5,362)	0	(7,142)							
At 31.03.2007	<u>0</u>	<u>829,409</u>	<u>511,269</u>	<u>259,821</u>	<u>916,019</u>	<u>389,776</u>	<u>2,906,294</u>							
Carrying amounts														
At 31.03.2006	0	99,784,613	2,572,105	5,453,497	3,201,904	0	111,012,119							
At 31.03.2007	<u>11,468,300</u>	<u>76,925,091</u>	<u>5,791,731</u>	<u>4,134,394</u>	<u>6,457,553</u>	<u>7,063,251</u>	<u>111,840,322</u>							
	<u>0</u>	<u>99,784,613</u>	<u>2,572,105</u>	<u>5,453,497</u>	<u>3,201,904</u>	<u>0</u>	<u>111,012,121</u>							
	<u>11,468,300</u>	<u>76,925,091</u>	<u>5,791,731</u>	<u>4,134,394</u>	<u>6,457,553</u>	<u>7,063,251</u>	<u>111,840,323</u>							

The values of items of Plant, Property, and Equipment reflected in the previous year's financial statements were based on management estimates and not on fair values, residual values and useful economic lives determined by an independent expert. During the year, an independent expert was appointed to value items of Plant, Property and Equipment transferred from Government to determine their fair values, residual values and useful economic lives. To rebuild a PPE register that will fairly represent the fair values of assets, the values determined by the independent valuer have been used to replace initial values determined by management and since cost was not available at the beginning, the values have been used as basis for calculating depreciation. Items of Property, Plant and Equipment less than P2,000 previously capitalised have been expensed to the Income Statement following the review of the capitalisation policy to only capitalise PPE over P2,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

	2007	2006
	P	P
8. TRADE AND OTHER RECEIVABLES		
April 2007 rental for BURS Head Quarters prepaid in March 2007	582,835	578,379
Travel advance	22,352	3,929
Staff telephone bills	25,518	0
Rental income	73,667	0
Advance to Contractor	50,446	0
	<u>754,818</u>	<u>582,308</u>
9. CASH AND CASH EQUIVALENTS		
Business Call account and Cash in Hand	9,757,084	11,525,930
Gratuity Call Account savings	1,487,258	612,361
Cash in transit	200,000	0
	<u>11,444,342</u>	<u>12,138,291</u>
10. GOVERNMENT CAPITAL GRANTS		
	<u>97,038,116</u>	<u>110,462,602</u>
<p>Government capital grants represent the fair values of property, plant and equipment transferred from the government. They are presented in the balance sheet as deferred grants and amortised to write off the amounts over the useful lives of the assets</p>		
11. TRADE AND OTHER PAYABLES		
Accounts payables	7,954,892	5,427,457
Retentions	662,701	0
Government house rentals deducted from staff salaries	886,984	907,116
Staff bank loans and other payments deducted from staff	683,452	970,178
	<u>10,188,029</u>	<u>7,304,751</u>
12. PROVISIONS		
Gratuity	1,814,521	1,415,024
Severance pay	718,788	125,716
Leave pay	6,170,489	2,332,907
	<u>8,703,798</u>	<u>3,873,647</u>
13. CASH FLOW STATEMENT- Adjustment for non-cash items		
Government capital grants at 31.03.2006	111,204,54	0
Portion amortised at 31.03.2006	(741,947)	0
Carrying value of Government capital grants at 31.03.2007	110,462,602	0
Replace with fair values at 31.03.2007	(97,696,500)	0
Items of PPE less than P2,000 expensed	63,238	0
Corresponding depreciation of items less than P2,000 reversed	(7,142)	0
	<u>12,822,198</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007

		2007	2006
		P	P
14. RELATED PARTY TRANSACTIONS			
a) Transactions with the Government of Botswana (see note 2 & 6)			
Government subvention		134,209,394	100,181,975
Rent-free office accommodation		4,220,370	10,506,276
Property, plant and equipment grants		1,044,000	111,204,548
		<u>139,473,764</u>	<u>221,892,799</u>

Significant transactions with Government include grants received in the form of subventions, rent free office accommodation offered by the government to BURS, and capital grants in the form of assets transferred to BURS.

b) Executive management personnel compensation

Salaries and other short-term employee benefits		2,679,817	1,628,106
Post employment benefits –provisions for gratuity, leave		685,421	378,207
Pay and pension		<u>3,365,238</u>	<u>2,006,313</u>

Executive management personnel compensation covers personal emoluments and post employment benefits. For post employment benefits, the revenue service contributes 15% of basic salary towards permanent and pensionable personnel pensions and 30% towards personnel employed on contract basis. (The rates also apply to non key personnel).

c) Board members sitting allowance

Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board meetings.		<u>45,206</u>	<u>96,671</u>
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15. CONTINGENT LIABILITIES

BURS has a loan facility with First National Bank of Botswana to a maximum extent of P15,000,000 (P15 million) to provide staff with residential and motor vehicle loans. The balance disclosed as contingent liabilities represents BURS' guarantee of 80% of the loan balances of employees at year end.

<u>2,151,125</u>	<u>596,069</u>
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BURS has a loan facility with Stanbic Bank Botswana to a maximum extent of P15,000,000 (P15 million) to provide staff with residential and motor vehicle loans. The balance disclosed as contingent liabilities represents BURS' guarantee of 80% of the loan balances of employees at year end.

<u>222,069</u>	<u>Nil</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31st March 2007



	<u>2007</u>	<u>2006</u>
□	P□	P

16. OPERATING LEASES

At the balance sheet date, BURS had outstanding commitments for future minimum lease payments under non-cancelable leases, which fell due as follows;

Within one year	□	7,157,260 □	7,557,787
In the second to the fifth year	□	21,298,860 □	<u>37,849,187</u>
	□	<u>28,456,120 □</u>	<u>45,406,974</u>

Operating leases represent rentals of office buildings of which terms of renewal and clauses relating to annual rental escalations differ from lease agreement to lease agreement.

APPENDIX I

Functions of BURS

Section 4 and 5 of BURS Act outline the functions of BURS as follows:

4. (1) The Revenue Service shall be responsible for the assessment and collection of tax on behalf of the Government.
- (2) Without prejudice to the generality of subsection (1), the functions of the Revenue Service shall be to:
 - (a) administer and enforce the revenue laws;
 - (b) promote compliance with the revenue laws;
 - (c) take such measures such as may be required to improve service given to taxpayers with a view to improving efficiency and maximising revenue collection;
 - (d) take such measures such as may be required to counteract tax fraud and other forms of tax evasion;
 - (e) advise the minister on matters relating to the administration and collection of tax; and
 - (f) perform such other functions in relation to tax as the Minister may direct.
5. (1) The Revenue Service shall, in the discharge of its functions under this Act, have the power to:
 - (a) study the revenue laws and propose to the Minister, such amendments as it considers appropriate thereto, so as to improve the administration of, and compliance with, such laws;
 - (b) calculate the administrative costs, compliance costs and the operational impact of existing taxes and intended tax changes, and to advise the Minister accordingly;
 - (c) collect and process statistics needed to provide forecasts of tax receipts and effect on yield of any proposals for changes in the revenue laws, and to advise the Minister accordingly; and
 - (d) subject to the provisions of this Act, take such other measures as it considers necessary or desirable for the achievement of the purposes or provisions of the Act.

APPENDIX II

Glossary of Terms

ACP	African Caribbean Pacific countries
AGOA	Africa Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data
BPOPF	Botswana Public Officers Pension Fund
BURS	Botswana Unified Revenue Service
CED	Customs & Excise Division
CATA	Commonwealth Association of Tax Administrators
CAWG	Customs Advisory Working Groups
DTI	Direct Trader Inputs
EC	European Commission
EU	European Union
GDN	Government Data Network
IAD	Internal Audit Division
ICT	Information Communications Technology
IRD	Internal Revenue Division
NCTPN	National Committee on Trade Policy and Negotiations
PAYE	Pay As You Earn
SACU	Southern African Customs Union
SADC	Southern African Development Community
SCCC	Sub-Committee on Customs Cooperation
TAC	Taxpayer Assistance Centre
TMS	Taxpayer Management System
UNCTAD	United Nations Conference on Trade and Development
USTD	United States Treasury Department
VAT	Value Added Tax
WCO	World Customs Organisation

Directory

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South Central Region

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South Region

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North Region

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Toll Free number for tax enquiries: 0800 600 649

Customs Officers breaking a seal at the cargo terminal at SSK Airport.



Toll Free number for tax enquiries: 0800 600 649