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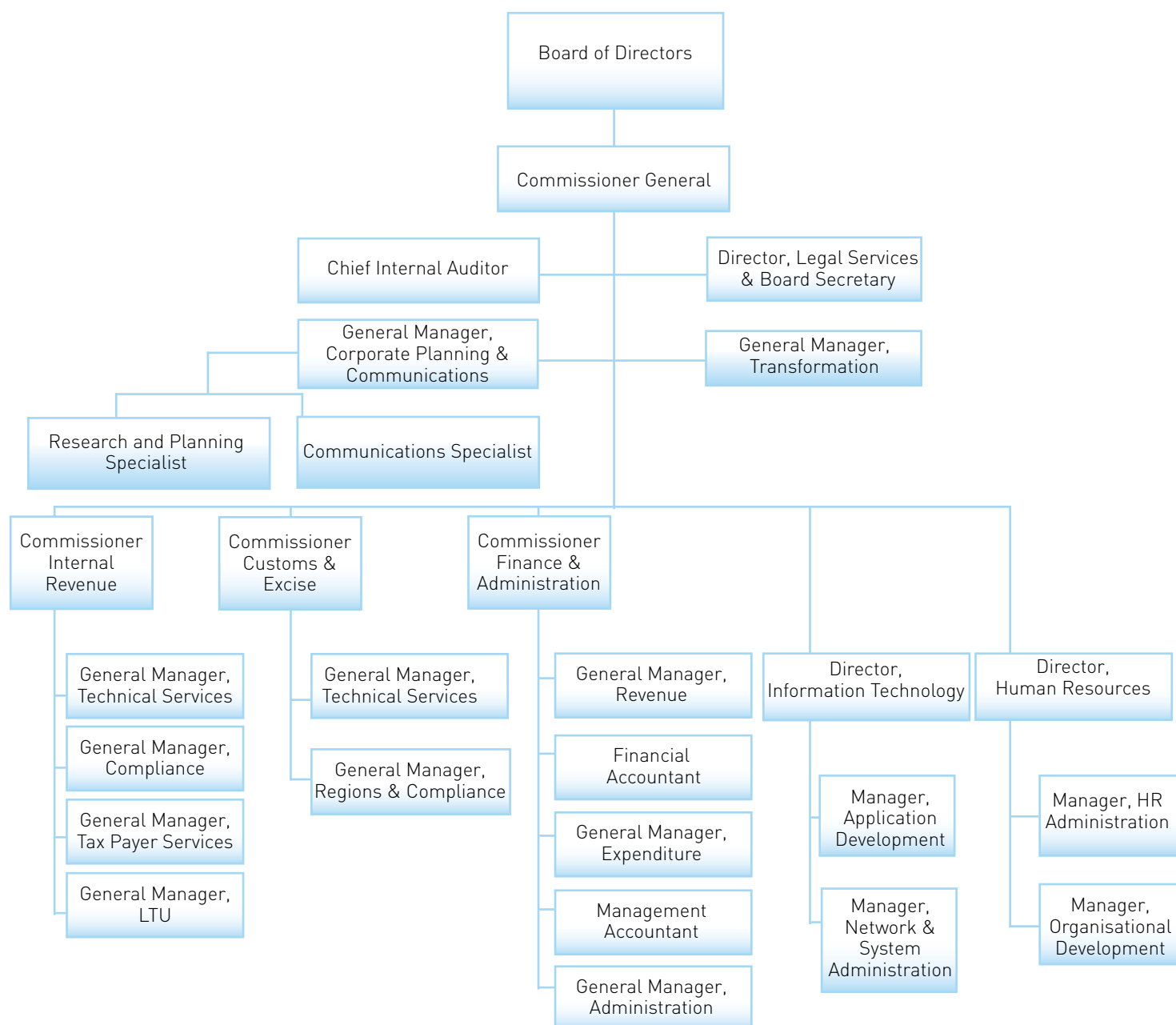
CORPORATE PROFILE

The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of all taxes in Botswana on behalf of the Government. It is charged with the responsibility for the assessment and collection of Income Tax, Value Added Tax, Fuel Levy and Capital Transfer Tax, Customs and Excise Duties and administration of statutory controls at various border posts and other points of entry. Other responsibilities include accounting for the revenue and grants collected on behalf of the Government.

BURS is made up of seven Divisions: Customs & Excise Division (CED), Finance & Administration Division (FAD), Human Resources Division (HRD), Information Technology Division (ITD), Internal Audit Division (IAD), Internal Revenue Division (IRD), Legal Services Division (LSD) and the Office of the Commissioner General (OCG).

BURS Organisational Structure

The following diagram presents the Botswana Unified Revenue Service's (BURS) Organizational Structure.



Corporate Governance

The overall control and oversight over BURS rests with the Board of Directors who are appointed by the Minister of Finance and Development Planning. The Board meets at least four (4) times in a year pursuant to its statutory mandate and 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 Board Members are appointed by the Minister of Finance and Development Planning, in accordance with Section 6 of the BURS Act, 2003 (No. 17 of 2004).

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

Member	Position	Date and Period of appointment	Comment
Dr. T. Nyamadzabo	Chairman	Ex-Officio	Appointed with effect from 1st August, 2007
Mr. W. J. Mandlebe	Ex-Chairman	Ex-Officio	Resigned on 31st July, 2007
Mr. B. O. Gaobakwe	Vice-Chairman	July 2004 - June 2008	Replaced by Mr. T. Yalala with effect from 1st July, 2008
Ms. N. M. Masisi	Ex-Member	July 2004 - June 2007	Replaced by Mr. Laletsang with effect from 1st July, 2007
Ms. S. T. Morolong	Member	July 2004 - June 2008	Re-appointed with effect from 1st July, 2008
Mr. K. Laletsang	Member	July 2007 - June 2010	Appointed with effect from 1st July, 2007
Mr. J. Y. Stevens	Member	July 2004 - June 2008	Re-appointed with effect from 1st July, 2008
Mr. D. N. Loeto	Member	July 2004 - June 2007	Re-appointed with effect from 1st July, 2007
Mr. T. Yalala	Member		Appointed with effect from 1st July, 2008
Mr. F. Modise	Member	Ex-Officio	
Ms. Cynthia O. Ross	Board Secretary	Ex Officio	Resigned from BURS with effect from 31st October, 2007
Mr. M. Lesole	Acting Board Secretary	Ex-Officio	Appointed to act as and when necessary

Attendance at Meetings of Board Members

Section 14 (2) of the BURS Act provides that the Board should meet at least four (4) times a year for purposes of transacting the BURS business. Board Members make an annual declaration of interest and assets at the beginning of every year. Further, 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 Botswana Unified Revenue Service 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 Committees may be of a general or special nature, consisting of a number of members, with qualifications, as the Board may determine. Further, the Board may delegate any of its powers, functions or duties under the Act to the appointed Committees.

The Board has appointed the following Committees, namely; the Board Audit and Finance Committee (BAFC), the Board Human Resources Committee (BHRC) and the Board Tender Committee (BTC).

1. Board Audit and Finance Committee

The Board Audit and Finance Committee comprises four members. During the year under review the Committee was chaired by Mr. B. O. Gaobakwe with Mr. J. Y. Stevens as a Member. Messrs. G. Dobo and M. Lesokola were co-opted to the Committee from outside the Board and BURS.

The mandate of the Committee is to:

- 1.1 Consider the financial performance of investments and budgets before consideration, adoption and approval by the Board.
- 1.2 Review financial statements with external auditors prior to approval by the Board.
- 1.3 Ensure the effectiveness of the Internal Audit function.
- 1.4 Ensure the carrying out and effectiveness of the annual statutory audits.
- 1.5 Coordination of the internal and external audit coverage.
- 1.6 Review current accounting policies and provide guidance 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 Human Resource Committee

The Board Human Resources Committee comprises four members and was chaired by Ms. N.M. Masisi with Mr. D. N. Loeto and Ms. S.T. Morolong as members. Ms. Masisi was replaced by Mr. Laletsang after her term expired in June, 2007. Mr. Laletsang's appointment took effect from 1 July, 2007. The fourth member of the committee was Mr Simon Meti who was co-opted from outside the Board and BURS. The BHRC's mandate is to deal with the recruitment of senior members of staff, remuneration of all BURS staff and advise the Board on all staff welfare and human resources related matters.

1.3. Board Tender Committee

The Committee has three members. It is chaired by Ms. S. Morolong with Mr. D.N. Loeto as a member. The third member, Ms. Oarabile Zhikhwa was co-opted to the committee from the private sector as a specialist in the procurement area. The responsibility of this Committee is to adjudicate tenders in respect of the procurement of goods and services valued at P2,000,000.00 and above, as well as to deal with matters incidental to procurement.

1.4. Ad hoc Committees

The Board may appoint Ad hoc Committees to consider specific issues before they are submitted to the Board for a final decision. The Terms of Reference of such Committees are determined by the Board. During the year under review the Board did not appoint any Ad hoc Committee.

2. Internal Audit

The Internal Audit function assists Management and the Board/Board Audit and Finance Committee with the review of the BURS's activities, protection of assets and advises on issues of corporate governance. Therefore, the Internal Audit reports its findings and provides recommendations for improvements to Management on the respective audits carried-out and on a quarterly basis reports to the Board Audit and Finance Committee on significant observations and matters that may require the committee's intervention.



The Internal Audit reviews the reliability, accuracy and completeness of financial and operational information; the efficiency and effectiveness of processes, mechanisms and operations; assures the safeguarding of BURS assets from manipulation and pilferage; ascertains compliance to laws, regulations, policies and procedures; promotes ethical culture to discourage illegal, fraudulent and inappropriate behaviour and actions; and assures sound and effective systems of internal control to manage and mitigate risks.

The Board members and Management are responsible for the maintenance of effective systems of internal control. The systems are designed to provide reasonable

assurances as to the integrity and reliability of the financial statements and other operational information. Based on the information received from Management and the Internal Audit, the Board is of the view that the systems of Internal Controls can be reasonably relied upon, and that there was no material or fundamental breakdown in the system of internal controls during the year under the review.

3. Approval of Annual Financial Statements

The Financial Statements of the Revenue Service were approved by the Board on the 27 November 2008 and were accordingly signed by the Board Chairman and Commissioner General on behalf of BURS.



Taxpayer Service Centre

Board of Directors



Dr. Taufila Nyamadzabo
Chairman



Mr. Daniel N. Loeto
Vice Chairman



Ms. Siamisang T. Morolong
Board Member



Mr. Kedibonye Laletsang
Board Member



Mr. John Y. Stevens
Board Member



Mr. Thabo Yalala
Board Member



Mr. Mothoothata Lesole
(Acting) Director Legal Services
& Board Secretary



Mr. Freddy Modise
Commissioner General &
Board Member

Executive Management



Mr. Freddy Modise
Commissioner General



Mr. Keneilwe R. Morris
Commissioner Customs & Excise



Mr. Segolo Lekau
Commissioner Internal Revenue



Mr. Kingsley Kgosidintsi
Commissioner Finance & Administration



Ms. Mukani Pelaelo
Director Human Resources



Ms. Lesedi Lesetedi
Chief Internal Auditor



Ms. Lebesani Mosweu
Director Information Technology



Mr. James Sethibe
General Manager, Corporate Planning
& Communications



Mr. Mothoothata Lesole
(Acting) Director Legal Services
& Board Secretary



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Chairman's Statement



Dr. T. Nyamadzabo
Board Chairman

BURS has continued to achieve considerable performance over the three years of its existence as a unified revenue service in spite of the continuing challenges of low tax compliance, the need to increase taxpayer education, increased optimal utilisation of the ICT infrastructure to support business processes, the need to upgrade facilities and ensuring that BURS Divisions are adequately staffed with requisite skills and competences.

Introduction

I am pleased to present the Botswana Unified Revenue Service's (BURS) Annual Report for the financial year 2007/08. The Report illustrates the Revenue Service's continued efforts towards a growth in revenue collection and innovation in organisational reform, which are all intended to meet the challenges of a growing, modernising and globally competitive economy.

Revenue Collection Performance

BURS has continued to achieve considerable performance over the three years of its existence as a unified revenue service in spite of the continuing challenges of low tax compliance, the need to enhance taxpayer education, increased optimal utilisation of the ICT infrastructure to support business processes, the need to upgrade facilities and ensuring that BURS Divisions are adequately staffed with requisite skills and competences.

The exceptional performance resulted in BURS attaining a significant growth of the tax revenue collection of 13.6% from P15,614.4 million in 2006/07 to P17,959.5 million in 2007/08. Consequently, the remittances paid by BURS to the Government during the 2007/08 financial year exceeded the target by P984.7 million or 5.8% in 2007/08. The impressive performance resulted from a number of measures adopted by BURS to improve the revenue collection drive such as,

new compliance strategies and the implementation of the performance management system. The amount of P17,959.5 million does not include the revenue that BURS had collected on behalf of Government Departments at points of entry, which amounts to P68.9 million.

BURS Funding

BURS continues to be funded through Government subventions. The BURS' total recurrent expenditure increased from P138.1 million in 2006/07 to P176.2 million in 2007/08, which is an increase of P38.1 million or 27.6%. BURS expenditure growth was more than the revenue collection growth attained by BURS during 2007/08. Therefore, for every P1.00 that BURS spent in 2007/08 the Government realised a benefit of P101.9 when compared to a benefit of P114.9 in 2006/07 and a return of P107.9 in 2005/06. The lower return during 2007/08 was as a result of the increased expenditure by BURS on a number of new strategic initiatives that are meant to promote taxpayer compliance and maximise revenues.

Compliance with the provisions of the BURS Act

For the period under review, BURS took over the responsibility of accounting for the collected tax revenues from the Government (Accountant General Department) with effect from 1 April, 2007. As a result of the take over of

the accounting responsibilities, BURS is now in compliance with the provisions of Section 29(2) of the BURS Act. In this regard, BURS will for the first time since its establishment in 2004, incorporate in its Annual Report the audited financial statements in respect of the collected tax revenues. This will be in addition to BURS's expenditure transactions which have consistently been incorporated in the previous Annual Reports.

BURS has not yet complied with provisions of Section 31 of the BURS Act. The Section requires the Board "to recommend to the Minister the criteria or factors by reference to which any exemption, mitigation, deferment or remission on any tax may be granted, and the procedures to be followed in granting any exemption, mitigation, deferment or remission of any tax." The criteria will be developed during the 2008/09 financial year. Meanwhile, any exemption, mitigation, deferment or remission of any tax is granted by the authorised Authority through application of the specific provisions of the Revenue Laws.

BURS Strategic Plan

The Board of Directors is committed to ensuring that BURS maintains its good performance. Among activities planned for the 2008/09 financial year is the review of the BURS Strategic Plan 2006-09 to develop a more focused strategy to meet the imminent needs and challenges confronting the revenue service. One of the BURS key Strategic Outcomes contained in the BURS' current Strategic Plan was to collect P18 billion for the Government by the 31 March 2009. However, by 31 March 2008, the stated revenue collection target had almost been achieved, as BURS had collected P17,959.5 million during the year under review. The achievement stems from the progress achieved by BURS in the implementation of some of the activities that had been identified as strategic initiatives in the Strategic Plan. Indeed, BURS has been successful in a number of areas which were; promoting compliance and maximizing revenues, development of the ICT strategy, establishment of the Transformation Office and implementation of the Performance Management System

(PMS) and the Performance Based Reward System (PBRs).

As part of the preparations for the review of the 2006-09 Strategic Plan, during the year under review, BURS had already commenced the following studies with the assistance of the European Union Delegation namely; the Taxpayer Satisfaction Survey, the Training Needs Analysis and the Review of the BURS Financing Arrangements. The results of some of these studies will be used as major inputs in the development of the next BURS Strategic Plan. The need to carry out the studies was necessitated by the fact that as BURS develops, there is a need for BURS to embrace customer feedback in order to better position itself to meet the challenges that lie ahead. The purpose of the review of the BURS Financing Arrangements was to assess the effectiveness and appropriateness of the current method of financing BURS and suggest or recommend improvements. Further, BURS was able to commence the development of the Customs and Excise and ICT Strategic Plans during 2007/08. The objectives and outcomes of the Customs and Excise and ICT Strategic Plans would also be incorporated in the next BURS Strategic Plan.

Challenges

In 2008/09, BURS will develop the BURS website which is intended to effectively disseminate information on all aspects of BURS services as well as provide a platform to dialogue with stakeholders on tax and customs issues. The website is meant to disseminate information to the public in a cost effective and timely manner and thus promote taxpayer education and compliance. The website will be launched during the 2008/09 financial year.

It is intended that during the 2008/09 financial year BURS will setup a Research and Planning Unit and the Integrity and Ethics Office. The Research and Planning Unit will carryout research and planning activities including the conduct of studies such as the tax gap study, development and updating of the revenue model and provision of forecasts as well as monitoring the implementation of the BURS' next strategic plan. This will assist BURS by providing advisory

information for informed decision making and planning. On the other hand, the Integrity and Ethics Office will promote and apply innovative interventions geared towards cultivating high standards of ethical conduct among BURS staff. The issue of integrity cannot be overemphasised as the Revenue Service handles large amounts of revenue on behalf of the Government. Hence, the conduct of BURS employees at all levels should be beyond reproach. The Unit will therefore play a major role in coming up with measures aimed at assisting employees to address the challenges that they meet in the work place, such as inducement by taxpayers to participate in acts of corruption.

BURS is exploring the possibility of establishing a Large Taxpayer Unit (LTU). This is in recognition of the fact that large taxpayers pay most of the tax revenue. In that regard, BURS needs to understand the operations of the large taxpayers in order to design services and processes that are tailor made to assist them to comply with the provisions of the Revenue Laws. Through the establishment of the LTU, BURS will closely dialogue with the large corporations to effectively meet their needs and thereby efficiently collect taxes from them. The establishment of the LTU remains a challenge for BURS as skilled personnel are required to establish the Unit. To this end, BURS will be seeking external assistance to assist it in establishing the Unit during 2008/09.

Board of Directors

The Board of Directors continues to play a pivotal role of providing strategic guidance to the BURS Management. This contributed to the good performance reported in this Annual Report. For the year under review, there were some changes in the composition of the board. The then Chairman of the Board, Mr. W. J. Mandlebe, resigned from the Board on 31st July, 2007 on account of him being seconded to the African Development Bank (ADB). The Board membership of Ms. N. M. Masisi and Mr. D. N. Loeto expired on 30th June, 2007. The membership of Mr. Loeto was renewed whilst that of Ms. Masisi was not renewed because she had retired from the public service. Dr. T. Nyamadzabo was appointed to the

Board as Chairman whilst Mr. K. Laletsang was appointed in the place of Ms. Masisi. The Board Secretary and Director of Legal Services, Ms. C. Ross resigned from BURS at the end of October, 2007. At the time of preparing this report the hunt for her successor was continuing. Meanwhile, Mr. M. Lesole was appointed to act as a Board Secretary as and when necessary. I wish to express my sincere appreciation for the invaluable contributions made by all the Directors in providing strategic direction and guidance to the BURS.

Acknowledgements

On behalf of the Board and the Government of Botswana, I wish to acknowledge and appreciate the good performance and encourage BURS to continue the good performance. I would like to take this opportunity to express my sincere appreciation to the BURS cooperating partners for rendering invaluable assistance in various ways in the context of developing BURS. I would particularly like to thank the European Union (EU) and the US Treasury for providing financial and technical assistance for various programmes, the India Board of Revenue for having seconded two Tax Experts to BURS, the World Customs Organization (WCO) for having provided experts to assist the Customs and Excise Division to develop its Strategic Plan and the South African Revenue Service (SARS) for having provided an expert to train BURS staff on some aspects of tax administration.

Conclusion

The 2007/08 financial year was another year wherein BURS surpassed the revenue collection target. The Board of Directors is therefore pleased to pronounce that 2007/08 financial year was a successful year for BURS. It is imperative that the Revenue Service maintains the good performance. In the long term, this would require the Revenue Service to come up with new and innovative efforts of enhancing the services rendered to the taxpayers, broadening the tax net to ensure a level playing field on which businesses can compete equally and in promoting a culture of voluntary compliance. Therefore, in the coming financial year, the Revenue Service will develop its next Strategic Plan to address the above

challenges. With the envisaged enhanced services, I am convinced that the performance of the Revenue Service will improve significantly in the ensuing years. I am very confident that, given the current performance and efforts to do better, BURS will overcome the future challenges and continue to sustain its remarkable performance.

Finally, I would like to thank the Commissioner General for the visionary leadership, as well as his firm support to staff and the efforts he uncompromisingly put in for the success

of BURS. I would be remiss if I did not extend my sincere appreciation to the BURS management team and BURS staff at all levels for the support rendered to the Commissioner General to execute his mandate and make 2007/08 another successful year for BURS.



Dr. T. Nyamadzabo
BOARD CHAIRMAN



Commissioner General's Review

Mr. Freddy Modise
Commissioner General



The revenue collection growth has continued for the three years since the inception of BURS. It is important that BURS sustains its growing contribution to the national development by delivering more revenue to the Government to provide public services as well as finance infrastructure development.

The Botswana Unified Revenue Service (BURS) continues to make improvements to fairly, effectively and efficiently administer the collection of the tax revenues. In so doing, the Revenue Service has to ensure that all taxpayers are accorded equal treatment. At the centre of this development is the resolve to build the reputation of BURS by enforcing accepted governance principles, ethical standards and sound risk management processes. In this regard, it has been the responsibility of BURS to review and ensure the reliability, accuracy and completeness of financial and operational information, the efficiency and effectiveness of processes, mechanisms and operations and sound and effective systems of internal controls to manage and mitigate risks.

Overall Performance

The revenue collection growth has continued for the three years since the inception of BURS. It is important that BURS sustains its growing contribution to the national development by delivering more revenue to the Government to provide public services as well as finance infrastructure development.

Revenue collection for the period under review reflects a strong growth resulting in BURS exceeding the target revenue collections by 5.8%. The enhanced revenue collection is attributable to the growth of the economy and new compliance strategies implemented by BURS, which have cumulatively provided a good platform for sustained revenue gains. BURS collected P17,959.5 million in tax revenue, exceeding the target by P984.7 million or 5.8%.

The revenues collected during 2007/08 grew by an annual average growth rate of 23.7% or P6,137.2 million from 2005/06 to 2007/08, as indicated in table 1. Between the 2006/07 and 2007/08 financial years, the total revenue grew by 13.6%. The 2007/08 revenue collection excludes the Botswana Meat Commission (BMC) remitted tax amounting to P30.2 million. Further, the amount does not include the revenue that BURS collected on behalf of Government Departments at border posts. BURS collected P68.9 million during 2007/08 on behalf of Government Departments. Therefore, the total revenue that BURS collected for the Government amounted to P18,028.4 million. Based on the discussions that BURS has held with other entities, it is likely that BURS will be called upon to collect more revenues for other Government Departments and entities

with effect from the 2008/09 financial year. The increased workload may have manpower implications for BURS at points of entry in Botswana.

Table 1: Overall Revenues Collections and Targets

	Revenue Collections and Targets (P'000)		Differences	
	Targets	Actual	Amount	(%)
2005/06	11,185,425	11,822,286	636,861	5.7
2006/07	13,755,007	15,814,382	2,059,375	15.0
2007/08	16,974,786	17,959,522	984,736	5.8
Annual Average Growth Rate		23.7		

The key observations explaining the growth of revenues include the following:

- **Income Tax:** The total income tax revenue collections grew by a growth rate of 5.1% from 2006/07 to 2007/08. During 2007/08, the actual collections were P7.2 billion, exceeding the target by P164.4 million.
- **Value Added Tax:** The total VAT collections grew significantly by a growth rate of 29.1% from 2006/07 to 2007/08. The actual collections were P2.9 billion, exceeding the target by P380.0 million.
- **Customs Union Receipts:** The total Customs Union Receipts collections grew by a growth rate of 18.5% from 2006/07 to 2007/08. During 2007/08, the actual collections were P7.8 billion.

Figure 1 depicts a growing trend for all the tax types since the 2005/06 financial year to the 2007/08 financial year. Figure 1 also shows that income tax and customs receipts are major components of revenue collections. Revenues collected on behalf of other Government Departments

increased from P44.5 million in 2005/06 financial year to P68.9 million in 2007/08 financial year.

Figure 1: Revenue Collections by Tax Type

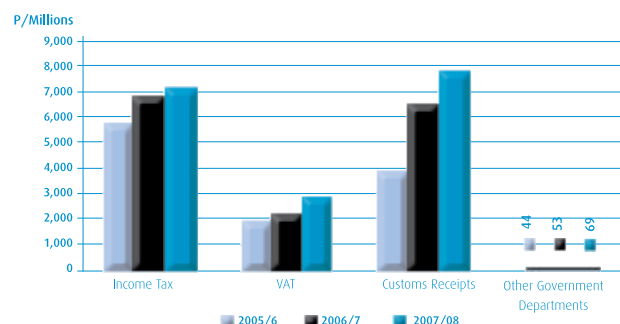
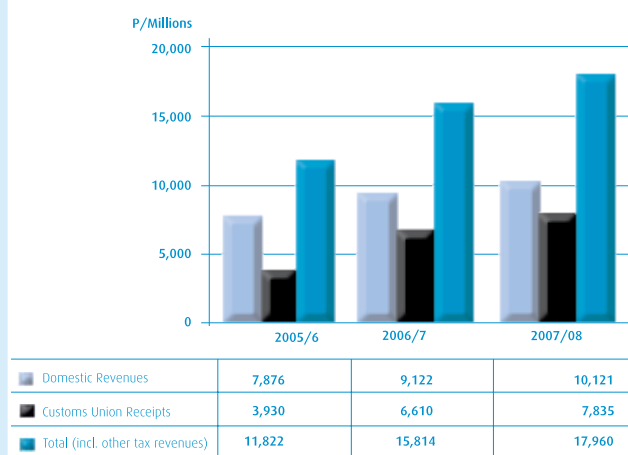


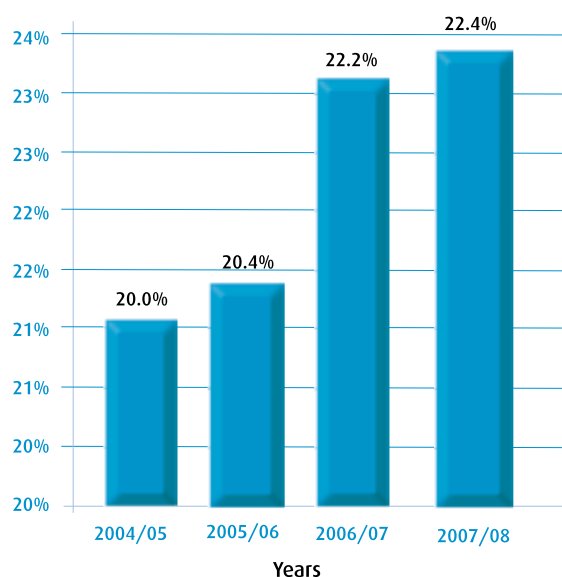
Figure 2 indicates that Botswana collected more revenues from domestic revenues than customs revenues, with an average of 60.2% of total revenues collected from domestic revenues during the period from 2005/06 to

Figure 2: Total Revenue Collection



2007/08. However, the contribution of domestic revenues has slightly declined from 66.6% in 2005/06 to 56.3% in 2007/08. The customs receipts grew by an annual average rate of 43.4% while the domestic revenues grew by 13.4% from 2005/06 to 2007/08. It has to be noted that the Customs Union receipts include both customs and excise duties.

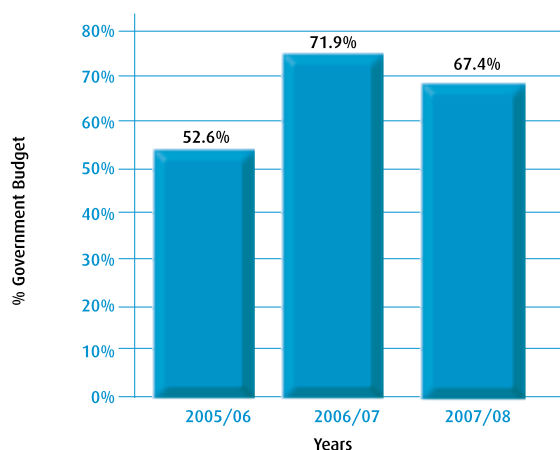
Figure 3: Total Revenues as a percentage of GDP



As indicated in figure 3, the revenues as a percentage of the Gross Domestic Product (GDP), show a growing trend from 20.0% in 2004/05 to 22.4% in 2007/08. This is a good performance because this proportion is higher than the Sub-Saharan Africa (SSA) average which falls in the range 18-20%.

A combination of sustained economic growth, improved service delivery within BURS and increasing efforts to instil the culture of taxpayer compliance, has helped to grow the revenue collection since 2005/06. This has meant that the revenue remitted to the Government has been increasing on a yearly basis since 2004, hence, providing Government with the financial resources to expand and accelerate

Figure 4: Total Revenues as a percentage of the Government Budget



infrastructure development and provision of services. BURS has adopted strategies that are taxpayer centric in order to entrench a culture of voluntary compliance within the country. These strategies focus on providing taxpayer services to support voluntary compliance. However, at the same time, when there is need for BURS to take action to enhance compliance, BURS has always taken stern action in accordance with the provisions of the tax revenue laws.

As depicted in figure 4, the total tax revenues as a percentage of total the Government budget increased over the period under review from 52.6% in 2005/06 to 67.4% in 2007/08. However, during 2006/07 total revenues had reached a high of 71.5%.

Key Drivers of Performance

The key drivers of efficiencies in our operational processes and procedures follow from the continued investment in ICT systems, human resource development, taxpayer educational campaigns and activities, performance management system, performance based reward system and zero tolerance to corruption and embracing integrity principles.

- **Compliance Activities:** BURS has collected third party data, improved document matching and examination to prevent, detect and reduce non-compliance as well as detect non filers and stop filers to improve taxpayer compliance.
- **Reporting Requirements:** BURS has used the tax return forms and other reporting obligations of taxpayers to increase efficiency and effectiveness of the tax administration to detect areas of non-compliance.
- **Information and Communications Technology:** BURS continued upgrading the information technology systems to reach a wide geographical coverage of the user community with speed and ease to improve service delivery. BURS upgraded the operating system

and the Database on the servers running the ASYCUDA system. The United Nations Conference on Trade and Development (UNCTAD) was also engaged to upgrade the ASYCUDA system to version 1.18E, Oracle 10g, and move from the AIX Operating system to Linux operating System. As a result, the current servers will in 2008/09 financial year be replaced with new ones that are appropriate for the new system.

- **ICT Strategy:** BURS developed an ICT strategy during 2007/08 to promote electronic business transactions, upgrade and integrate existing computer systems, establish a databank and information architecture and modernisation of the ICT infrastructure while also strengthening the security of the current ICT governance. A number of strategies are in the pipeline to transform the organisation from manual or paper-based processes to streamlined, more efficient processes that make better use of technology. Making this shift is particularly important as the economy becomes more complex and with globalisation challenges.
- **Taxpayer Outreach Strategy:** BURS adopted various activities including stakeholders' workshops and educational campaigns to inform and educate taxpayers on tax matters to promote voluntary compliance. Taxpayer education is especially important in providing taxpayers with clear, appropriate tax information and assistance. It is meant to provide key interface between BURS and the taxpayers to ensure that taxpayers are aware of their obligations. During the year under review, 87 workshops were conducted and BURS manned stalls during the 4 identified trade fairs and the Expo exhibitions. In addition, 2 pamphlets were published; 1 for Farming businesses and the other on VAT in general. BURS will continue to adopt innovative ways to broaden the tax base and enhance revenue performance.
- **Human Resource Development:** BURS has demonstrated commitment to the employees' welfare by introducing a number of staff benefits

such as insurance cover in the form of Group Life Assurance, 24 Hour Group Personal Accident Cover and Workmen's Compensation. Further, BURS has revised the General Conditions of Service to, among others, make them compliant with the provisions of the Employment Act, as well as the improved BURS organisational and pay structures. These efforts are expected in the long term to assist BURS to address the problem of the staff turnover. This turnover might undermine BURS' endeavour "to become the regional leader in revenue and border administration". Such a vision can only be achieved with the recruitment of additional and retention of qualified and experienced employees.

- **Performance Management And Performance Based Reward Systems:** BURS recognises that it can achieve its outcomes as enshrined in the Strategic Plan by attracting and retaining a high performance team. BURS has, therefore, adopted the performance management and performance based reward systems since the beginning of the 2007/08 financial year. The systems are especially vital for the appraisal of the performance of the staff. Consequently, BURS will be recruiting a Performance Coordinator during the next financial year to enhance its performance management and reward systems.
- **Customs and Trade Facilitation:** Given the increasing incidences of cross border crimes, BURS plans to put in place modern facilities or technologies at border posts such as mobile X-Ray scanners to detect incidences of smuggling of commodities, enforcing security of Botswana borders and improving services extended to importers and exporters. Further, BURS has established a Post Clearance Audit Unit to coordinate and intensify the scale of audits so as to improve compliance and revenue collection.
- **Cooperation with Enforcement Agencies:** BURS has joined hands with the Botswana Police Service, the Directorate on Corruption and Economic Crime and other entities with a view to enhancing compliance

with the provisions of the Revenue Laws. The cooperation of third parties with BURS has assisted it in counteracting, smuggling, tax fraud and tax evasion.

- **Payment of Tax Liabilities (VAT and Refunds):** some large taxpayers are now able to pay their tax liabilities through bank transfers. BURS has put in place, systems that, among others, facilitate the payments of VAT refunds to taxpayers in excess of P20,000 through the banking system. The development is not only quick and efficient, but also minimises the risks of issued refund cheques falling into wrong hands.
- **Agency Work:** BURS has been requested to collect levies on sound recording apparatus and the training

levy on behalf of the Ministry of Trade and Industry and the Botswana Training Authority (BOTA), respectively. In addition, BURS has been requested to collect the Third Party Insurance Levy on foreign registered vehicles on behalf of the Motor Vehicle Accident Fund (MVAf). The collections of the levies and the insurance premiums will be implemented during the 2008/09 financial year.

- **BURS Offices:** Projects planned for implementation in the immediate future include the construction of the BURS Head Office, regional offices and upgrading of some border facilities, including converting some of them into One Stop Border Posts (OSBP) in due course. The integrative opening of BURS regional offices will bring services nearer to the taxpayers.



Internal Revenue Operations and Performance

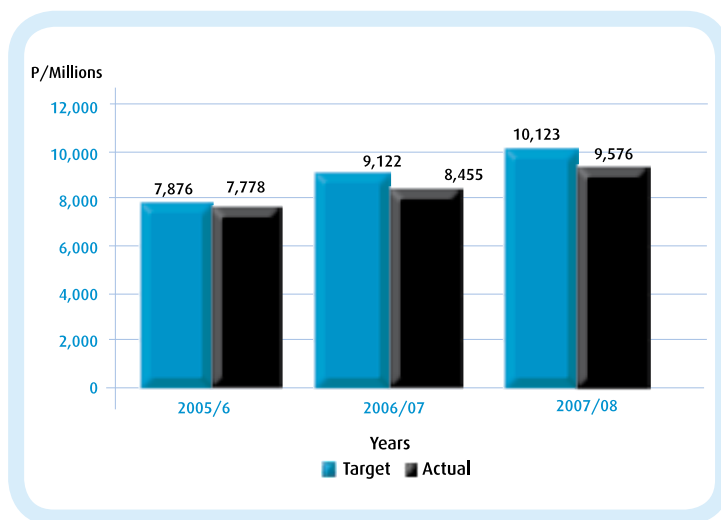
The Internal Revenue collection during 2007/08 stood at P10,122.9 million representing a growth rate of 11.0% which is lower than the growth rate of 15.8% attained in 2006/07. The collection exceeded the target of P9,576.4 million by P546.5 million or 5.7%. The improved performance during 2007/08 was due to the growth of the economy as well as new compliance strategies adopted during the year under review to deal with tax avoidance and evasion and the enhanced taxpayer education programme.

During the year under review, the internal revenue growth declined as compared to the growth recorded in 2006/07. The Internal Revenue collection grew significantly in 2006/07 due to the significant growth of the VAT at 13.6% and the income tax revenue at 16.5% as well as the capital transfer tax by 367.3%. Figure 5 below depicts a growing trend of the internal revenue collections over the past three years from 2005/06 to 2007/08. The actual internal revenue collected has surpassed targets throughout the period. It is imperative that the Revenue Service maintains this good performance in order to meet the revenue collection targets and contribute to the Government development agenda and the provision of public services.

Table 2: Revenue Collection by Tax Type

Tax Type	Revenue Collection 2005/06 (P'000)	Revenue Collection 2006/07 (P'000)	Revenue Collection Target (RCT) 2007/08 (P'000)	Actual Revenue Collected 2007/08 (P'000)	% Variation against RCT (2007/08)	Growth from 2006/07 to 2007/08
Income Tax	5,898,092	6,875,102	7,056,978	7,221,405	2.33	5.04
Value Added Tax	1,977,980	2,246,184	2,519,068	2,899,059	15.08	29.07
Capital Transfer Tax	165	771	400	915	129	18.68
Total	7,876,237	9,122,057	9,576,446	10,121,380	5.69	10.96

Figure 5: Internal Revenue Targets against Collections



Performance by Tax Type

The actual internal revenue collection broken down by the tax type is depicted in Table 2 below. The revenue streams are Income Tax, Value Added Tax (VAT) and Capital Transfer Tax. The fuel levy collections are incorporated in the VAT collections. The actual revenue collections for the three tax types have consistently depicted a favourable outturn since 2005/06. The VAT recorded the highest growth rate of 29.1%

and the lowest was in respect of the Income Tax at 5.0%, from 2006/07 to 2007/08. Between 2005/06 and 2007/08 VAT grew by an annual average growth rate of 21.3%, while the Income Tax grew by 10.8%.

Income Tax

Income Tax revenue comprises both non-mineral and mineral income taxes. The mineral income tax revenue mainly includes corporate self-assessed income tax and withholding taxes on dividends, royalties, management and consultancy fees paid by mining companies. The non-mineral income tax revenue is made up of personal income tax, corporate self-assessed income tax, dividend withholding tax and other withholding taxes paid by non-mining companies.

Over the three year period from 2005/06 to 2007/08, non-mineral income tax revenue grew at an average annual growth rate of 26.2% while the mineral revenue registered an annual growth rate of 0.9%. The mineral tax revenue grew at a declining rate over the three year period when compared with the non-mineral tax revenue. Thus, the share of the mineral income tax revenue dropped from 63.2% in 2005/06 to 52.2% in 2007/08. The Mineral income tax revenue declined by 7.1% from 2006/07 to 2007/08, hence its contribution to the Income Tax revenue had declined from 59.0% in 2006/07 to 52.2% in 2007/08. The share of the non-mineral tax revenue increased from 41.0% in 2006/07 to 47.8% in 2007/08.

The non-mineral income tax revenue is expected to continue to grow given the Government's commitment to diversify the economy, as well as BURS' efforts aimed at improving tax compliance and efforts being taken to reduce outstanding tax arrears.

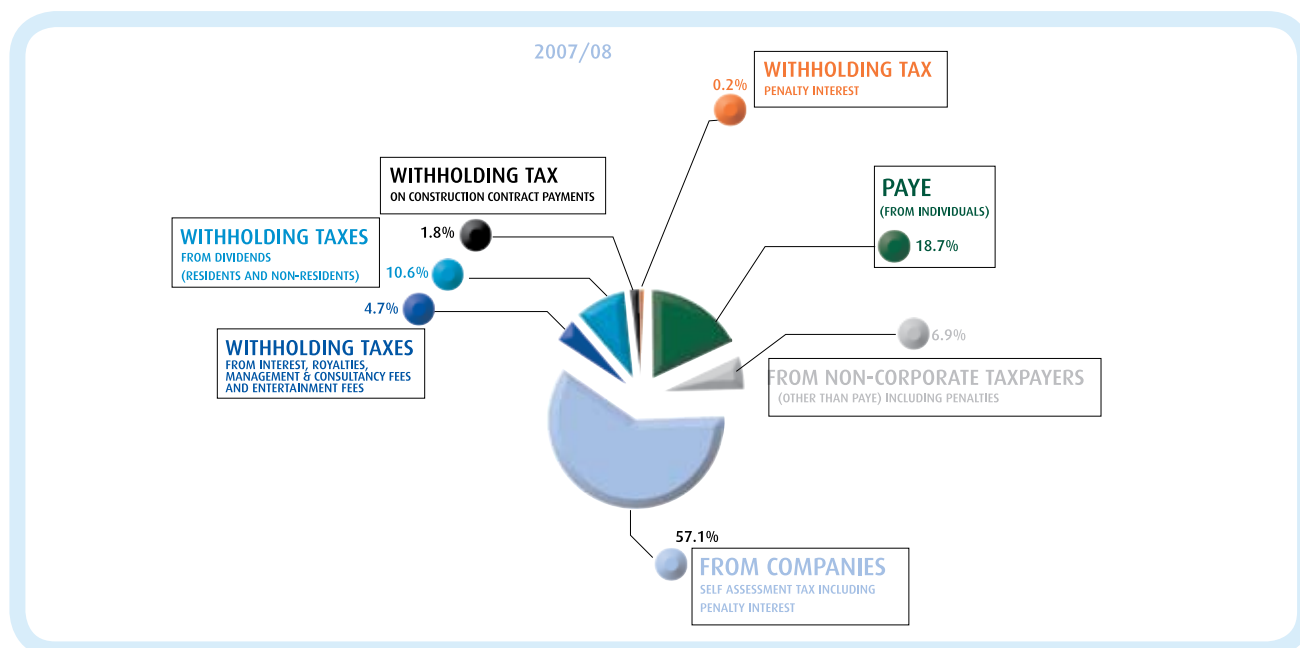
Table 3: Income Tax Revenue

	Revenue Collected 2005/06 (P'000,000)	Revenue Collected 2006/07 (P'000,000)	2007/08 Revenue Collection Target (P'000,000)	2007/08 Actual Revenue Collected (P'000,000)	Variation from RCT (P'000,000)	Variation from RCT (%)	% Collection of Total Actual Income Tax Collection		
							2005/06	2006/07	2007/08
Non-mineral	2,171	2,816	3,504	3,452	-52	-1.48	36.81	40.96	47.81
Mineral	3,728	4,059	3,553	3,769	216	6.08	63.21	59.04	52.19
Total Income Tax	5,898	6,875	7,057	7,221	164	2.3	100	100	100

The Income Tax revenue represents a major component of the internal revenue. During the period from 2005/06 to 2007/08, the income tax revenue grew by an annual average growth rate of 10.8%. Over the period from 2006/07 to 2007/08, the income tax revenue grew by 5.0%. Despite this growth, its contribution to internal revenues has declined by 4.0% from 75.4% in 2006/07 to 71.4% in 2007/08. This is mainly because of the significant growth recorded by the VAT, whose contribution to the internal revenue has increased from 24.6% in 2006/07 to 28.6% in 2007/08.

In comparison to targets, non-mineral income tax revenue collection was slightly below target in 2007/08 by P52 million or 1.5%, as shown in table 3 above. Although the actual mineral income tax revenue contribution to the total share of the income tax revenue had declined in 2007/08 when compared to 2006/07, it still exceeded the target in 2007/08 by P216 million or 6.1%. The reason for the decline of the share of the mineral tax revenue to the total tax revenue is due to the growth of the non-mining sector contribution to the tax revenues as a result of enhanced profits of non-mining businesses.

Figure 6: Contributions of Income Tax by Source



Income Tax Revenue by Source

As depicted in figure 6 the major source of the income tax revenue is the Self Assessment Tax (SAT) paid by companies which constitutes 57.1% of the income tax revenue.

The second most significant source of the income tax revenue is the PAYE (individuals) at 18.7%. The third largest source of the income tax revenue was the withholding taxes on dividends paid to both residents and non-residents at 10.6%, followed by the tax revenue paid by non-corporate taxpayers (i.e. individuals running businesses such as farming, real

Table 4: Income Tax Collection by Source

Sources of Tax Collection	Revenue Collections [P]		% of Contribution by Tax Sources to Total Collection 2006/07	Collections 2007/08 [P]	% of Collection against total collection 2007/08	% Variation from 2006/07 to 2007/08
	2005/06	2006/07				
PAYE (from Individuals)	1,038,710,655	1,054,640,673	15.34	1,348,059,893	18.67	27.82
From Non-Corporate taxpayer (other than PAYE) including penalties	111,863,269	140,939,595	2.05	501,310,277	6.94	255.69
From Companies Self Assessment Tax including penalty interest	3,781,666,442	4,511,442,046	65.62	4,123,564,628	57.11	-8.60
Withholding taxes from Interest, Royalties, Management & Consultancy fees and Entertainment fees	120,297,381	208,315,596	3.03	342,532,853	4.74	64.43
Withholding taxes from Dividends (residents and non-residents)	788,152,143	863,512,833	12.56	763,255,357	10.57	-11.61
Withholding tax on construction contract payments	54,349,265	88,688,818	1.29	128,155,735	1.77	44.50
Withholding tax penalty interest	3,217,837	7,562,612	0.11	13,610,064	0.19	79.97
Total	5,898,256,992	6,875,102,173	100	7,220,488,807	100	

estate and professional services) other than PAYE at 6.9%, while the remaining income tax collections are derived from the withholding taxes on fees, construction payments and penalty interest charges at 6.7%. Table 4 shows the income tax collection by source.

Value Added Tax Revenue

The Value Added Tax (VAT) revenue collections are made up of the fuel levy, internal consumption and import VAT. The collection breakdown for VAT in terms of the fuel levy, internal consumption (goods and services) and imports is depicted in Table 5 below.

Total VAT collections have increased steadily from P1,978 million in 2005/06 to P2,899 million in 2007/08. The 2007/08 collection exceeded the target by P380 million or 15.1%. The VAT revenue increased by 29.1% in 2007/08 having previously grown by 13.6% in 2006/07. The VAT revenue is not expected to increase in direct proportion to the economic activity in the country given that a significant proportion of the increase in economic activity is export driven, such as in the mining sector, which results in an increase of refunds of the input tax to exporters. Exported goods and services are zero-rated.

The bulk of the VAT in 2007/08 was collected from the consumption of domestic goods and services which

contributed 55.6% to VAT, followed by imports at a proportion of 39.7% of the VAT, and the Fuel Levy at a proportion of 4.7%. However, the contributions of the domestic consumption and fuel levy actual collections declined from 58.6% and 5.8% in 2005/06 to 55.6% and 4.7% in 2007/08, respectively, while the contribution of the imports increased from 35.6% in 2005/06 to 39.7% in 2007/08. The improved import collection performance contributed positively to the VAT revenue collected in 2007/08.

Income Tax and VAT returns filing

Figure 7 presents the statistics in respect of the income tax filings. The number of Income Tax returns filed during 2007/08 was 57,970 as compared to 52,010 in 2006/07 and 44,359 in 2005/06. The filings represent an increase of 11.5% over the period from 2006/07 to 2007/08. The income tax returns filed from 2005/06 to 2006/07, had increased by 17.2%. The increase in income tax filings is due to increased efforts by BURS to ensure that there is compliance in respect of filing income tax returns.

BURS received 24.6% more income tax returns from companies, 10.6% more returns in respect of individuals and 7.2% more returns in respect of PAYE and withholding taxpayers during 2007/08. The growth rates reflect both the general growth of the Botswana economy and improved compliance by taxpayers as a result of increased compliance measures being undertaken by BURS.

Table 5: Value Added Tax Revenue

Source of VAT	Collections					Percentage of Actual Collection Against Total Collection		
	Actual 2005/06	Target 2006/07	Actual 2006/07	Target 2007/08	Actual 2007/08	2005/06	2006/07	2007/08
	(P'000,000)	(P'000,000)	(P'000,000)	(P'000,000)	(P'000,000)			
Internal consumption	1,158	1,243	1,302	1,457	1,613	58.56	57.96	55.64
Imports	705	750	809	922	1,151	35.63	36.01	39.70
Fuel Levy	115	100	135	140	135	5.81	6.03	4.66
Total VAT Collected	1,978	2,093	2,246	2,519	2,899	100	100	100

Figure 7: Number of Income Tax Returns Filed

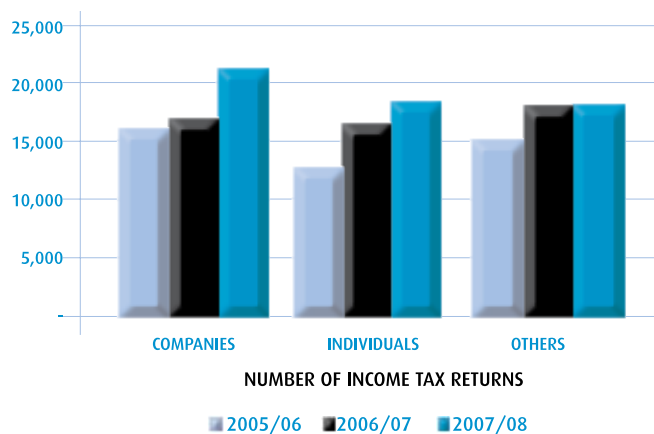
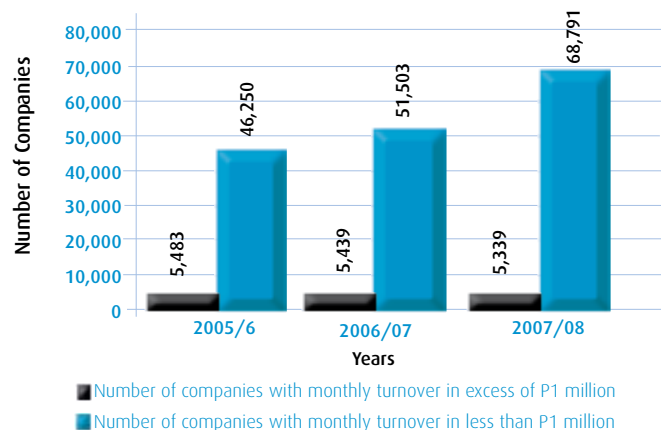


Figure 8: Number of VAT Returns Filed



For the period under review, VAT returns filing increased from 51,733 in 2005/06 to 74,130 in 2007/08. As shown in figure 8, the number of VAT returns filed increased due to the registered new registrants with a monthly turnover of less than P1 million during 2007/08. However, the number of registered companies with a monthly turnover in excess of P1 million declined during 2007/08 hence the decrease in the VAT returns filed by those companies by 1.8%.

Tax Filing Compliance

Overall, there has been an improvement in reaching out to taxpayers as shown by the increase in the number of returns filed during the course of the year. However, BURS remains

committed to an outreach programme of sensitising taxpayers about the importance of tax compliance. Non compliance is a costly business to taxpayers as they will be expected to redeem themselves by having to pay heavy fines, penalties and interest charges. The penalties and interest charges take away money that otherwise could be used to grow the businesses or incomes of taxpayers. It is for that reason that BURS encourages taxpayers to observe their filing return dates to obviate the need to pay penalties and interest charges.

Extension of time to file tax returns

During 2007/08, BURS received 818 applications from corporate entities requesting for the extension of the time to file the income tax returns compared to 1,410 applications in 2006/07 and only 388 or 47.4% of the applications were approved. The rest of the applications were declined as they failed to meet the minimum requirement of a just cause. In addition, BURS received 50 requests for the extension of the time to file returns from individuals in 2007/08 compared to 169 in 2006/07 and out of these 50 applications 47 were granted. BURS also received 480 applications for the extension of the time to file VAT returns out of which 456 were approved.

Change of Accounting Year-end by taxpayers

During 2007/08, a total of 288 companies informed BURS that they had changed their accounting year periods. The change of the accounting year impacts negatively on the final submission of the tax returns and compliance, which consequently delays payments of taxes due. This number is far much lower than the previous year's number of 965 companies that changed their accounting years. BURS's view is that taxpayers should be allowed to change their accounting year period only with the concurrence of BURS. However, BURS' wishes can only be attained with the amendment of the Income Tax law.

Tax Clearance Certificates

During the year under review, 5,805 applications for Tax Clearance Certificates (TCC) were received by BURS. Out of these 5,457 applications were approved while 348 were rejected compared to the previous financial year, whereby 4,817 TCCs were issued and 469 rejected. During 2005/06 BURS had received 1,546 applications and rejected 216 applications.

The issuing of the TCC will be automated during 2008/09 and decentralized to Regional Offices as compared to the current situation where the issuing of the certificates is only done from Gaborone. By so doing, BURS will be continuing with its aim of bringing services nearer to the taxpayers. Further, the automation will produce accurate reports of the number of applications received, certificates issued, applications rejected as well as the tax collected and the tax returns secured as a result of the issuance of Tax Clearance Certificates.

Debt Management

BURS still faces the problem of arrears of tax revenues. During the year under review, the outstanding tax arrears stood at P839.6 million (including penalty and interest charges for late payment etc) which have grown by 2.0% as compared to P823.4 million of tax arrears recorded in 2006/07, as illustrated in table 6 below. The tax arrears increased by P16.2 million or 1.96% from 2006/07 despite efforts adopted to keep the arrears under control. The VAT arrears which increased by P49.5 million or 18.3% to reach P319.9 million in 2007/08 from 270.4 million in 2006/07 contributed to the overall increase in tax arrears. The Income Tax arrears which account for 61.9% of the total arrears

reduced to P519.7 million in 2007/08 or by 2.5% from P553.0 million in 2006/07.

However, the stated tax arrears are not necessarily all collectable because some taxpayers have disputed the tax assessments. Therefore, until the disputed assessments are agreed to by both BURS and the taxpayers and the liabilities are paid, the assessments will remain outstanding as tax arrears. Further, some businesses owing tax arrears are under liquidation. Though BURS may submit its claims in respect of the owed taxes by taxpayers under liquidation, BURS cannot be assured that the claims would be honoured in full. Other taxpayers opt to agree payment terms with BURS, hence, BURS is optimistic that where they have agreed the payment terms to settle the outstanding tax arrears, the taxpayers would honour the agreed payment terms.

Any revenue collection effort cannot be without the risks associated with tax arrears or even bad debts. It is for this reason that BURS continues to strive to improve its revenue collection ratio to arrears over the years. The BURS total tax arrears as at 31st March, 2008 stood at P839.6 million and total tax collections as at 31st March, 2008 were P17,959.5 million. Thus, the arrears ratio is 4.7% of total revenue collections. The trend indicates that the arrears have been declining as a proportion of actual total revenues. During 2007/08, the arrears as a percentage of total revenues stood at 4.7% compared to 5.2% in 2006/07 and 5.5% in 2005/06. Some of the strategies adopted to control the tax arrears include; agreeing payment plans with taxpayers, issuing garnishee orders and obtaining enforceable judgments from Courts against tax defaulters.

Table 6: Tax in Arrears

Type of Tax	Arrears as at 31 st March 2006	Arrears as at 31 st March 2007	Arrears for current year (2007/08)	Total Recoveries, Discharges & Remissions (2007/08)	Arrears as at 31 st March 2008
Income Tax	421,405,006	553,007,003	544,985,865	578,271,277	519,721,591
VAT	227,758,602	270,383,870	1,665,273,718	1,615,747,200	319,910,388
Total	649,163,608	823,390,873	2,210,259,583	2,194,018,477	839,631,979

Tax Refunds

A total of P1,072.6 million was paid to taxpayers in 2007/08 (Income Tax P155.6 million and VAT P917 million) representing an increase of 18.4% from P906.2 million paid to taxpayers as tax refunds in 2006/07. During the 2005/06 financial year, the total refunds paid to taxpayers amounted to P746.5 million. For Income Tax, sectors which attract significant amounts of refunds are the construction industry and farming, whereas for VAT a significant portion is mainly paid to exporting industries namely mining, textiles and beef. The suppliers of zero-rated goods also do receive significant VAT refunds.

Tax Audits and Findings

During 2007/08, 196 income tax audits and 371 VAT audits were conducted compared to 98 income tax audits and 993 VAT audits during 2006/07 and 25 income tax audits and 645 VAT audits in 2005/06. The significant difference in the number of audits performed in 2006/07 and 2007/08 is due to the strategy adopted in the reporting of cases for audits. In 2007/08, VAT audits were reported as per the tax period whereas in 2006/07 the reporting is per the taxpayer.

The audits conducted revealed that some taxpayers do not retain their records, under report their incomes and submit unsubstantiated expenses on goods and services purchased by businesses. The special audits of 24 taxpayers that were undertaken since last year were completed in December 2007. As a result of the audits, the Income Tax revenue collections were enhanced by P113.4 million whilst the VAT revenue collections were increased by P48.9 million.

Regional Tax Agreements

SADC meetings are essential for the achievement of the SADC objectives which are: to become a free trade area by 2008; a customs union by 2010 and a common market by 2015. BURS attends these meetings to share experiences and discuss issues of common interest with other tax administration. Some of the meetings attended include the

Tax Incentive Working Group Meetings; Tax Agreements Working Group Meetings and Indirect Tax working Meetings.

- The SADC Tax incentives Working Group has agreed on guidelines for the application of tax incentives. The guidelines included: agreement by Member States to publicise information on tax incentives; exchange of information; avoidance of low tax rates. Member States also agreed to avoid tax incentives that could lead to harmful tax competition.
- The Tax Agreements Working Group agreed to work towards the elimination of barriers to trade, to reduce revenue loss due to smuggling and tax fraud through the realisation of effective tax co-ordination at the SADC level, including the development of efficient and equitable tax regimes in the SADC region. Member states are encouraged to enter into Double Tax Avoidance Agreements with one another and further process memoranda of understanding to cater for the exchange of information, mutual assistance agreements and cross border VAT agreements. The working Group has been further tasked with the development of the SADC Model Tax Agreement which will form a basis for information exchange and mutual assistance and avoidance of double taxation.
- The Indirect Tax Working Group agreed to focus on issues relating to bringing about efficiency in VAT and Excise duty administration in order to generate more revenues for Member States. Such issues include: (1) harmonising the application of excise duty rates e.g. the application of ad valorem rates; minimising incidents of smuggling; application of a minimum standard of the VAT rates, and avoiding too many exemptions and zero-rates; (2) identifying areas of co-operation and agreement on the protection of the tax base and addressing problems of tax leakages; (3) entering into bilateral agreements e.g. VAT refund agreements whereby tax administrations could refund one another the VAT on purchases made by visiting residents of the other administration, whilst

the importing state would not levy the VAT on the importation of such purchases. The Working Group has been tasked with the development of a policy on the Excise duty administration and the development of a SADC VAT Model.

- The Association of Commonwealth Tax Administration (CATA) is an important forum that Botswana subscribes to. In the year under review BURS, as part of CATA activities, attended a conference on tax matters in Kenya.

The audits conducted revealed that some taxpayers do not retain their records, under report their incomes and submit unsubstantiated expenses on goods and services purchased by businesses.

Customs and Excise Operations and Performance

Customs and Excise Declarations

During the period under review, BURS processed 571,945 import declarations and 44,491 export declarations as shown in table 7 below. The numbers of declarations processed in 2007/08 have declined when compared to the 600,653 import declarations and 55,825 export declarations processed in 2006/07. The decrease which represents 5% of the declarations processed in the previous year is attributable to the consolidation of transaction data by individual importers and exporters. The bulk of the declarations were processed at Tlokweng border post, Pioneer Gate and Martins Drift border posts, while the lowest numbers were processed at Molembo and Ngoma border posts.

Post Clearance Audits

Customs Declarations are routinely audited to establish their accuracy and to determine whether the correct duties and VAT have been collected or to determine Botswana traders' compliance with the international trade treaties.

BURS has established a Post Clearance Audit Unit during the 2007/08 to coordinate this work. A total of 88,162 declarations were audited in 2007/08 as compared to 59,079 declarations that were audited during 2006/07 and 49,615 that were audited in 2005/06. The scale of audits increased due to the establishment of the Post Clearance Audit Unit. It is intended to intensify the scale of the audits commensurate with staffing levels in the Unit which should result in improved compliance and additional revenue collections.

The revenue amounting to P12.1 million was recovered through post clearance checking of declarations submitted to BURS as compared to P23.7 million recovered during 2006/07 and P8.1 million in 2005/06. The drop in recoveries from P23.7 million in 2006/07 to P12.1 million in 2007/08 could be due to the fact that importers have become more compliant as a result of post clearance checking therefore resulting in less recoveries being made in the subsequent year. Post clearance checking increases compliance since the monies that are recovered from importers as a result of the checking encourages them to be more compliant in their future dealings.

Table 7: Performance Indicators for the Customs and Excise Division

Year	No. of Vehicle movements	Seizures	No. of Investigations Cases	Audited Declarations	No. of Export Declarations	No. of Import Declarations	No. Passenger movements	Fines and Admission of Guilt Deposits (P)	Customs Duties collections	Revenue collection & other Customs Duties (Pula)
2005/06	1,046,185	258	55	49,615	35,099	595,696	4,180,125	1,153,410	150,437,501	8,061,683
2006/07	1,222,218	601	37	59,079	55,825	600,653	4,470,233	502,672	163,141,092	23,692,047
2007/08	2,469,817	780	79	88,162	44,491	571,945	5,000,421	835,587	198,388,668	12,060,502
Variation 2006/07 & 2007/08 (%)	102.1	29.8	113.5	49.2	[20.3]	[4.8]	11.9	66.2	21.6	[49.1]

With regard to valuation matters, 28 cases involving different products such as; motor vehicles, computer equipment and machinery were referred for further valuation as they were suspected to be undervalued. The resultant investigations yielded additional duties and VAT amounting to P108,533.

Customs Duties Collected in Botswana on Behalf of the SACU Revenue Pool

The amount of Customs and Excise duties collected in Botswana for the benefit of the SACU Revenue Pool during 2007/08 was P198.4 million, an increase of 21.6% from P163.1 million in 2006/07 and an average increase of 15.0% over P150.4 million recorded in 2005/06.

Vehicle and Passenger Traffic through Points of Entry

BURS recorded an increase in both vehicle and passenger traffic passing through border posts and airports countrywide. The number of persons who entered and left Botswana at the 7 airports and 24 border posts continues to increase as depicted in table 7. Vehicle traffic increased by 102% while passenger traffic increased by 12%. Five (5) million passengers were cleared at various ports of entry

during 2007/08 when compared to 4.5 million passengers recorded in the 2006/07. 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 took with effect from 14th December 2007 as shown in table 8 below.

Table 8: Border Posts

Border Post	Old Hours	New Hours
Tlokweng/Kopfontein	06h00-22h00	06h00-24h00
Pioneer/Skilpadshek	06h00-22h00	06h00-24h00
McCarthy's Rust/Rest	08h00-18h00	06h00-18h00
Ramatlabama	06h00-20h00	06h00-22h00
Phitshane Molopo/ Makgobistad	07h00-16h00	07h00-18h00

External Trade

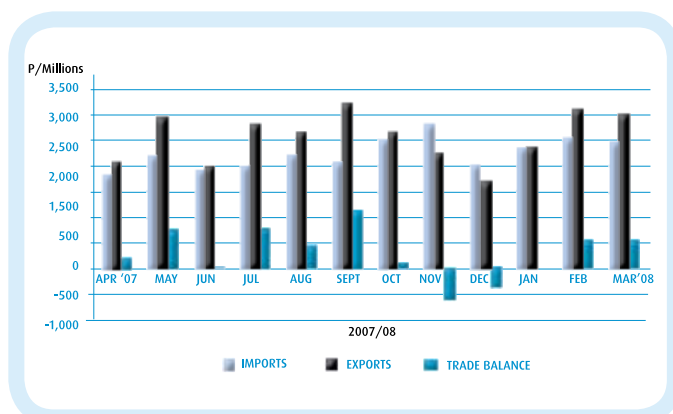
As shown in Table 9 and further illustrated in Figure 9, during 2007/08 financial year, BURS processed a substantially higher values of imports and exports. Imports worth P27.2 billion were processed in 2007/08 as compared to imports worth P18.8 billion processed in 2006/07. Overall, the value of imports has increased by P8.4 billion or 44%.

Table 9: Imports and Exports

	Imports (CIF) P'000			Exports (FOB) P'000			Trade Balance
	2005/06	2006/07	2007/08	2005/06	2006/07	2007/08	2007/08
April	1,236,900	1,272,327	1,852,894	1,780,807	711,127	2,085,849	232,955
May	1,253,242	1,482,980	2,209,238	1,202,731	2,197,008	2,975,221	765,983
June	1,461,090	1,573,861	1,952,049	1,533,644	2,331,065	1,990,077	38,028
July	1,333,293	1,504,689	2,012,604	2,442,375	2,513,240	2,817,123	804,519
August	1,500,734	1,706,137	2,226,519	2,381,259	2,572,902	2,682,575	456,056
September	1,350,704	1,609,854	2,096,199	2,396,599	1,479,406	3,233,234	1,137,035
October	1,410,304	1,656,219	2,537,896	519,255	3,120,005	2,666,923	129,027
November	1,509,048	1,818,288	2,867,568	2,886,273	3,099,614	2,271,280	(596,288)
December	1,324,132	1,422,598	2,047,916	1,493,106	1,992,999	1,702,359	(345,557)
January	1,081,584	1,490,354	2,379,122	2,485,889	2,908,144	2,375,229	(3,893)
February	1,248,815	1,572,950	2,552,726	2,523,202	2,912,838	3,103,199	550,473
March	1,488,393	1,719,275	2,463,199	1,366,148	3,062,248	3,043,601	580,402
Total	16,198,239	18,829,532	27,197,929	23,011,288	28,900,599	30,946,129	3,748,740
Growth rates		16.24	44.44		25.59	7.08	

The value of exports increased by P2.0 billion or 7.1% from P28.9 billion in 2006/07 to a value of P30.9 billion in 2007/08, hence improving the trade balance from P580 million to P3.7 billion over the period under review. The overall growth in the value of exports is mainly attributable to diamond sales except during the months of June, October, November, December 2007 and January 2008 where there were no diamond sales. As a result, trade deficits were recorded in November, December and January while nominal surpluses were recorded in June and October. The overall performance as depicted in figure 9 below shows that Botswana recorded monthly positive trade balances throughout 2007/08 except during November, December and January. During 2006/07 the monthly trade deficits were recorded only in April (P561,200) and September (P130,448).

Figure 9: Trade Balance

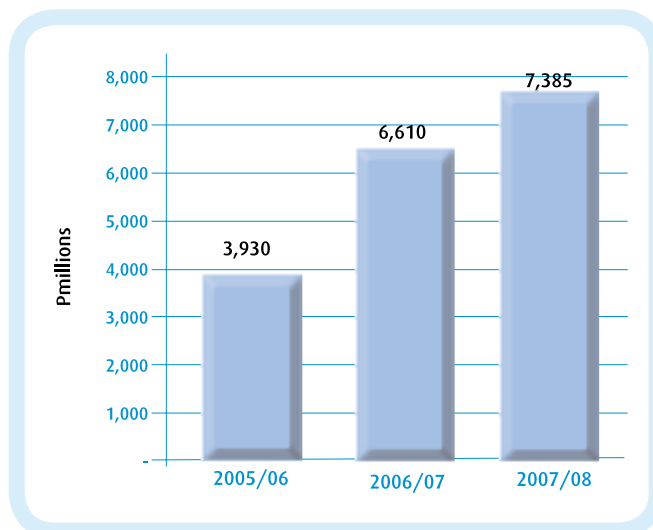


Southern African Customs Union (SACU) Revenue Pool Receipts

Botswana's receipts from the SACU Common Revenue Pool increased from P6.6 billion from 2005/06 to P7.8 billion in

2007/08, which represents an increase of P1.2 billion or 18.5%.

Figure 10: Customs Union Receipts



Work Performed on Behalf of other Government Departments

BURS continues to undertake agency work on behalf of other government departments at border posts and airports. BURS collects the flour levy in respect of the imported flour and Road Transport Permit and Road Safety Levy fees on behalf of the Ministries of Trade and Industry, and Works and Transport, respectively, in respect of foreign registered vehicles entering Botswana.

During 2007/08, a total of P68.85 million was collected from these revenue sources compared to P52.7 million for 2006/07 and P44.47 million in 2005/06 (Table 10). This represents a 14% increase in the total revenue from these

Table 10: Revenue Collected on behalf of Government Departments

Fee/Levy Type	Amount Collected (P million) 2005/06	Amount Collected (P million) 2006/07	Amount Collected (P million) 2007/08
Road Safety Tokens	-	-	3.04
Road Transport	42.9	48.82	63.26
Flour Levy	1.57	3.91	2.55
Total	44.47	52.73	68.85

sources from 2006/07 to 2007/08. The substantial decrease in the 15% flour levy receipts is attributable to the general decrease in the value of flour imports. The moderate increase in the Road Transport fees is consistent with the normal growth in the number of foreign registered vehicles entering Botswana.

Smuggling, Non Declaration of Goods and Undervaluation

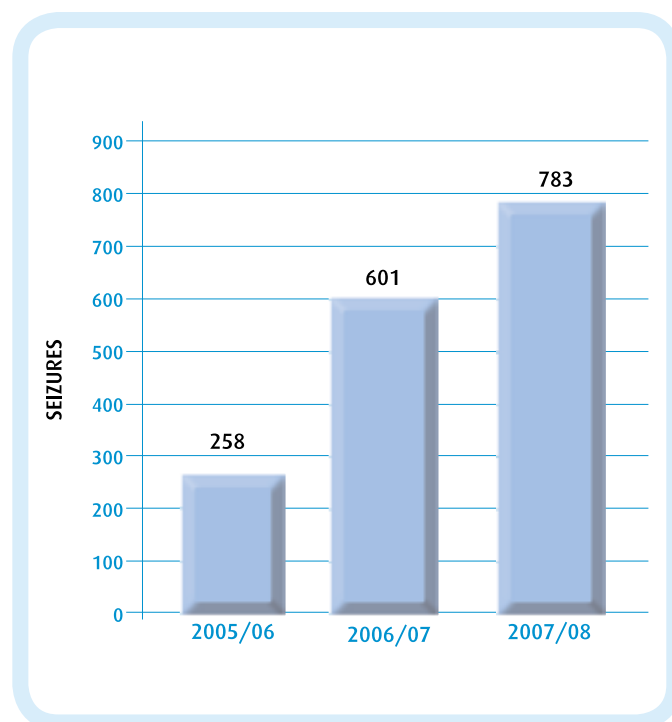
Smuggling and non-declaration of imported goods continues to be a major challenge to Botswana. Such illegal practices deny the country the much needed revenue for development in the form of unpaid customs duties and the Value Added Tax. Further, these offences impact negatively on the performance of businesses that operate in accordance with the provisions of laws of Botswana. Smuggling could also undermine other law enforcement efforts such as the prevention of drug trafficking, money laundering and other serious economic crimes, if the practice continues to go unchecked.

As part of its Customs Enforcement Strategy, Botswana continues to record significant increases in goods seized on a yearly basis. As depicted in figure 11, 783 seizures were recorded in 2007/08 compared to the 601 seizures recorded in 2006/07. The increase of nearly 30% clearly demonstrates that some importers and exporters are not compliant with the legal requirements to declare their goods and pay customs duty and Value Added Tax. Failure to declare goods has a direct impact on the revenue that BURS is expected to generate. Therefore the challenge which BURS faces is to intensify efforts to prevent evasion of customs controls.

Through the Customs Offices and Police joint operations, substantial quantities of illicit stock has been seized. A significant proportion of the seizures were for cigarettes intercepted from illegal border jumpers and other individuals from within the Southern African Region. During the Customs Offices and Police joint operations undertaken in the 2007/08 financial year, substantial quantities of illicit cigarettes were seized at bus and taxi ranks in urban areas,

as well as from street vendors. This resulted in a large decline of visible stock in the Botswana's informal market by 60% i.e. bus and taxi ranks in urban areas, as well as street vending. As a result of these joint operations there has been a substantial reduction in the sale of illegally imported cigarettes in the urban centre markets.

Figure 11: Seizures



The number of cases reported by various sources such as the Police, DCEC, members of staff, members of the public to Customs authorities, for investigations during 2007/08 were 79 compared to 37 recorded during 2006/07. The significant increase in the number of cases (42) could be attributed to the increase in the number of cases of cigarette smuggling. For this reason, BURS intends to introduce non-intrusive cargo scanning X-ray equipment and provide additional manpower at some border posts during the 2008/09 financial year to address the problem.

BURS will continue to interact and consult with other law enforcement agencies, at both national and regional level with a view to develop strategies to curb the smuggling of goods into and out of Botswana.

International and Regional Obligations

Southern African Customs Union (SACU)

BURS continued to participate actively in the meetings of the SACU Technical Liaison and the Committees, as well as playing an advisory role during the SACU Commission and Council of Ministers meetings.

Botswana assumed the chairmanship of SACU on 15th July, 2007. Some of the major achievements which SACU made during the year under review in the context of improving the implementation of the 2002 SACU Agreement included the following: establishment of a fifth Technical Committee called the Finance Technical Liaison Committee which is responsible for SACU revenue matters, including the calculation of shares due to individual SACU Member States; Adoption of the Annex to the SACU Agreement on Mutual Administrative Assistance in Customs Matters; Adoption of the Terms of Reference of the five SACU Technical Liaison Committees; Approval of the Juxtaposed One Stop Border Post as a preferred model for SACU Member States and; adoption of the Roadmap for the establishment of the SACU Tariff Board and the National Bodies which institutions are expected to be operational by end of 2008.

Southern African Development Community (SADC)

During the financial year 2007/08 Botswana conducted a national stakeholder workshop on the Regional Transit Bond Guarantee Scheme. The purpose of the workshop was to sensitise and to educate the stakeholders on the latest developments regarding international cross border trade, as well as to prepare them for the eventual roll out of the SADC Regional Customs Bond Guarantee System, which was piloted along the Durban-Blantyre Corridor. The intention is to have Botswana participate in the pilot project after the SADC Ministers of Finance have approved the SADC Regional Bond Guarantee System.

Stakeholders, drawn from the Freight Forwarders Association, Customs Bond Providers and Transporters,

started effective participation in regional workshops geared towards the development of customs instruments. The purpose of this decision was to give the private sector an opportunity to comment and give their inputs during the process of developing the instruments. The engagement of the private sector is viewed as a positive step towards the implementation of one of the most important concepts of the WCO Framework of Standards, namely the establishment of Customs to Business Partnerships and is also seen as way to foster a healthy working relationship between BURS and its customers.

Another achievement made during the year was to create the SADC Customs Advisory Working Group on Information, Communication and Technology (ICT), whose mandate is to ensure the interfacing of different Customs Computer Systems in the Region, to enable effective communication and sharing of customs related information and to facilitate the computerisation of the work on other initiatives such as transit procedures, introduction of Customs E- Learning modules in the region, etc.

Customs Cooperation

BURS signed a Memorandum of Understanding (MOU) on Customs Cooperation with the Zambia Revenue Authority on 22 June 2007 in Lusaka, Zambia. The MOU will, among other things, ensure that both Revenue Administrations afford each other mutual assistance to prevent, detect, investigate and repress customs offences, as well as to ensure that there is compliance with respective customs laws of the two countries.

The African Growth and Opportunity Act (AGOA)

- Export Performance under AGOA

Botswana continued to benefit from the Africa Growth and Opportunity Act (AGOA) Scheme of the United States during the 2007/08 financial year. Textile and Clothing products exported to the USA under the scheme amounted to US\$34.7 million or P223.1 million. However, this shows a decrease

of five percent (5%) compared to the 2006/07 financial year exports which stood at US\$36.3 million or P221.4 million. Exports under AGOA have declined markedly as compared to the US\$81.8 million (or P498.3 million) amount of exports in 2005/06. There was a decrease during the year in the number of manufacturers who exported their products to the USA under AGOA. The decrease had mainly been attributable to the phasing out of textile and clothing quotas by the WTO which has resulted in stiff competition from other countries exporting their products to the US. It is, however, anticipated that Botswana will continue to benefit from the scheme particularly because she has benefitted from a scheme which entitles the least developed beneficiary countries to source fabric from third world countries. This provision which was initially scheduled to expire in September, 2007 has now been extended to 2012.

- **Factory Verification Visits**

During the period under review, BURS conducted factory inspection visits to six Gaborone based companies which manufacture for export under AGOA. It was observed that, out of the six companies that were visited, only one company was actively exporting to America under AGOA whilst others exported to the EU or produced goods for the Botswana market. Further, as per the AGOA Regulations, a textile verification team from the US Customs Services visited ten (10) Botswana textile manufactures during the 2007/08 financial year. The purpose of the visit was to verify the production capability and the records of the said manufactures to assess whether they were in line with the AGOA record keeping requirements. The team visited manufacturers in Gaborone and Selibe Phikwe. Generally, the team was satisfied with the records keeping requirements although in Selibe Phikwe one company could not avail its production records for the shipment that was being audited. However, the said records were availed at a later date and were sent to the United States Customs Service.

Botswana/Zimbabwe Trade Agreement

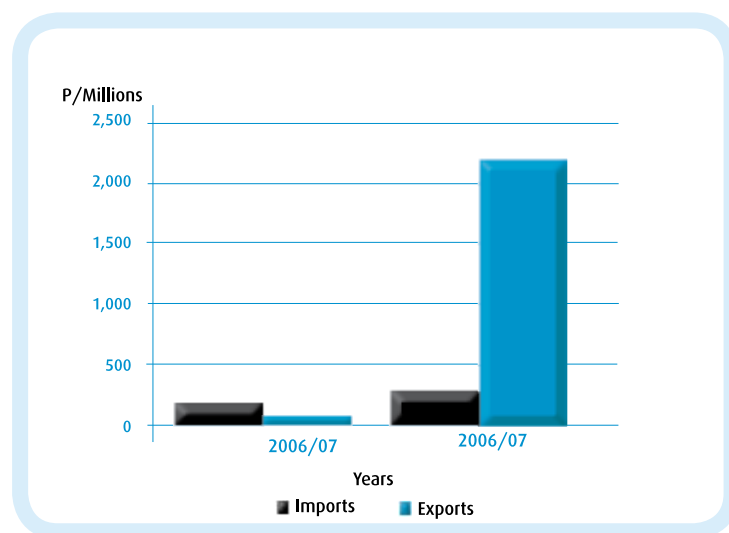
The past few years have seen little activity with regard to the Botswana/Zimbabwe Trade Agreement. However, in

March 2007, an amended Agreement which incorporates the concept of cumulation of origin between the two countries was signed and this is expected to increase the utilisation of the provisions of the Agreement especially by Botswana manufacturers.

During the 2007/08 financial year, Botswana registered 15 Zimbabwean companies to export under the Botswana/Zimbabwe Trade Agreement and Botswana only registered 2 companies to export to Zimbabwe under the said Agreement.

As shown in Figure 12 below, imports into Botswana under the Botswana/Zimbabwe Trade Agreement increased from P181.3 million during 2006/07 to P294.1 million during 2007/08 financial years, an increase of P112.7 million or 62%. The increase in imports could be attributed to the relative strength of the Pula against the Zimbabwean dollar. Exports to Zimbabwe, on the other hand, increased from P8.9 million during 2006/07 to P2,206.1 million during 2007/08. The increase in exports could be attributed to the influx of day shoppers from Zimbabwe and the export of fuel to Zimbabwe.

Figure 12: Botswana/Zimbabwe Trade Agreement Trade Figures



Cotonou and Generalized System of Preference (GSP)

BURS is authorised to certify the origin of goods traded under the provisions of the Cotonou Agreement between the African, Caribbean and Pacific (ACP) States and

the European Union as well as the Generalized System of Preferences (GSP). During the period under review, BURS received applications from seven (7) companies for registration under the Cotonou Agreement covering different products such as PVC buckets and basins, canvas tents and bags. However, only four (4) companies were approved as they met the criteria for registration under the Agreement. During the same period two (2) applications were received from companies wishing to export to Japan under the Generalised System of Preferences (GSP). In addition to the registration process, BURS received ten (10) enquiries for verification/authentication of certain certificates for textile and agricultural products which had been exported to the European Union.

SADC-EU Economic Partnership Agreements

At regional level BURS was nominated by its SADC counterparts to lead negotiations on the Customs and Trade Facilitation Chapter of the SADC Economic Partnership Agreement (EPA). The negotiations in this Chapter were concluded in time for the initialling of the SADC EPA at the end of 2007. The interim SADC EPA, which has its own provisions on entering into force and implementation, covers trade in goods and it is expected that negotiations to conclude a full EPA including trade in services will continue during the course of 2008. With the exception of the Caribbean, no final EPA arrangements between the European Union (EU) and the African Caribbean and Pacific (ACP) countries had been concluded when the World Trade Organisation (WTO) waiver for trade in goods expired at the end of 2007.

The interim EPA requires signature and ratification before it could enter into force. SADC EPA States had to take certain legal steps in order to give effect to the interim EPA. The EU also adopted a Regulation giving effect to the interim EPA and ensuring uninterrupted access for SADC goods imported into the EU after 31st December 2007. The interim EPA was deposited with the WTO where it was accepted as a basis for trade between contracting parties of the SADC EPA.

It should also be noted that although this particular interim EPA is referred to as the "SADC EPA", SADC Member States are negotiating their EPAs with the EU in four different configurations. The Free Trade Areas (FTAs) being established with the EU will have serious implications for SADC's own integration agenda under its Regional Indicative Strategic Development Plan (RISDP). There will be complex technical issues with respect to overlapping membership and the costs associated with the implementation of the various EPAs.

World Customs Organisation (WCO) Matters

The annual WCO Council Sessions were held in Brussels, Belgium in June 2007. The Sessions addressed topical Customs issues affecting WCO Member States to enhance mutual cooperation among WCO members at a global level. They also made decisions on various strategic measures aimed at facilitating seamless international trade by further simplifying and harmonising customs procedures.

Amongst other issues, the WCO Council welcomed Montenegro and the Lao People's Democratic Republic as new members of the WCO bringing the number of member countries to 171. As regards finances, it was noted that there was an increase of a 3 % in the overall contributions by Members. The WCO Secretary General's report reflected that Botswana is one of the countries that maintain an up-to-date subscription commitment to the WCO with an annual contribution of Euro 19,604.94. The Council also noted the progress that has been made in respect of the Customs modernisation programme known as the Columbus Programme. It was noted that out of the 171 WCO members, 147 had signed the letter of intent to implement the Columbus Programme and that a further 105 including Botswana had either conducted or requested diagnostic studies to be conducted in their countries. The Columbus Programme was thus entering phase two which involved members drafting action plans to be adopted by their Governments in order to obtain financing internally or internationally.

At the regional level the Heads of Customs Administrations of the WCO East and Southern Africa Region (ESA) met in September, 2007 and resolved that each Member State should contribute an annual subscription fee of US\$5,000 to support the running of the WCO ESA Regional Office for Capacity Building (ROCB). The BURS Commissioner of Customs and Excise was also nominated to a panel which selected the candidate for the position of the Director of ROCB, who was appointed to the office with effect from 1 January, 2008.

The WCO ESA ROCB in collaboration with the WCO Secretariat and the Swedish Government hosted a capacity building workshop in Gaborone, Botswana, in February, 2008. The main objective was to present the outcomes of the WCO diagnostic studies conducted on Customs Administrations in the region and distil from them common findings in the area of capacity building with a view to developing regional strategy to deal with areas of concern. The strategy will be used to place the WCO ESA region in a better position to address the challenges facing customs services in the 21st century and beyond.

At regional level BURS was nominated by its SADC counterparts to lead negotiations on the Customs and Trade Facilitation Chapter of the SADC Economic Partnership Agreement (EPA).

Challenges

The tax gap is among the most critical challenges that BURS faces. The tax gap is the difference between the amount of tax that should be paid every year and the tax amount that is actually collected. Further, BURS faces challenges of non compliance with the keeping of records by taxpayers, non-filing of tax returns, underreporting of income and submissions of unsubstantiated expenses on goods and services purchased by taxpayers. BURS is committed to continue its efforts to minimise this tax gap during the 2008/09 financial year. Addressing the tax gap would entail, on the one hand, the development of the processes and activities to promote voluntary tax compliance, and on the other hand, reducing opportunities for tax evasion and avoidance. For better voluntary tax compliance, BURS intends to intensify its initiatives relating to taxpayer education as well as auditing.

BURS also faces challenges in training its employees due to lack of in-house training facilities, including limited internal expertise to offer the requisite training, and the non-existence of local institutions that can provide the required training to BURS employees. BURS intends to take advantage of relevant courses being offered outside Botswana. However, because of costs only a few employees can be nominated to attend taxation and customs and excise courses offered outside Botswana.

BURS has been entrusted with the responsibility of collecting the "training levy" on behalf of the Botswana Training Authority (BOTA) with effect from 1st October, 2008. This is a new challenge both for BOTA and BURS in terms of explaining to the general public how the levy will be administered, the design of the new VAT tax return, manpower and financial resource constraints. Similarly, the assumption of the responsibility of administering new charges and levies on sound recording apparatus, as well as the collection of the Third Party Insurance Levy on foreign registered vehicles, during the 2008/09 financial year, will require additional manpower and financial resources to effectively implement the new responsibilities entrusted to BURS.

BURS is expected to maintain all points of entry, excluding airports, into Botswana in a good state of repair. The geographic spread of the entry points and their state of repair continue to present operational challenges to BURS in providing an efficient and effective revenue administration. These present a challenge for BURS in terms of the maintenance of the border posts. Further, the smuggling, the non-declaration and undervaluation of imported goods continues to be a challenge at border posts which could result in drug trafficking, money laundering and other cross border crimes. BURS will adopt modern technologies at border posts including the purchase of the X-ray equipment which would assist detecting goods being smuggled into or out of Botswana.

Controls at border posts are currently fragmented and cumbersome with some government entities wanting to be represented at the border post to apply their rules, regulations and procedures. Often these procedures and processes overlap and conflict, resulting in delays to trade. Trade facilitation requires that border controls be harmonised and streamlined under one lead agency. Trends internationally and in the region have clearly demonstrated that customs agencies are appropriately structured to take over the role of a lead agency at border posts due to their central role in the control of imports and exports. Further, Customs legislations are uniquely crafted to empower customs officials to undertake additional duties on behalf of other agencies. In Botswana, the customs agency is responsible for performing work on behalf of at least 10 government departments and parastatals at border posts. The list is expected to increase over time. It, therefore, makes logical sense that these arrangements should be formalised and measures be taken to ensure that BURS becomes the lead agency at the border posts.

Botswana is requested to establish One Stop Border Posts (OSBP) with her neighbours. The implementation of the OSBP through which the duplication of the processing of import and export documentation and physical controls are reduced would be a major reform and modernisation tool in the context of trade facilitation. The OSBP is a new

concept which will bring challenges to BURS to reform and modernise not only its processes but to review the relevant Botswana pieces of legislation to make them suitable for OSBP operations.

Further, BURS is planning to open additional offices across the country for the purposes of bringing services closer to the people. BURS plans to open offices in areas which are far from existing BURS offices, which taxpayers travel long distances to consult with BURS officials. This poses a challenge to BURS in terms of securing office accommodation and identifying officers to handle all tax type matters. The opening of the additional offices will require the corresponding additional human and financial resources.

The Botswana Government will possibly sign two international and regional treaties during the 2008/09 financial year. The signing will have a direct bearing on BURS in terms of the implementation of the SADC Free Trade Agreement, which will be launched during the 2008/09 financial year and the new SADC – EU Economic Partnership Agreement (EPA). BURS will be responsible for the judicious implementation of these agreements to ensure that their provisions are not violated.

Another challenge for BURS is to improve its taxpayer services. Thus, we are constantly reviewing our processes, procedures and returns to make them easier for taxpayers to comply with the provisions of the revenue Laws. BURS is confident of further improving the taxpayer services through continued enhancement of resources and processes.

The tax gap is among the most critical challenges that BURS faces. The tax gap is the difference between the amount of tax that should be paid every year and the tax amount that is actually collected.

Conclusion

The report highlights a range of developments and initiatives that BURS had embarked upon during the 2007/08 financial year. Considerable progress was made to improve revenue collection during the year under review. A great amount of work has gone into developing various initiatives and programmes to improve revenue collection and service delivery.

There are still a number of challenges such as non-compliance and the need to maximise the tax revenues. BURS will strive to overcome these challenges by adopting the best strategies, as well as by providing improved service delivery to businesses and the other stakeholders. Some of the efforts that have been adopted to address the challenges include the taxpayer satisfaction study, an intensified outreach programme, cooperation with partners and stakeholders and the implementation of the approved ICT Strategy. Further, during the 2008/09 financial year, BURS will develop the BURS website, set up modern facilities, establish the Integrity, and Planning and Research Units, and conduct the review of its Strategic Plan 2006-09. These developments are expected to impact positively on the performance of the BURS in the ensuing years.

BURS has transformed remarkably over the last three years from 2005/06 to 2007/08. Much of the achievements would never have been possible without the hard work by each and every employee of BURS. BURS remains committed to the highest standards of management and governance throughout the organisation and to meeting the expectations of the nation. BURS looks forward with confidence to achieving the objectives it has set for itself for the 2008/09 financial year e.g. collecting the P19.1 billion on behalf of the Government. With the enhanced resources which will be availed in the future, the performance of the BURS will continue to improve.

BURS would like to commend all compliant taxpayers and residents of Botswana who through their valued tax contributions continue to make it possible for the Botswana Government to achieve its national goals. I would like to call

upon noncompliant taxpayers to start complying with the provisions of the Revenue Laws as delaying non-compliance will be costly and detrimental to their businesses. BURS regional offices will be expanded so that they can be accessed for any tax related issues with view to improving compliance with the provisions of the Revenue Laws.

Further, I wish to encourage potential taxpayers who are not registered for tax purposes to do so as soon as possible. BURS will do everything in its power to find the taxpayers who do not comply with the provisions of the Revenue Laws. On the other hand, efforts will be made to develop the taxpayers' charter and taxpayer service standards in the ensuing years. BURS will also continue to hold stakeholder consultations through the quarterly meetings with the Botswana Institution of Accountants and Clearing and Forwarding Association of Botswana. Other stakeholders who would like to hold regular consultation meeting with BURS should let BURS know.

On behalf of Management and staff of BURS I would like to thank the BURS Board of Directors and the Government, committees and consultative bodies, for the leadership and support they relentlessly provided to BURS. The support that BURS has received and continues to receive from the law enforcement entities is appreciated.



Mr. Freddy Modise
COMMISSIONER GENERAL



Financial Statements
31 March 2008

(ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)

GENERAL INFORMATION

BOARD MEMBERS

Taufila Nyamadzabo	Chairperson (appointed	:1 August 2007)
Bartholomew O. Gaobakwe	Vice Chairperson (terminated	: 30 June 2008)
Freddy Modise	Commissioner General	
Daniel N. Loeto	(Re-appointed	:1 July 2007)
Kedibonye Laletsang	(Appointed	:1 July 2007)
John Y. Stevens	(Re-appointed	:1 July 2008)
Siamisang T. Morolong	(Re-appointed	:1 July 2008)
Alexander Yalala	(Appointed :	:1 July 2008)

BOARD SECRETARY

Cynthia O. Ross	(Resigned: 31 October 2007)
Mothoothata Lesole	(Appointed Acting – 1 November 2007)
Lorato Khimbele:	(Appointed – 2 October 2008)

NATURE OF BUSINESS

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

ADDRESS

Plot 53976
Kudumatse Drive
Gaborone

Private Bag 0013
Gaborone

AUDITORS

Auditor General

BANKERS

Barclays Bank of Botswana Limited
Bank of Botswana

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STATEMENT OF RESPONSIBILITY

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.

It is also the responsibility of the Directors to ensure that the annual financial statements are prepared in conformity with the International Public Sector Accounting Standards.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Revenue Service and place considerable importance on maintaining a strong controls environment. To enable the Directors to meet these responsibilities the Board sets standards for internal controls 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 controls 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 controls 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 operation for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The financial statements set out on pages 7 to 20 were approved by the Board of Directors on 27 November 2008 and signed on its behalf by:



Board Chairperson



Commissioner General

REPORT OF THE AUDITOR GENERAL

TO THE BOARD OF DIRECTORS OF BOTSWANA UNIFIED REVENUE SERVICE:

I have completed the audit of the financial statements of the Botswana Unified Revenue Service as set out on pages 37 to 50, which comprise the statement of financial position as at 31 March 2008, and the statement of financial performance, statement of changes in revenues due to Government remittance account and cash flow statement for the year then ended, in terms of Section 28 (2) of the Botswana Unified Revenue Service ACT (NO 17 of 2004).

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors of the Botswana Unified Revenue Service are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and in compliance with the Botswana Unified Revenue Service Act (CAP: 53:03). The responsibility includes: designing, implementing and maintaining 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 the audit in accordance with the International Standards in 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 frame work.

An audit involves performing procedures (examination), on a test basis, to obtain audit evidence supporting amounts and disclosures in the financial statements. The procedures are selected depending on the auditor's judgment. An audit also includes an evaluation of 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 of accounts and records 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 financial statements of the Botswana Unified Revenue Service for the year ended on 31 March 2008, present fairly in all respects the financial position of the Revenue Service's affairs as of 31 March, 2008 and of its financial performance and its cash flows for they year then ended in accordance with International Public Sector Accounting Standards.

Report on other Legal and Regulatory Requirements:

- Botswana Unified Revenue Service has kept proper books of accounts and other records, which are in agreement with the financial statements;
- Botswana Unified Revenue Service has complied with the financial provisions of the Botswana Unified Revenue Service ACT (No. 17 of 2004) of which it is the duty of the revenue service to comply, in that it has prepared a set of financial statements which include:
 - a) Statement of financial position
 - b) Statement of tax revenue collected and statement of comprehensive income and
 - c) Statement of total amount of tax revenue remitted or foregone



R. B. SEBOPENG
AUDITOR GENERAL (Ag)

Dated: 2 December 2008

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2008 P'000
Revenue		
Revenue collected on behalf of the Government		
Tax Revenues and Customs Union Receipts		
Income Tax	2	7,221,405
Value Added Tax	3	2,899,059
Customs Union Receipts	4	7,834,806
Other Taxes	5	2,521
Total Tax Revenues and Customs Union Receipts		17,957,791
Non Tax Revenue	6	1,731
Revenue collected on behalf of the Government		17,959,522
Revenue collected on behalf of other Government Departments	7	68,848
Total Revenue collected for the year		18,028,370

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2008

		2008
	Notes	P'000
ADMINISTERED ASSETS		
Current assets		
Accounts Receivables	8	6,796
Cash and cash equivalents	9	281,024
Other Assets	10	28
Total administered Assets		287,848
ADMINISTERED LIABILITIES		
Current Liabilities		
Accounts Payables	11	135,370
Accumulated net revenue due to Government remittance account	12	152,478
Total Administered liabilities		287,848

STATEMENT OF CHANGES IN AMOUNT DUE TO GOVERNMENT REMITTANCE ACCOUNT

for the year ended 31 March 2008

	Note	2008 P'000
Revenue Due to Government Remittance Account		
Total Revenue collected for the year		18,028,370
Transfers to Government Remittance Account		17,875,892
Net Revenue due to Government Remittance Account at 31 March, 2008	12	152,478

CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008 P'000
Cash flow from Revenue Activities	
Net Revenue due for the Government Remittance Account	152,478
Movement in Non Cash Assets/Liabilities	
Less: Increase in Non Cash Assets (see notes 8 & 10)	(6,824)
Add: Increase in Non Cash Liabilities (see note 11)	135,370
	128,546
Net Cash flow from revenue activities	281,024

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 in dealing with items which are considered material in relation to the accounts, are set out below and are in accordance with International Public Sector Accounting Standards (IPSAS).

1.2 Basis of preparation

The Financial Statements are required by Section 29(2) of the Botswana Unified Revenue Service Act. The Financial Statements are prepared in accordance with the requirements of the International Public Sector Accounting Standards. Since these are the first year accounts after taking over the responsibility of revenue accounting and reporting from the Government's Department of Accountant General, BURS has taken advantage of paragraphs 116-119 of IPSAS 23 (see note 1.3) and has prepared the financial statements on cash basis. The preparation of accounts on cash basis is in line with Government accounting because BURS is in a transitional period from Government accounting, and because it is not practical to prepare the accounts on an accrual basis during the first year of reporting.

1.3 IPSAS 23 (in issue but not yet adopted by BURS)

IPSAS 23 was approved by the International Public Sector Accounting Standards Board and the Board of the International Federation of Accountants and issued in December, 2006. The standard becomes effective for annual financial statements covering periods from 30 June 2008 (earlier adoption encouraged). The standard provides for accrual accounting when recognising and measuring taxation revenue arising from non-exchange transactions. Paragraphs 116-119 of the standard however allows a five year transitional period from cash basis to accrual basis of accounting.

BURS is optimistic that it will develop reliable models and policies for measuring and recognising tax revenue with a view to implementing the policies that are consistent with the requirements of the standard, within the five years transitional period allowed.

Subsequently, BURS will prepare its accounts on an accrual basis and the changeover from a cash basis will be properly accounted for.

There are no previous year comparative figures since the Financial Statements reported on are for the first year of operation since the takeover.

ACCOUNTING POLICIES

for the year ended 31 March 2008

1.4 The reported activity – Revenue Collection Accounts

For financial reporting purposes, these set of financial statements of the Revenue Service are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS. They cover transactions relating to the tax revenues collected on behalf of the Government and its departments. The financial statements covering those operational revenues, such as Government grants, which are managed by the Revenue Service and utilised in meeting the operational costs of BURS are reported in a different set of financial statements (BURS OWN ACCOUNTS). The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of the Revenue Service in achieving its mandate.

The financial statements are presented in Botswana Pula and in thousands (P'000) except for Arrears of Revenue (see unaudited annexure, see note 13), which are reported in units of Pula.

1.5 General Accounting Policies

1.5.1 Penalty Interest

Interest is charged to taxpayers when tax liabilities have not been paid by the due dates in accordance with the Revenue Laws.

1.5.2 Customs fines

Income generated from penalties is recorded as Tax Revenue and is payable to the Government Remittance Account whilst income generated from customs fines is recorded as non-tax revenue. Fines are charges collected from Customs offenders such as for non declaration or undervaluation of goods at the time of importation. Penalties are statutory payments for failure to comply with the revenue laws and are paid as admission of guilt.

1.5.3 Debtors

For these financial statements, debtors' balances appearing in the Statement of Financial Position are debtors for dishonoured cheques. Dishonoured cheques recoveries prior to the establishment of BURS were credited in the Income Statement as other Tax Revenue as the debtor accounts did not exist in the accounts receivable module.

1.5.4 Write-offs

Write-offs are debts for dishonoured cheques that are irrecoverable and uncollectible either because there is no practical means for pursuing the debt or because all reasonable steps have been taken to recover the debt. Write-offs are recognised in the year that they are authorised. Where the Revenue Service recovers an amount of money

that has been written off, such recoveries reduce the amount of the write offs in the year of that recovery. Any recoveries in respect of written off debts arising from the previous year when the function of revenue accounting was under the Accountant General, is accounted for as the revenue received from the replacement of the previous years dishonoured cheques, and such recoveries are payable to the Government Remittance Account.

1.5.5 Provision for Doubtful Debts

In order to present the revenue fairly, it is necessary to make provisions for those amounts of dishonoured cheques that the Revenue Service is of the view that they will be written off in the future. The provision has to be estimated using analysis of historic trends in debt recovery; write- offs supported by management judgement.

The figure in the Statement of Financial Position for debtors is shown net off the replacement of some of the dishonoured cheques.

1.5.6 Contingent liability

BURS at times will be involved in litigation with taxpayers in respect of disputed assessments of Income Tax or VAT. Where the amounts involved are material and there is a likelihood that BURS will have to refund amounts of the revenue in the event of the taxpayer being successful, the amount will be disclosed as a contingent liability.

1.5.7 Provisions

Where a decision has been made that there is likely to be a refund of the revenue, which the Revenue Service can reliably estimate, the amount is recognised as a provision in the accounts. Where the outcome of the court cases has gone against the Revenue Service, legal and administrative costs will have either been provided for or charged through the BURS Own Accounts.

1.6 Revenue Recognition

Tax Revenues and Customs Union Receipts Recognition on Cash Basis

For these financial statements, Tax Revenues and Customs Union Receipts are measured at the fair value of the consideration received. Revenue is recognised on a cash basis, which reports the actual cash received in a given period. That is, Tax Revenues and Customs Union Receipts are recognised in the period in which the event that generates the revenue occurs. Refunds related to the revenue collected are also accounted for on a cash basis and are recognised in the year the refund is paid out.

ACCOUNTING POLICIES

for the year ended 31 March 2008

Taxable events for the material tax streams are as follows:

Income Tax - earning of assessable income during the taxation period by the tax payer

Value added Tax – undertaking of taxable activity during the taxation period by the tax payer

Capital Transfer Tax – disposal of a chargeable asset leading to a taxable gain

Customs Duties – duties charged on import of goods

Excise Duties – duties levied on certain locally manufactured goods as well on their imported equivalents

1.7 Foreign currencies

The financial statements are prepared and presented in Botswana Pula, the currency of the primary economic environment in which the Revenue Service operates (the functional currency). Transactions in currencies other than Botswana Pula are recorded at functional currency rate ruling at the date of the transaction.

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date. All differences are taken to the Statement of Financial Performance.

2 INCOME TAX

The Income Tax revenue collected as at 31 March 2008 amounting to P7,221,405,055 was arrived at by totalling the revenue for each of the following sources:

	2008
	P'000
Withholding tax	921,068
Deducted Tax	1,660,936
Assessed Tax	4,608,712
Penalty Interest	29,773
Capital Transfer Tax	916
TOTAL	7,221,405

3 VALUE ADDED TAX

Value Added Tax (VAT) reported in the Statement of Financial Performance is the net amount. VAT is structured in such a manner that companies are also entitled to claim refunds; hence the breakdown of gross receipts and refunds is disclosed. VAT refunds arise when the input tax for any tax period is greater than the output tax for that period, or when tax paid is in excess of the amount properly charged to tax under the VAT Act. The refunds are paid from the VAT collections. VAT refunds reported in the Statement of Financial Performance as at 31 March 2008 are the actual cash paid out as VAT refunds

The VAT collections reported on are made up of the following:

Value Added Tax

VAT Import	2,059,122
VAT Internal	1,589,289
VAT Interest and Penalties	23,317
Fuel Levy	135,160
Gross Receipts	3,806,888
Less: Refunds	907,829
Net VAT Receipts	2,899,059

4 CUSTOMS UNION RECEIPTS

The Customs Union Receipts represent P7,834,805,729 being monies due and payable to Botswana by virtue of her membership of the South African Customs Union (SACU). SACU Member States collect customs and excise duties and deposit the revenue into a Common Revenue Pool in accordance with the provisions of article 33 of the 2002 SACU Agreement. The Member States annually calculate and distribute the shares due to each Member State in accordance with a revenue sharing formula in accordance with provisions of Article 34 of the SACU Agreement. The SACU revenue is currently paid to Member States on a quarterly basis in advance.

5 OTHER TAX REVENUE

Other Tax Revenue reported includes collection from the replacement of prior year cheques dishonoured by banks

	2008 P'000
Received from the replacement of previous years dishonoured cheques	2,521
TOTAL	2,521

6 NON TAX REVENUE

Non Tax Revenue consists of interest on call deposit accounts, licence fees and customs fines. Licence fees are paid by companies and individuals registered with BURS to transact various types of customs businesses such as the operation of bonded warehouses, Customs Clearing Agents, and Excise manufacturers. Customs fines are payable in respect of detected non-compliance with the Revenue Laws, usually at border posts or other points of entry. The amount reported as Non Tax Revenue in the Statement of Financial Performance is made up of the following:

Licence Fees	20
Customs Fines	1,593
Interest – Call deposit (see note 9)	118
TOTAL	1,731

7 REVENUE COLLECTED ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

BURS collects revenue on behalf of other Government Departments at border posts. These include the Department of Roads Transport and Safety and the Department of Consumer Affairs. The levies which are collected on behalf of the Department of Road and Transport Safety are Permit fees and Road Safety Tokens, whilst the Flour Levy is collected on behalf the Department of Consumer Affairs. The amount reported as the revenue collected on behalf of other Government Department includes the following:

	2008
	P'000
Road safety tokens	3,036
Transport permits	63,260
Flour levy	2,552
TOTAL	68,848

8 ACCOUNTS RECEIVABLES

Accounts Receivables represent debtors in respect of cheques dishonoured by banks, and losses arising from fluctuations of foreign currency. Losses arising from foreign currency fluctuations are charged to the BURS Own Accounts and are therefore reflected as accounts receivables in these financial statements. There is no provision for irrecoverable debts as all accounts are still new. All accounts receivable fall due within one year.

Dishonoured cheques	6,438
Foreign currency fluctuation losses	358
Total debtors	6,796

9 CASH AND BANK

The Cash and Bank balance of P281,024,852 represents funds held by BURS pending transfer to the Government Remittance Account, to SACU Common Revenue Pool and to be used for payment of VAT refunds. As at 31 March 2008, the balances per bank were as follows:

	2008
	P'000
Bank of Botswana Remittance	153,369
Barclays Bank of Botswana Remittance	28,603
Barclays Bank Dishonoured cheques Call Account (see note 6)	772
Bank of Botswana VAT and Customs Refund	12,475
Bank of Botswana Pool Payment	83,217
BURS Miscellaneous Revenue	863
Barclays Bank Tax Refunds	1,670
Barclays Bank Point of Sale	55
TOTAL	281,024

10 OTHER ASSETS

Other assets represent Point of Sale bank charges, and commission that have erroneously been charged to the revenue collection accounts. BURS has an agreement with its appointed commercial bank that all bank charges, commissions and services fees relating to revenue collection should be charged to the BURS business operating expenditure account (BURS own accounts) The charges are therefore accounted for as assets in these accounts as the bank reverses the charges at year end.

Point of Sale Bank Charges	28
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11. ACCOUNTS PAYABLES

Accounts Payables – Creditors

Creditors are amounts established as due at the Statement of Financial Position date whose payments have not been made. These include an advance of funds towards operating a dishonoured cheques bank account. The funds were advanced from BURS OWN ACCOUNTS and from Botswana Government. All cheques dishonoured by Barclays Bank of Botswana are debited to the Dishonoured Cheques Bank account so that the main collection is not disturbed by dishonoured cheques. To maintain this account in credit, the Government advanced P1,000,000 as a cushion for the debit balance. To open the account while waiting for the disbursement of P1,000,000, BURS temporarily transferred P200,000 from its operational bank accounts (BURS Own Accounts).

The amount of P1,200,000 therefore represents the P1,000,000 from Government and P200,000 from BURS business account. Also included in creditors is bank balance, which represents the total of cheques issued from the BURS bank accounts but not yet presented at the time of reporting and therefore appear as a liability in the books of BURS until presented

Accrued Revenue Liability

Accrued revenue liabilities amounting to P131,475,069 include amounts collected and held by BURS at the time of reporting but are due to be paid to third parties. These are amounts due to VAT taxpayers that have an established revenue liability relating to the financial year, but the date the payment is made is after the Statement of Financial Position date, amounts of Accrued Revenue Liabilities that were received and not passed to third parties at Statement of Financial Position date, e.g. Customs and Excise Duties.

Deferred Revenue

Deferred Revenue includes money paid in the current year to the Revenue Service that relates to transactions that may occur in future accounting periods, e.g. money paid in Gross Payment account to await future import of goods.

A breakdown of Creditors, Accrued Revenue Liabilities and Deferred Revenue falling due within one year is as follows:

	2008 P'000	2008 P'000	2008 P'000	2008 P'000
	Creditors	Accrued Revenue Liability	Deferred Revenue	Total
Temporary Deposit		10,355		10,355
Customs and Excise Duty		119,852		119,852
BURS Miscellaneous Receipts		356		356
Gross Payments			2,695	2,695
Advance received –Government	1,000			1,000
Advance received –BURS	200			200
Bank Reconciliation Suspense Account (see note below)	0	912	0	912
TOTAL	1,200	131,475	2,695	135,370

Bank Reconciliation Suspense account represents funds erroneously transferred into BURS bank accounts by Barclays Bank of Botswana, which does not belong to BURS and pending reversal to the Barclays Bank of Botswana..

12. Balance due to Government Remittance

The amount of **P152,478,524** reflected under the balance due to the Government Remittance Account represents collections on the 31 March 2008 which were deposited into the BURS accounts pending transfer to the Government Remittance Account. The amounts were transferred after the 31 March 2008 to the Government Remittance Account.

The following annexure does not form part of the audited financial statements and is presented as additional information:

13. Arrears of Revenue

Arrears of revenue represent amounts receivable from the taxpayers relating to the current and previous financial years where these amounts are known at the time the accounts are prepared but have not been included in the Accounts Receivable balances in financial statements because BURS is currently reporting on a cash basis.. Arrears of Revenue are presented in units of Pula to clearly reflect balances below P1,000 and movements during the year.

Schedule of arrears of revenue as at 31 March 2008

Description	Arrears Brought Forward from Previous Year Pula	Collection Previous Year's Arrears Pula	Abandonments' discharges, remissions/ waivers & adjustments (see note below) Pula	Balance of Arrears outstanding Pula	Arrears in respect of Current Year Pula	Total arrears outstanding at 31-Mar-08 Pula
Licence Fee	4,530	3,030	1,400	100	100	200
Sales Tax	388,943		388,943			0
VAT Internal	157,169,129	59,766,192	(3,630,202)	101,033,139	84,589,848	185,622,987
VAT Penalties	109,584,539	37,291,652		72,292,887	61,994,513	134,287,400
Assessed Tax	231,757,045	35631,987	16,210,866	179,914,192	71,712,850	251,627,042
Assessed Tax	321,247,958	14,120,441	100,682,898	206,444,619	61,649,730	268,094,349
Interest						
TOTAL	820,152,144	146,813,302	113,653,905	559,684,937	279,947,041	839,631,978

A discharge refers to where tax previously assessed is revised as a result of; an objection raised by the taxpayer to the assessment, or as a result of a duplicate assessment, etc

A waiver or (remission) refers to where a tax liability, or interest due on an overdue tax liability, or penalties for failure to pay tax due, are reduced or cancelled on application by the taxpayer to the Minister in the case of Income Tax, or the Commissioner General in the case of VAT.

An abandonment refers to a write off of irrecoverable arrears in respect of companies which were registered with BURS and were expected to be paying on monthly basis, but such companies have ceased operating and the directors could not be traced because they have relocated to their respective countries of residence.

Financial Statements
31 March 2008

(OWN ACCOUNTS)

GENERAL INFORMATION

BOARD MEMBERS

Taufila Nyamadzabo	Chairperson (appointed	:1 August 2007)
Bartholomew O. Gaobakwe	Vice Chairperson (terminated	: 30 June 2008)
Freddy Modise	Commissioner General	
Daniel N. Loeto	(Re-appointed	:1 July 2007)
Kedibonye Laletsang	(Appointed	:1 July 2007)
John Y. Stevens	(Re-appointed	:1 July 2008)
Siamisang T. Morolong	(Re-appointed	:1 July 2008)
Alexander Yalala	(Appointed :	:1 July 2008)

BOARD SECRETARY

Cynthia O. Ross	(Resigned: 31 October 2007)
Mothoothata Lesole	(Appointed Acting – 1 November 2007)
Lorato Khimbele:	(Appointed – 2 October 2008)

NATURE OF BUSINESS

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

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

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STATEMENT OF RESPONSIBILITY

The Directors are responsible for ensuring that the Revenue Service maintains proper accounts and other records in respect of every financial year relating to its activities, and shall prepare, in respect of each financial year, a statement of accounts as required by the Botswana Unified Revenue Service Act.

The Directors are also responsible for the content and integrity of the annual financial statements and related financial information included in this report and for ensuring that the annual financial statements are prepared in conformity with International Financial Reporting Standards.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls 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 controls 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 controls 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 controls 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 operation for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

The financial statements set out on pages 5 to 28 were approved by the Board of Directors on 27 November 2008 and signed on its behalf by:



Board Chairperson



Commissioner General

REPORT OF THE AUDITOR GENERAL

TO THE BOARD OF DIRECTORS OF BOTSWANA UNIFIED REVENUE SERVICE:

I have completed the audit of the financial statements of the Botswana Revenue Service As set out on pages 57 to 77 which comprises the statement of financial position as at 31 March 2008, and the statement of comprehensive income, statement of changes in capital And reserves and cash flow statement for the year then ended, in terms of section 28 (2) of the Botswana Unified Revenue Service ACT (No 17 of 2004).

The Board of Directors' Responsibility for the Financial Statements

The Board of 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 include: designing, 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 statement based on the audit. I conducted the 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 they were prepared in all material respects, in accordance with an applicable reporting frame work.

An audit involves performing procedures (examination), on a test basis, to obtain audit evidence supporting amounts and disclosures in the financial statements. The procedures are selected depending on the auditor's judgment. 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 of accounts and records 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 financial statements of the Botswana Unified Revenue Service for the year ended on 31 March 2008, present fairly in all respects the financial position of the Revenue Service's affairs as of March 31, 2008 and of its financial performance and its cash flows for they year then ended in accordance with International Public Sector Accounting Standards.

Report on other Legal and Regulatory Requirements:

- Botswana Unified Revenue Service has kept proper books of accounts and other records, which are in agreement with the financial statements;
- Botswana Unified Revenue Service has complied with the financial provisions of the Botswana Unified Revenue Service ACT (No. 17 of 2004) of which it is the duty of the revenue service to comply, in that it has prepared a set of financial statements which include:

- a) Statement of financial position
- b) Statement of tax revenue collected and statement of comprehensive income and
- c) Statement of total amount of tax revenue remitted or foregone



R. B. SEBOPENG
AUDITOR GENERAL (Ag)
Dated: 27 October 2008

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2008

	Notes	2008 P'000	2007 P'000
Revenue			
Government grants	2	164,265	138,430
Other income	3	4,834	2,409
Total Revenue		169,099	140,839
Expenses			
Administrative expenses	4	(51,788)	(43,722)
Staff costs	5	(124,322)	(94,346)
Total expenses		-(176,110)	(138,068)
(Deficit) / Surplus for the year		(7,011)	2,771
Other comprehensive income			
Gains on property revaluation	6	5,273	-
Amortisation of deferred grants	7	5,281	3,448
Net income for the year		3,543	6,219

STATEMENT OF FINANCIAL POSITION

as at 31 March 2008

	Notes	2008 P'000	2007 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	106,449	111,841
Investment property	9	15,710	-
		122,159	111,841
Current assets			
Inventories	10	1,795	201
Trade and other receivables	11	6,076	755
Cash and cash equivalents	12	18,372	11,444
		26,243	12,400
Total assets		148,402	124,241
RESERVES AND LIABILITIES			
Reserves			
		108,867	97,038
Government capital grants		5,273	-
Revaluation reserve		6,581	8,311
Accumulated surplus		120,721	105,349
Current liabilities			
Trade and other payables	13	14,370	10,188
Provisions	14	13,311	8,704
		27,681	18,892
Total reserves and liabilities		148,402	124,241

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

for the year ended 31 March 2008

	Government capital grants	Accumulated surplus	Revaluation Reserve	Total
	P'000	P'000	P'000	P'000
Changes in capital and reserves for 2007				
Balance at 31 March 2006	110,463	2,092		112,555
Surplus for the year	-	2,771		2,771
Fair values of Property, Plant & Equipment	99,442			99,442
Property, Plant & Equipment transferred from Government during the year	1,044			1,044
Amortisation of grants	(3,448)	3,448		
Balance at March 2006 reversed	(110,463)			(110,463)
Balance at 31 March 2007	97,038	8,311	0	105,349
Changes in capital and reserves for 2008				
Government development grants	17,151			17,151
PPE transferred to Government	(41)			(41)
Deficit for the year		(7,011)		(7,011)
Revaluation surplus			5,273	5,273
Amortisation of grants	(5,281)	5,281		0
Balance at 31 March 2008	108,867	6,581	5,273	120,721

STATEMENT OF CASH FLOWS

for the year ended 31 March 2008

	Notes	2008 P'000	2007 P'000
Cash flows from operating activities			
Total comprehensive income for the year		3,543	6,219
Add: Depreciation charge	15	8,325	2,853
Less: Amortisation of grants		(5,281)	(3,448)
Interest income		(2,565)	(1,826)
Operating surplus before working capital changes		4,022	3,798
Changes in working capital			
Increase in trade and other receivables		(5,321)	(173)
Increase in inventories		(1,594)	(201)
Increase in trade and other payables		8,789	7,713
Net cash from operating activities		5 896	11 137
Cash flows from investing activities			
Additions to non-current assets	16	(18,644)	(3,681)
Interest income		2,565	1,826
Net cash used in investing activities		(16,079)	(1,855)
Cash flows from financing activities			
Increase /(decrease) in Government capital grants	17	17,110	(9,977)
Net cash received /(used) in financing activities		17,110	(9,976)
Net increase /(decrease) in cash and cash equivalents		6,927	(694)
Cash and cash equivalents at beginning of year		11,444	12,138
Cash and cash equivalents at end of year		18,371	11,444

1.1 Introduction

Botswana Unified Revenue Service (BURS) is a semi-autonomous body corporate established by an Act of Parliament (Botswana Unified Revenue Service Act) 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 Acts respectively.

For financial reporting purposes, the financial statements of the Revenue Service are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS, and BURS OWN ACCOUNTS. The financial statements – ADMINISTERED GOVERNMENT REVENUE ACCOUNTS cover transactions relating to the revenue collected on behalf of the Government. The financial statements – BURS OWN ACCOUNTS cover those operational revenues, such as Government grants, which are managed by the Revenue Service and utilised in running the organization. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of the Revenue Service in achieving its mandate.

The financial statements are reported in Botswana Pula and in thousands (P'000).

1.2 Adoption of new and revised standards

1.2.1 Standards and Interpretations effective in the current period

During the year, the Revenue Service adopted changes in IAS1. The impact of the adoption of changes to IAS1 has been to recognise property valuation surpluses as other comprehensive income and include it in the Statement of Comprehensive Income. The Revenue Service has also adopted the use of the following headings; Statement of Financial Position, Statement of Comprehensive Income, and Statement of Cash flows to replace; Balance Sheet, Income Statement, and Cash Flow Statement respectively to reflect more closely the function of each statement.

The Revenue Service has not adopted the following Standards and Interpretations which are effective for the current reporting period because of their non-relevance to the operations of the Revenue Service:

Interpretation /Standard	Annual period beginning on or after
IFRIC 11/ IFRS 2: Group and Treasury Share Transaction	1 March 2007
IFRIC 12: Service Concession Agreements	1 January 2008
IFRIC 13: Customer Loyalty Programmes	1 January 2008
IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

ACCOUNTING POLICIES

for the year ended 31 March 2008

1.2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the following Standards and Interpretations, which are relevant to the operations of the Revenue Service, were in issue and effective for annual periods beginning on or after 1 January 2009:

Standard	Details of amendment
IAS8: Accounting Policies, changes in accounting estimates	Status of implementation guidance
IAS16: Property, plant & Equipment	Recoverable amount, sale of assets held for rental
IAS20: Accounting for Government Grants and Disclosure of Government Assistance	Consistency of terminology with other IFRSs
IAS 32: Financial Instruments: Presentation	Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities
IAS 36: Impairment of Assets	Disclosure of estimates used to determine recoverable amount
IAS 40: Investment Property	Property under construction or development for future use as investment property, consistency of terminology with IAS 8, Investment Property held under lease

The Directors anticipate that all of the above Standards and Interpretations will be adopted in the Revenue Service's financial statements for the period commencing 1 April 2009 and that their adoption will have no material impact on the financial statements of the Revenue Service in the period of the initial application.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with the IFRS require Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on the Management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual estimates can differ from these estimates.

1.4 Significant accounting policies

1.4.1 Statement of compliance

The financial statements of the Botswana Unified Revenue Service have been prepared in accordance with the International Financial Reporting Standards.

1.4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments, where assumptions have been used for the financial statements to give a fair presentation of the financial position and performance of the Revenue Service. Principal accounting policies underlying the preparation of these financial statements are set out below:

1.4.3 Revenue recognition

(i) Government grants

a) BURS is funded through grants appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance and Development Planning.

b) Government grants relating to the recurrent expenditure of the Revenue Service, disbursed for the purpose of giving immediate financial support to the Revenue Service with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

c) Capital and Development grants, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised as deferred income in the Statement of Financial Position and transferred to the Statement of Financial Performance on a systematic basis by amortising them on a straight line and rational basis over the useful lives of the related assets.

(ii) Interest income

Interest income includes interest on bank deposits and is recognised in the Statement of Financial Performance on a receipt basis.

(iii) Commissions, auction sale proceeds, and other income earned

Commissions, auction sale proceeds and all other incomes are recognised on an accrual basis when it is probable that the Revenue Service will receive the income and the income can be measured reliably.

1.4.4 Recognition of assets, liabilities, and provisions

(i) Assets

Assets are recognised in the Statement of Financial Position 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.

ACCOUNTING POLICIES

for the year ended 31 March 2008

(ii) Liabilities and provisions

Liabilities and provisions are recognised in the Statement of Financial Position 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.

(iii) Non recognition as liability

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.

(iv) Inventories

Inventories are stated at cost. Cost includes an appropriate portion of fixed and variable overhead expenses that are assigned to inventories on a First-in-First-Out basis.

(v) Receivables

Receivables represent the amount owed to the Revenue Service as a result of providing services or allowing others to use BURS assets, and amounts as an advance or as a deposit for providing service to the Revenue Service. Receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts.

(vi) Impairment of financial assets

Financial assets are generally assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

1.4.5 Property, plant and equipment

(i) Land and buildings

a) Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

b) Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the Statement of Financial Position date. Any revaluation

increase arising on the revaluation of such land and buildings is credited as equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the Statement of Comprehensive Income to the extent of the decrease previously charged.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

c) Depreciation on revalued buildings is charged to the Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

d) Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

e) Freehold land is not depreciated.

(ii) Motor Vehicles, Computer & Office Equipment, Office Furniture, Fixed Improvements and Porta-Camps

Motor Vehicles, Computer & Office Equipment, Office Furniture, Fixed Improvements and Porta-Camps, are stated at cost/revalued amounts less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Depreciation is charged, using the straight- line basis to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives. The estimated useful economic lives used in the calculation of depreciation are set out below:

Category	Estimated useful economic life (in years)
Leasehold property	50
Freehold property	50
Motor Vehicles	4
Office Furniture	6 2/3
Computer & Office Equipment	3
Porta Camps	6 2/3
Fixed Improvements	remaining period of lease

ACCOUNTING POLICIES

for the year ended 31 March 2008

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

(iv) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(v) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income in the period in which they arise.

(vi) Repairs and maintenance

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

(vii) Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred.

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.

1.4.6 Foreign currencies

The financial statements of the Revenue Service are prepared and presented in Botswana Pula, the currency of the primary economic environment in which the Revenue Service operates and the functional currency. Transactions in currencies other than Botswana Pula are recorded at functional currency rate ruling at the date of the transaction.

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.4.7 Retirement benefits

The Revenue Service operates a defined contribution pension fund for its entire pensionable and permanent citizen staff. The 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 to the pension fund are recognised as an expense when employees have rendered the service entitling them to the contributions. They are charged to the Statement of Comprehensive Income

1.4.8 Terminal gratuities

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

1.4.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- a) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
- b) Operating lease: Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
- c) Deposits of operating leases: Deposits and advance payments of operating leases are recognised in the Statement of Financial Position under trade and other receivables.

1.4.10 Financial Instruments- measurement

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid

ACCOUNTING POLICIES

for the year ended 31 March 2008

investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Trade payables

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

(iii) Trade and other receivables

Trade and other receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts

1.4.11 Related Party Transactions

The Revenue Service enters into various transactions with the Government, its key Management staff, and its Board of Directors. All related party transactions are entered into at arm's length in the ordinary course of business.

1.5.0 Risk Management

(i) 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 institutions.

(ii) 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 with minimal risks.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

	2008	2007
2. GOVERNMENT GRANTS	P'000	P'000
Subvention received	164,265	134,210
Rental grants	0	4,220
Total Government operating grants	164,265	138,430

Previous year's total Government operating grants were stated as P141,878,027 and included an amount of P3,448,263 which represented amortisation of the Government capital grants. The amount of P3,448,263 has been taken out and presented as part of other comprehensive income. As a result, total Government operating grants for the previous year have been restated as P138,429,764.

3. OTHER INCOME

Bank interest	2,565	1,826
Rental income	1,222	343
Miscellaneous income	1,047	240
Total other income	4,834	2,409

Rental income is raised from residential properties rented out to staff and office buildings converted into investment property and rented out to third parties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

	2008 P'000	2007 P'000
4. ADMINISTRATIVE EXPENSES		
Audit fees	12	104
Computer support	2,445	1,361
Consultancy costs and legal costs	4,928	2,723
Depreciation on property, plant and equipment	8,450	2,853
Electricity & water	2,354	3,393
Printing, stationery & office expenses	5,615	4,669
Operating lease rentals	9,364	12,493
Repairs and maintenance	1,643	2,543
Telephone & postage	3,444	3,138
Training expenses	1,588	1,342
Seminars & workshops, traveling and other administrative expenses	11,945	9,103
Total administrative expenses	51,788	43,722

5. STAFF COSTS

Salaries and wages	104,022	79,401
Medical aid contribution	2,675	1,595
Termination benefits		
- Gratuity	2,076	562
- Pension	10,067	8,088
- Severance	471	593
- Leave	5,011	4,107
Total staff costs	124,322	94,346

6. GAIN ON PROPERTY VALUATION

Fair value of investment property at 31 March 2008	15,710	-
Less: value before transfer to Investment Property	10,613	-
Gain on valuation	5,097	-
Adjust for accumulated depreciation at date of transfer	116	-
Gain on valuation of investment property	5,213	-
Gain on valuation of land	60	-
Total gain on valuation for the year	5,273	-

The revaluation surplus of P5,213,000 represents the difference between the carrying amount and the fair value of the property transferred from owner-occupation status to investment property. The amount of P60,000 represents the fair value of land which was allocated to the Revenue Service free of charge.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

7. AMORTISATION OF GOVERNMENT CAPITAL GRANTS

Amortisation of deferred capital grants is being presented under other comprehensive income (see note 1.4.3). The amount of P5,281,053 represents a portion of the deferred Government capital grants amortised during the financial year 2007/08. Previous year's comparative amount of P3,448,263 has been moved from total Government grants to restate it under other comprehensive income (see note 2)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor Vehicles	Office furniture	Computers & Office Equipment	Improvements to leased properties	Porta camps	Plant & Equipment	TOTAL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Cost									
At 01.04.2007	11,468	77,755	6,303	4,394	7,374	7,453	0	0	114,747
Additions	1,747		1,394	443	4,251	1,856	3,793	43	13,528
Valuation surplus	60								60
Transfer to Investment		(10,613)							(10,613)
Property									
Reclassification		(243)		(258)			243	258	0
Disposals			(41)						(41)
At 31.03.2008	13,275	66,899	7,656	4,579	11,625	9,309	4,036	301	117,681
Accumulated depreciation									
At 01.04.2007	0	829	511	260	916	390	0	0	2,906
Current year charge		1,483	1,167	677	3,093	1,536	393	93	8,441
Transfer to Investment		(116)							(116)
Property									
Reclassification		(3)		(36)			3	36	0
At 31.03.2008	0	2,193	1,678	901	4,009	1,926	396	129	11,232
Carrying amounts									
At 31.03.2007	11,468	76,925	5,792	4,134	6,458	7,063	0	0	111,841
At 31.03.2008	13,275	64,706	5,978	3,678	7,616	7,384	3,640	172	106,449

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

The Revenue Service's property, plant and equipment were revalued during the last financial year by independent professional valuers. The valuation of land and buildings was done by CBRE (see note 9). The Directors are of the view that the valuation is recent and that the next valuation be performed during the ensuing financial year.

Land includes Plot 8913, Gaborone with a fair value of P4,957,400 as at 31 March 2008. The plot was allocated to the former Department of Customs and Excise (DCE) by the Botswana Railways Organisation (BRO) in the mid eighties for the purposes of developing offices, a warehouse and a Vehicle Examination Bay. DCE later obtained funding from the Government to carry out the work. The facilities were opened to the public in the early nineties. Following the merger of the former Department of Taxes and Department of Customs & Excise to establish BURS, the plot (together with improvements) were vested in BURS by the Government of Botswana in February, 2006.

BURS has recently been made to understand that in 2000, Botswana Railways Organisation registered Plot 8913, Gaborone, under its name without consulting DCE. BURS strongly believes that it owns the plot and that there was an oversight in the registering of the title of the land under the Botswana Railways Organisation. BURS has written to Botswana Railways stating its position in respect of Plot 8913, Gaborone. Botswana Railways has not yet responded to the letter from BURS.

	2008 P'000	2007 P'000
9. INVESTMENT PROPERTY		
At fair value		
Balance at beginning of year	-	-
Property transferred to Investment Property	10,497	-
Net gain from fair value adjustments	5,213	-
Balance at end of year	15,710	-

Investment property represents part of Plot 8913, Gaborone, which was during the year transferred from owner-occupation to investment property. The fair value of P15,710,000 at 31 March 2008, which has been arrived at on the basis of a valuation carried by CB Richard Ellis does not include the value of land because the land which the building is standing on, is not separated from the total extent of Plot 8913, Gaborone, by a cadastral survey.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

CB Richard Ellis are independent professional valuers and members of the Real Estate Institute of Botswana. They have appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transactions for similar type of properties.

10. INVENTORIES	2008	2007
	P'000	P'000
Printing & stationery	1,534	122
Office and general expenses	186	79
Low value tools & equipment	53	-
Uniform & protective clothing	22	-
Total Inventories	1,795	201

Inventories for the Revenue Service represent unconsumed supplies held in store at 31 March 2008 to be consumed in the rendering of services, pending issuance to different cost-centers.

15. DEPRECIATION CHARGE

Depreciation charge for the year	8,441	2,853
Less: Adjustment for transfers to Investment Property	(116)	-
Net depreciation charge for the year	8,325	2,853

16. INCREASE IN NON-CURRENT ASSETS

Additions during the year	13,528	3,681
Increase in valuation of Investment Property	5,097	-
Increase in Land valuation	60	-
Disposals	(41)	-
Net increase in non-current assets	18,644	3,681

17. INCREASE / (DECREASE) IN CAPITAL GRANTS

Development grants received	17,151	-
Decrease in value of assets transferred from government	-	(9,976)
Disposals	(41)	-
Net increase in capital grants	17,110	(9,976)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

	2008 P'000	2007 P'000
18. RELATED PARTY TRANSACTIONS		
a) Transactions with the Government of Botswana (see note 2 & 7).		
Government subvention	164,265	134,209
Rent free office accommodation	-	4,220
Property, plant & equipment / development grants	17,151	1,044
	181,416	139,473

Significant transactions with Government include recurrent expenditure grants, cash and non cash development grants

b) Executive Management personnel compensation

Salaries and other short term employee benefits	3,316	2,680
Post employment benefits	834	685
Total executive Management personnel compensation	4,150	3,365

Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits cover gratuity, leave pay and pension. For post employment benefits, the Revenue Service contributes 15% of basic salaries 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	66	45
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Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board (and board sub-committee) meetings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

	2008	2007
	P'000	P'000

19. 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.

2,829	2,151
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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.

932	222
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20. OPERATING LEASES

At the Statement of Financial Position date, the Revenue Service had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fell due as detailed below:

Within one year	8,441	7,157
In the second to the fifth year	22,907	21,299
Total operating lease commitments	31,348	28,456

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008


21. CONTRACTUAL OBLIGATIONS

The nature of the Revenue Service activities can result in multi-year contracts and obligations whereby the Revenue Service will be committed to make future payments when goods are received or services are rendered. Significant contractual obligations can be reasonably estimated at P29,733,110. All the contractual obligations fall due within the next financial year and are detailed below: There were no significant contractual obligations as at 31 March 2007

	2008 P'000	2007 P'000
Project description		
Maintenance of Kazungula, Ramatlabama. Mamuno, Maintengwe and Matsiloje border posts	5,330	-
Maintenance of Ramatlabama and Tlokweng staff houses	466	-
Survey & Registration of BURS Property title deeds	490	-
Construction of Maitengwe & Matsiloje Border Posts	23,176	-
Alterations and additions to BURS HQ	271	-
Total	29,733	-

22. COMPARATIVE FIGURES

Comparative figures have been re-classified or adjusted, where necessary, to conform to the presentation used in the current year. The re-classification does not have any financial effect on the amounts presented in the financial statements.



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Fax: 261 5367

North West Region

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Maun
Tel: 686 1321
Fax: 686 0194

South Central Region

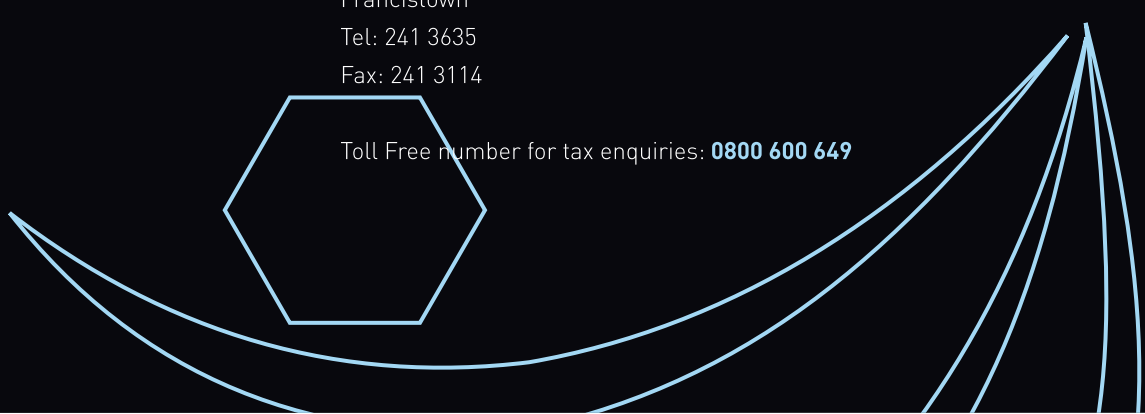
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