



## *annual report 2010*

*collecting taxes to build a brighter future for Botswana*



## *Our Vision*

“To become the regional leader in revenue and border administration whilst maximizing revenue collection.”

## *Our Mission*

“To efficiently and effectively assess and collect revenue needed for the development of Botswana. We will do this by:

- Fairly and correctly administering and enforcing revenue laws and
- Facilitating legitimate imports and exports.”

## *Our Values*

**Botho:** We subscribe to the national aspirations of Botho embracing trust and respect for one another.

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

**Consistency:** We administer the law in a consistent manner.

**Accountability:** We act with accountability in all interactions.

**Teamwork:** We work closely and in collaboration with stakeholders.

**Responsiveness:** We anticipate and promptly meet internal and external stakeholders needs.

**Integrity:** We uphold the standards of honesty, truthfulness, reliability and honor.

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## Corporate Profile

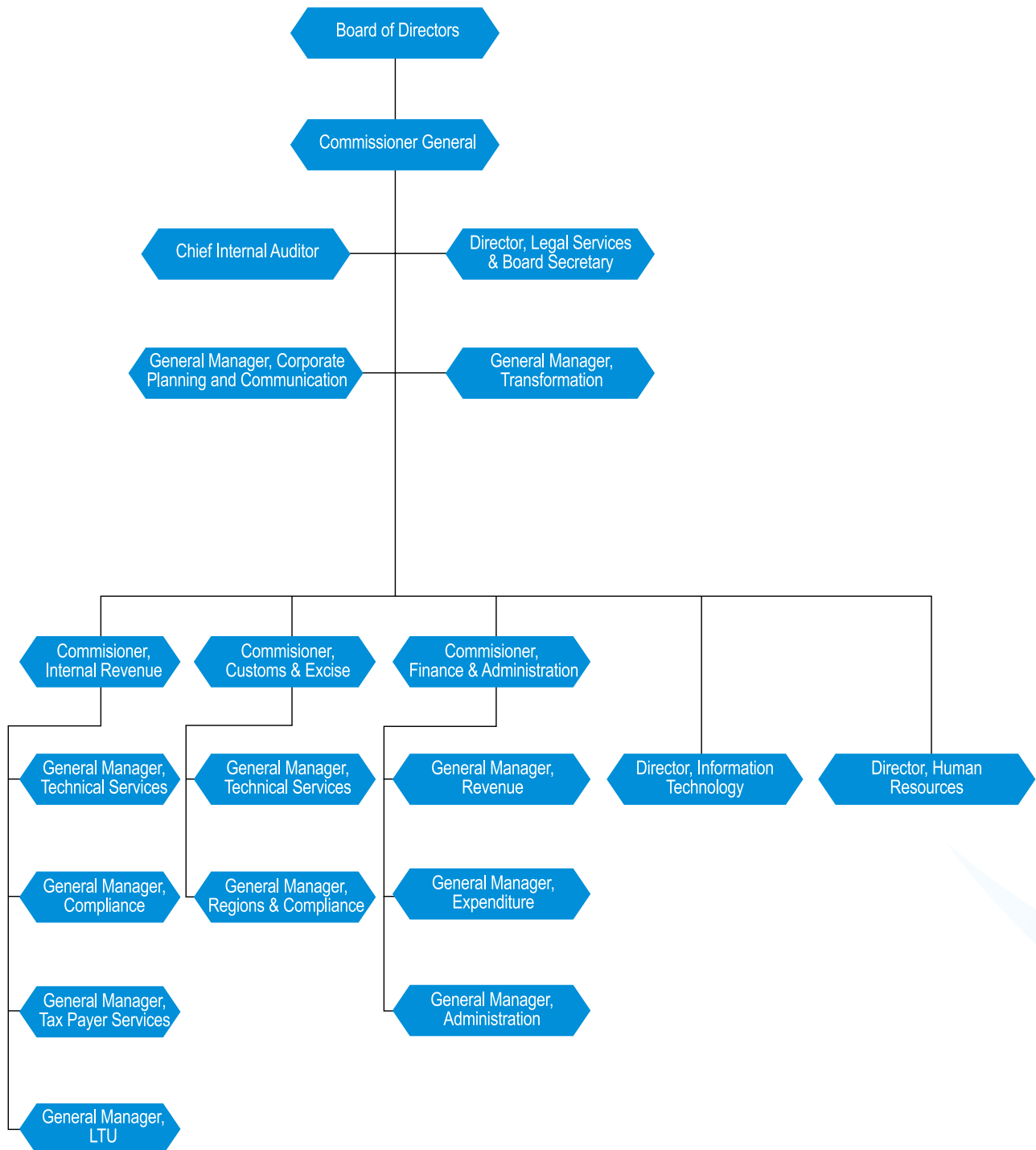


The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of all taxes in Botswana on behalf of the Government. It is charged with the responsibility for the assessment and collection of the Income Tax, the Value Added Tax, the Fuel Levy and the Capital Transfer Tax,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

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

# Organisational Structure

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



## Corporate Governance

The Botswana Unified Revenue Service (BURS) adheres to and implements Corporate Governance principles in the execution of its statutory mandate, which is primarily to assess and collect taxes in Botswana on behalf of the Government. In this regard, BURS implements the provisions of the Revenue Laws, which include the Income Tax Act, the Capital transfer Act, the Value Added Tax Act and the Customs and Excise Duty Act. BURS is also responsible for the administration of statutory controls at bonded warehouses, border posts and other points of entry. In addition, BURS is charged with the responsibility of collecting Customs and Excise duties on behalf of the Southern African Customs Union (SACU). Other responsibilities include the collection and remittance of the statutory levies and fees on behalf of the Government and other parastatals.

The Board of Directors, the BURS Executive Management Committee, the BURS Internal Audit Division and the External Auditors form the four pillars of the BURS corporate governance. The main mandates and responsibilities of the four pillars are described in more detail below.

### 1. Board of Directors

The Board of Directors consists of a Non-Executive Chairman, and five (5) other members drawn from the public sector, the parastatal sector and the private sector and the Commissioner General. The Members of the Board of Directors are appointed by the Minister of Finance and Development Planning in accordance with the provisions of Section 6 of the BURS Act, 2003, Act No: 17 of 2004. The Board provides oversight over BURS operations.

The Board meets at least four (4) times in a year pursuant to its statutory mandate to ensure proper and effective control of the Revenue Service's operations and to carry out the periodic evaluation of the Revenue Service's operational performance. In order to fulfil their corporate governance obligations, the Board Members are each required to make an annual declaration of their business interests and assets at the beginning of every year. Further, at every sitting, members make declarations of interest in respect of matters tabled for consideration by the Board. During the year under review, the Board met five times as shown in the table of attendance below:

#### Attendance of Meetings by the Board of Directors

Name	Position	15/05/2009 (Special)	22/06/2009	27/10/2009 (Special)	7/12/2009	25/03/2010
Dr. T. Nyamadzabo	Chairman	•	•••	•••	•••	•••
Mr. D. N. Loeto	Vice Chairman	•••	•••	•••	•••	•••
Mr. J. Stevens	Member	•••	•	•••	•	•••
Mrs. S. T. Morolong	Member	•••	•••	•••	•••	•••
Mr. A. T. Yalala	Member	•	•••	•••	•••	•••
Mr. K. Laletsang	Member	•••	•	•	•••	–
Mr. F. Modise	Commissioner General	•••	•••	•••	•••	•••
Mrs. L. Khimbele	Board Secretary	•••	•••	•••	•••	•••

**Key: ••• Attended meeting • Apology tendered – Pre/Post term**

### 2. 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 said Act to the appointed Committees.

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

In terms of Section 16 of the BURS Act, the Board may appoint and co-opt Members outside the Board to serve as Committee Members. The following table sets out the composition of the Board Committees and their mandates. Members marked in asterisk are co-opted Members of the Committees.

### Composition of Board Committees and their Mandates

COMMITTEE	MEMBERS	DUTIES
Board Audit and Finance Committee	Mr. J. Y. Stevens (Chairman), Mr. A. T. Yalala, *Mr. G. Dobo and *Mr. M. Lesokola	The Committee is charged with the responsibilities relating to the financial performance of the BURS investments and budgets, reviewing financial statements with external auditors prior to approval by the Board and oversight over the carrying out of the BURS Annual Statutory Audits.  The Committee is also responsible for monitoring the quarterly reports of the Chief Internal Auditor.
Board Tender Committee	Mrs. S. T. Morolong (Chairperson), Mr. D. N. Loeto, Mr. A. T. Yalala and *Mrs. O. Zhikhwa	This Committee is responsible for adjudication of tenders in respect of the procurement of goods and services in excess of P2,000,000.00 and to deal with matters incidental thereto.
Board Human Resources Committee	**Mr. K. Laletsang (Chairman), Mrs. S. T. Morolong, Mr. D. N. Loeto and Mr. S. Meti	The Committee deals with the recruitment of senior members of staff, the remuneration policy of all BURS staff and advises the Board on all staff welfare and human resources related matters.

\*\*Mr. Laletsang resigned from the Board in December, 2009 following his retirement from the Ministry of Trade and Industry. As at 31<sup>st</sup> March, 2010 his replacement had not been appointed.

Attendance of Board Committee meetings by Committee Members:

The BURS Board Committees held meetings as shown on the tables below during the year under review.

#### Board Tender Committee Meetings:

	4 May 09	03 Aug 09	23 Oct 09	15 Dec 09	22 Jan 10
Mrs. S. T. Morolong	***	***	***	***	***
Mr. D. N. Loeto	***	***	***	***	***
Ms. O. Zhikhwa	***	***	***	***	***

#### Board Human Resources Committee Meetings:

	14 May 09	10 Nov 09	30 Mar 10
Mr. K. Laletsang	***	***	—
Mr. D. N. Loeto	***	***	***
Mrs. S. T. Morolong	***	***	***
Mr. S. Meti	***	•	***

#### Board Audit and Finance Committee Meetings:

	16 June 09	24 Sep 09	19 Nov 09	19 Feb 10
Mr. J. Stevens	***	***	***	***
Mr. A. T. Yalala	***	•	***	***
Mr. M. Lesokola	•	***	***	***
Mr. G. Dobo	***	***	***	***

### 3. Executive Management Committee:

The Commissioner General and the heads of the operational divisions constitute the Executive Management Committee (EMC), which provides strategic leadership to BURS and is responsible for the execution of the day to day operations of the Revenue Service. The EMC is therefore, composed of the following persons namely the Commissioner General (CG) and the heads of the seven operational Divisions namely, the Commissioner, Internal Revenue (CIR), the Commissioner, Customs & Excise (CCE), the Commissioner, Finance & Administration (CFA), the Director, Human Resources (DHR), the Director, Information Technology (DIT), the Chief Internal Auditor (CIA), and the Director, Legal Services (DLS).

### 4. Internal Audit

The main purpose of the Internal Audit function is to provide assurance and consultancy services to the BURS management and the Board Audit and Finance Committee (BAFC) for improving the systems of internal control, risk management and corporate governance. The BURS Management and the BAFC are furnished with periodic reports detailing analysis, appraisals, weaknesses, recommendations, counsel and vital information concerning the activities reviewed. Work processes of BURS are reviewed to determine the adequacy and effectiveness of financial, operational and management controls and the extent of compliance with laws and regulations. The members of the Board and Management are responsible for the establishment of effective systems of internal control, risk management and corporate governance. These systems should be designed to provide reasonable assurances with regard to the integrity and reliability of the financial statements and any other operational information.

#### 5. *BURS General Conditions of Service and the Code of Conduct*

To accentuate the adherence to corporate governance principles in the organisation, BURS has developed General Conditions of Service (GCS) which govern the conduct of BURS employees and provide a standard framework to guide employees of their rights and obligations as BURS employees. The GCS therefore, cover amongst others, the following areas.

- o Recruitment
- o Salaries, allowances and benefits
- o Promotion
- o Staff loans
- o Discipline
- o Code of conduct

The GCS are approved by the Board of Directors in accordance with the provisions of the BURS Act. The development of the Conditions of Service involves consultations between the BURS Executive Management and the BURS Trade Union. The GCS are aligned to the Botswana Labour pieces of legislation and are reviewed periodically as may be required. The Code of Conduct is a subset of the General Conditions of Service. The General Conditions of Service and the BURS Code of Conduct apply to all staff members and, therefore, employees are expected to abide by them.

#### 6. *Approval of the Annual Financial Statements*

The Financial Statements of the Revenue Service were approved by the Board on 10th December 2010 and signed by the Board Chairperson and the Commissioner General on behalf of BURS.

#### 7. *Board Charter*

During 2009/10 financial year, the Board reviewed the draft of the Board Charter. The adoption of the Board Charter would provide high standards of corporate governance. The Charter would clearly set out the role, duties and responsibilities of the Board, as well as enable the Board to provide strategic guidance to BURS and to ensure the effective management of the Revenue Service. The intention is that the Charter would enable Board Members to have a shared view on how the Board should function in the best interest of the Revenue Service. The Board will adopt the Board Charter during 2010/11.







## Board of Directors



Dr. T. Nyamadzabo  
Board Chairman



Mr. D. N. Loeto  
Vice Chairman



Mr. O. Batlhoki  
Board Member



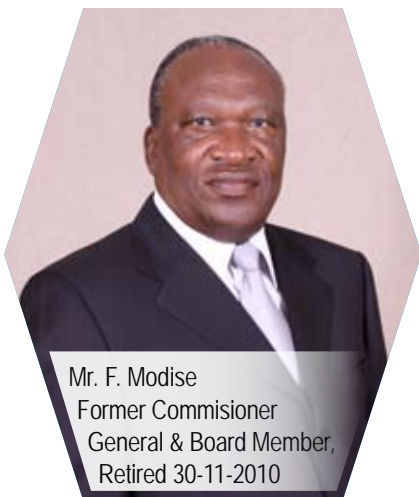
Ms. S.T. Morolong  
Board Member



Mr. J. Y. Stevens  
Board Member



Mr. T. Yalala  
Board Member



Mr. F. Modise  
Former Commissioner  
General & Board Member,  
Retired 30-11-2010



Mr. K. R. Morris  
Commissioner General  
and Board Member  
Appointed 01-12-2010



Mrs. L. Khimbele  
Director Legal Services  
& Board Secretary

## Executive Management



Mr. F. Modise  
Commissioner General  
Retired 30-11-2010



Mr. K. R. Morris  
Commissioner General  
Appointed 01-12-2010



Mr. S. Lekau  
Commissioner Internal  
Revenue



Mr. K. Kgosidintsi  
Commissioner Finance  
& Administration



Ms. M. Pelaelo  
Director Human  
Resources



Ms. L. Mosweu  
Director Information  
Technology



Mr. J. Sethibe  
General Manager,  
Corporate Planning &  
Communication



Mrs. L. Khimbele  
Director Legal Services  
& Board Secretary



Mrs. D. Koti  
Acting Chief Internal  
Auditor

## Chairman's Statement

*“Despite the growing challenges under which BURS operates, I am hopeful that BURS would continue to record remarkable performance. The approval and implementation of the proposed income tax amendments would lead to enhanced tax compliance and revenue collections.”*



### **Introduction**

It is my pleasure to present the 2010 Annual Report of the Botswana Unified Revenue Service (BURS) to stakeholders. The report provides an overview of the tax revenue performance, initiatives put forward to enhance operational efficiency of the Revenue Service, as well as the challenges encountered during the period under review from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2010. I am very pleased that the report presents yet another good performance by the Revenue Service. The organisation has fairly been consistent in its endeavour to improve performance since inception in 2004.

### **Strategic Plan**

The 2009/10 financial year marked the first year of the implementation of the second BURS Strategic Plan 2009-2014 which builds on the achievement and lessons learnt during the implementation of the first Strategic Plan. The main focus of the second Strategic Plan would be on the implementation of strategies aimed at improving taxpayer compliance and the provision of quality services to taxpayers through, among others, reviewing the revenue laws, integrating the stand alone data/systems to achieve a single view of the taxpayer service, as well as drawing the BURS Customer Service Charter. In addition, BURS will review its processes and procedures as well as seek the assistance of its strategic partners to assist it in the overall development of BURS. These measures are expected to result in improved operational efficiency of BURS, and help BURS to become a Regional Leader in Revenue and Border Administration. The Strategic Plan activities have

been aligned with those activities that would be undertaken by BURS under the auspices of the three year BURS/Swedish Tax Agency (STA) technical assistance programme. The programme was implemented with effect from January, 2010.

### **Revenue Collection Performance**

During the 2009/10 financial year, BURS performed considerably well in respect of the collection of the tax revenue. The commendable performance was achieved in spite of the challenges which were occasioned by the global financial crisis. The Revenue Service recorded a total tax revenue collection of P20,007 million during the 2009/10 financial year against the target of P16,042 million. The performance represents a growth of P809 million or 4.2% when compared to the tax revenue collection of P19,198 million during the 2008/9 financial year.

### **BURS Funding**

During the year under review, the subvention that the Government had provided to BURS to meet its operational costs amounted to P245.1 million. Further, in accordance with provisions of Section 26 (l) (a) of the Botswana Unified Revenue Service Act, BURS had managed to generate its own income amounting to P42.7 million to meet its operational costs. Consequently, the total funding for BURS in respect of the year ended 31<sup>st</sup> March, 2010 amounted to P287.8 million. However, the amount of P11.0 million was utilised to purchase capital expenditure items, thus the actual BURS recurrent expenditure funding was P276.8 million.

Funds utilised for the recurrent expenditure had increased by P70.3 million or 34.0% from P206.5 million in 2008/09 to P276.8 million in 2009/10 against actual recurrent expenditure for the year ended amounting to P267.1 million. Therefore, the total actual recurrent expenditure had increased by P47.7 million or 21.7% from P219.4 million in 2008/09 to P267.1 million in 2009/10.

### *Tax Legislation Amendments*

During the 2009/10 financial year, Government approved amendments to the Income Tax Act including the change from a Two Tier Tax System to Single Tier Tax System and additional amendments were to be approved by Government during the course of 2010/11. These anticipated changes are expected to enhance tax compliance and revenue collections and are to be implemented with effect from the 2011/12 tax year. The other amendments would clarify some of the provisions of the Income Tax Act.

In accordance with the announcement made by the Minister of Finance and Development Planning when delivering the 2010 Budget Speech, Government decided to increase the VAT rate from 10% to 12% and the VAT threshold from P250,000 to P500,000 per annum. The new VAT rate and threshold were gazetted on 8<sup>th</sup> March, 2010 and took effect from 1<sup>st</sup> April, 2010. To ensure a smooth implementation of the changes pertaining to the VAT, BURS conducted a number of workshops for its employees and the stakeholders to accord them the opportunity to appreciate the implications of the amendments.

### *Taxpayer Day Celebrations*

The Botswana Unified Revenue Service intends to hold its first taxpayer day celebrations during the course of 2011/12 financial year. The day would be set aside by BURS to honour their most valued stakeholders: the compliant taxpayers. The holding of the taxpayer day by BURS would not only honour compliant taxpayers but would also acknowledge the contributions made by compliant taxpayers towards tax revenue mobilisation. BURS will commence preparations to host the taxpayer day celebrations in 2011/12. Further, BURS would welcome suggestions from stakeholders pertaining to the holding of the taxpayer day celebrations.

### *Compliance with the provisions of the BURS Act*

Section 31 of the Botswana Unified Revenue Service Act requires the BURS Board to recommend to the Minister responsible for finance the criteria or factors by reference to which any exemption, mitigation, deferment or remission of any tax may be granted, and the procedures to be followed in

granting any exemption, mitigation, deferment or remission of any tax. The Board has instructed Management to finalise the criteria and forward it to the Board during the financial year 2010/11.

Management had worked hard to complete the books of accounts and statements of accounts in respect of the year ended 31<sup>st</sup> March, 2010 by end of June, 2010. Though the target date was not attained, the books of accounts and statements of accounts in respect of the year ended 31<sup>st</sup> March, 2010 were submitted to the Auditors in August, 2010. BURS has, therefore, not complied with provisions of Section 28 (2) of the BURS Act.

The Board has instructed Management to ensure that they abide by the provisions of the BURS Act. If they are convinced that they cannot comply with the provisions of some Sections of the BURS Act, then, they should propose that the said provisions of the Act should be amended.

### *Challenges*

Although BURS has performed satisfactorily over the years, it is still faced with a number of challenges including the following:

- The Revenue Service is faced with financial and skilled human resource constraints. These are the two main and critical challenges. With adequate financial and skilled human resources, BURS will be able to carry out its planned activities effectively.
- The increasing challenges brought about by the global changes, and the changing diversity of the customer base has put more pressure on BURS to improve not only on its service delivery but also its operating model and the performance measurement system.
- The maintenance of border posts facilities across the country provides a major challenge for BURS. The border posts are many and widespread geographically, and most of them are in a poor state of repair. BURS' funding would have to be increased if the facilities are to be maintained to an acceptable standard.
- To effectively achieve its mandate, BURS is challenged to estimate the tax gap as well as to develop a tax revenue estimation model. These will assist BURS to provide accurate and reliable revenue forecasts.

In order to address most of these challenges, BURS had approached the Swedish Tax Agency (STA) during 2008/09 with a proposal to enter into a three year technical assistance



programme which would assist BURS to improve its tax administration capability. During the 2009/10 financial year, the two tax agencies agreed to form the BURS/STA joint project team aimed at addressing the challenges faced by BURS, including the establishment of the Large Taxpayer Unit (LTU), Improvement of the Information Communications Technology (ICT) Infrastructure, Intelligence Gathering and Risk Management, development of the BURS Audit capacity, Human Resource Development and improvement of Taxpayer Services, as well as capacity building on tax policy issues. The implementation of the programme commenced in January, 2010.

### *Acknowledgements*

On behalf of the Board of Directors, I wish to acknowledge and appreciate the remarkable performance achieved by BURS staff and Management during the financial year under review despite the global financial crisis. I would like to express my appreciation to the BURS cooperating partners for rendering

assistance to BURS in the face of the global crisis. The Board of Directors wishes to encourage BURS staff and Management to maintain the good performance.

Finally, on behalf of the BURS Board of Directors, I would like to thank the Commissioner General and his Executive Management Committee (EMC) for their continued visionary leadership to drive the organisation successfully into the future. May I also bid the first Commissioner General of BURS farewell and wish him well in all his endeavours as he retires in December 2010. As the first Commissioner General of BURS, he has been very instrumental in the establishment of BURS and its operational processes and procedures. The Board of Directors, as well as the Government of Botswana are grateful for his past leadership and performance.



### Conclusion

Despite the growing challenges under which BURS operates, I am hopeful that BURS would continue to record remarkable performance. The approval and implementation of the proposed income tax amendments would lead to enhanced tax compliance and revenue collections. Further, the initiatives such as the BURS/STA joint programme would go a long way in equipping staff with appropriate skills to enable them to perform their duties effectively and efficiently. It is, therefore, my ardent hope that BURS would take full advantage of the agreed cooperation.

The review of processes and procedures should lead to the minimisation of the taxpayer compliance costs. The adoption of the BURS Customer Service Charter would be a welcome development, as BURS would be compelled to provide services to its stakeholders within the stipulated standards.

Finally, on behalf of the Board of Directors, the Management and employees of BURS, I wish to thank the Government of Botswana, through the Ministry of Finance and Development Planning, for the support it continues to extend to BURS. We cherish the support and on behalf of BURS, the country should be assured that BURS will do its utmost to enhance tax revenue collections, as well as provide quality services to stakeholders.

Dr. T. Nyamadzabo  
Board Chairman

## Commissioner General's Review

BURS remains committed to the highest standards of management and governance throughout the organisation and to meeting the needs of the nation. We will strive to implement effective strategies to provide quality services to all BURS stakeholders.



The Botswana Unified Revenue Service (BURS) continues to make improvements in its revenue collection function as well as the provision of quality services to all stakeholders. At the centre of BURS' development is the resolve to build the reputation of the organisation by enforcing accepted governance principles, ethical standards and sound risk management processes. The 2010 Annual Report presents yet another notable performance by BURS in the discharge of its tax collection mandate during the period of the global financial crisis.

### *Compliance with the Provisions of the BURS Act*

BURS has not complied with provisions Section 28 (2) of the BURS Act which requires the Revenue Service to submit, within 60 days of the end of each financial year, its books of accounts and statements of accounts to the External Auditors appointed by the Board, who should audit the accounts no later than three months after the end of the financial year.

In addition, BURS had not complied with provisions of Section 29 (1) of the BURS Act, which stipulates that a comprehensive report on the operations of the Revenue Service should be submitted to the Minister responsible for finance within six months of the end of the financial year. Because BURS had not been able to comply with provisions of Section 28 (2) of the BURS Act, BURS could not have complied with provisions of Section 29 (1) of the BURS Act. The expectation is that with the automation of the BURS accounting processes, BURS would be able to submit its books of accounts to the External Auditors within two months of the end of each financial year, in the future.

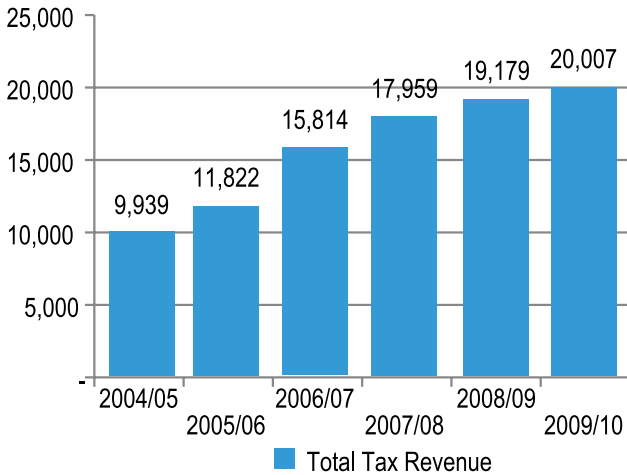
BURS will submit the criteria or factors by reference to which any exemption, mitigation, deferment or remission of any tax may be granted, and the procedures to be followed in granting any exemption, mitigation, deferment or remission of any tax to the Board during 2010/11. Thus, BURS has not complied with provisions of Section 31 of the BURS Act. The criteria was not finalised during 2009/10 because management was engaged in a comprehensive review of the Revenue Laws. Now that the review work has virtually been completed, the finalisation of the criteria will be pursued by Management and submitted to the Minister through the Board during 2010/11 financial year.

### *Overall Tax Revenue Performance from 2004/05 to 2009/10 financial years*

The tax revenue collection growth has continued for the period since the inception of BURS. Figure 1 below depicts the tax revenue collection performance over the period from 2004/05 to 2009/10. The tax revenue collection performance indicates a growing trend over the entire period. The tax revenue collections increased from P9,939 million in 2004/05 to P20,007 million in 2009/10 by P10,068 million or by an annual average growth of 15.5%. The highest growth was recorded in 2006/07 with a growth rate of 33.8%, mainly due to the significant growth of 68.2% attained by the Customs Union Receipts. It would be important that BURS sustains the growing contribution to the national budget by delivering more revenues to the Government to enable it to provide public services, as well as finance the infrastructural development and the maintenance of the infrastructure.



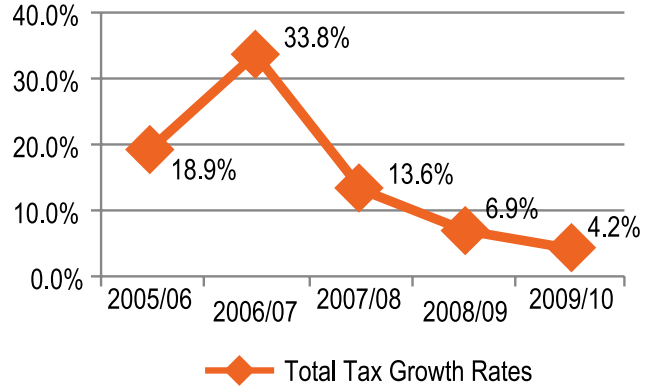
Figure 1: Total Tax Revenue Collections (P million)



### Tax Revenue Collections Growth

Although the tax revenue collections have grown considerably over the years, the growth has been at a decreasing rate since 2006/07, as shown in figure 2 below. The collections grew at 33.8% during 2006/07 and slowed down to 4.2% in 2009/10. This trend can be depicted across all the tax types but most notably the Customs Union Receipts which experienced a significant drop from a growth rate of 68.2% in 2006/07 to 2.3% in 2009/10, and the income tax revenue that dropped from 16.2% in 2006/07 to 2.6% in 2009/10. This trend illustrates that if no new and effective strategies are introduced to collect more revenues or reduce the tax gap, BURS might continue to register lower growth rates in the near future and subsequently possibly register declines in tax revenue collections. Consequently, some of the key initiatives to improve the tax revenue performance include the recently approved cooperation between BURS and the Swedish Tax Agency (STA) to assist BURS to improve its tax administration capability. The project is intended to transform BURS into a modern and efficient tax administration entity that would achieve improvements in tax collection and provision of quality services to taxpayers. BURS is convinced that some taxpayers do not comply with the provisions of the Revenue Laws, thus BURS will also place taxation messages on the Botswana TV, billboards and the print media to remind taxpayers of their tax obligations. Further, BURS will review all the Revenue Laws with a view to proposing amendments to the Revenue Laws to plug loopholes that taxpayers could be exploiting to pay no tax or lower taxes.

Figure 2: Total Tax Revenue Growth Rate (%)



### Tax Revenue Performance during the 2009/10 financial year

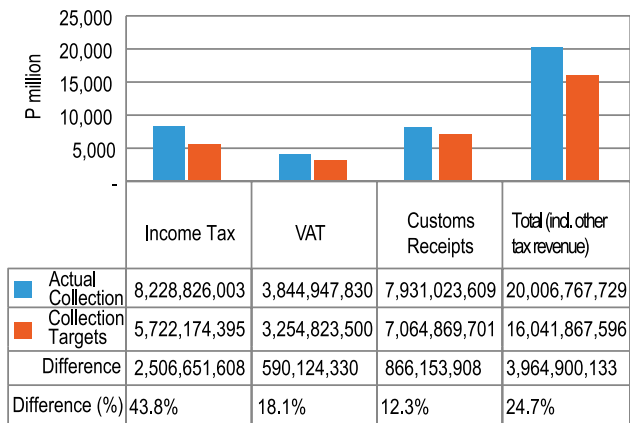
BURS collected P20,007 million during the 2009/10 financial year. This represents a growth of P809 million or 4.2% from a collection of P19,198 million in 2008/09. The revenue performance during the 2009/10 financial year is mainly explained by the considerable growth attained by the Income Tax and VAT while Customs Union Receipts recorded low growth rate as follows:

- *Value Added Tax (VAT):* The VAT collections grew significantly by P301 million or 8.5% from P3,544 million in 2008/09 to P3,845 million in 2009/10. The VAT collections for the 2009/10 financial year, exceeded the target by P590 million or 18.1%.
- *Income Tax:* The Income tax revenue collections grew by P329 million or 4.2% from P7,900 million in 2008/09 to P8,229 million in 2009/10. The Income tax revenue collections exceeded the target by P2,507 million or 43.8%.
- *Customs Union Receipts:* The Customs Union Receipts grew by P181 million or 2.3% from P7,750 million in 2008/09 to P7,931 million in 2009/10. The Customs Union Receipts exceeded the target by P866 million or 12.3%.

### Performance against Targets

The tax revenue collections for the 2009/10 financial year exceeded the target of P16,042 million by P3,965 million or 24.7%, as shown in figure 3 below. The good performance was due to the performance of the income tax revenues which, despite the global economic crisis, exceeded the target by P2,507 million or 43.8% followed by VAT which exceeded the target by P590 million or 18.1%. The more than expected growth of the income tax revenue collections was attained as a result of the unanticipated recovery of the output of the mining sector towards the end of 2009.

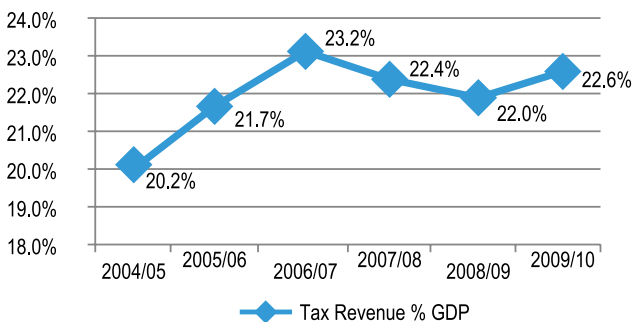
Figure 3: Tax Revenue Performance by Tax Type against Targets



#### Proportion of the tax revenue collections to the Gross Domestic Production (GDP)

The proportion of the total tax revenue collections to the GDP has been fluctuating between 20% and 23% since the 2004/05 financial year, as depicted in figure 4 below. The proportion increased steadily from 20.2% in 2004/05 to 23.2% in 2006/07 before it declined to 22.0% in 2008/09. During the 2009/10 financial year, the proportion increased slightly to 22.6% despite the effects of the global crisis during the course of the year. The challenge for BURS is to improve its contribution to the GDP to ensure the availability of adequate revenues to enable the Government to provide public services, as well as finance the development and the maintenance of infrastructure. The proportion could also be increased by BURS through reducing the tax gap and effectively reducing tax evasions and avoidance. Indeed, BURS will be initiating strategies that will enable it to effectively reduce tax avoidance and evasion in the future.

Figure 4: Tax Revenue Collections as a percentage of the GDP (P million)

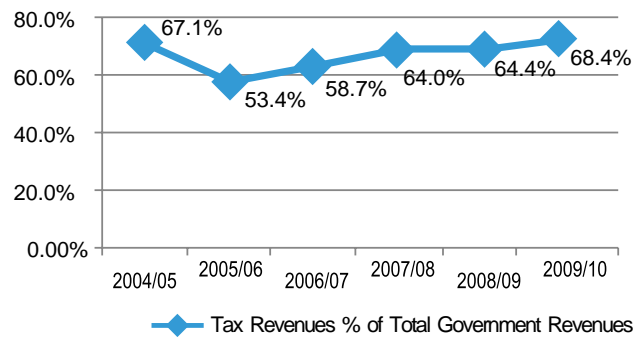


#### Proportion of the Tax Revenues to the Government Revenues

The proportion of tax revenues to government revenues has grown consistently over the years from 53.4% in 2005/06 to 68.4% in 2009/10 (Figure 5). The proportion improved considerably by 4% from 64.4%

in 2008/09 to 68.4% in 2009/10. This is a good performance taking cognisance of the effects of the global crisis during the year under review. The trend shows the growing importance of the tax revenues to the government revenues as well as the economy. Thus, BURS is expected to play a major role, in the future, in providing Government funding to propel the delivery of the public services and government programmes.

Figure 5: Tax Revenues as a percentage of Government Revenues



#### Cost of Collection

The cost of collection indicates that for every P1.00 that was spent by Government through the funding of the BURS operational costs, the Government achieved a benefit of P75 during the 2009/10 financial year. The benefit is lower compared to a benefit of P87.5 achieved in 2008/09. The benefit per P1.00 is low because the recurrent expenditure had increased by 21.7%, while the tax revenue collection had increased by 4.2% during the 2009/10 financial year.

#### Levies collected on behalf of Government Departments and Agencies

BURS collects various types of statutory fees and levies on behalf of Government Departments and Agencies. These collections amounted to P526 million as depicted in table 1 below.

The P20,007 million tax revenues collected by BURS in 2009/10 exclude the levy revenues collected by BURS on behalf of Government Departments and Agencies. Thus, the overall revenue collection during 2009/10, including the revenue collected by BURS on behalf of Government Departments and Agencies, amounted to P20,533 million resulting in an increase of P1,126 million or 5.8% from a collection of P19,407 million collected during 2008/09.

The service fee charged by BURS for collecting the levies amounted to P35 million representing 6.7% of the total levies collected. Thus, the net levy collections paid to Government Departments and Entities amounted to P491 million. The service fee charges collected by BURS are used by BURS to augment their annual subventions that BURS receives from the Government to meet its operational costs.

Table 1: Levies collected by BURS on behalf of other Government Departments and Agencies

Departments or Agencies	Description of the Levy	Gross Collections April – March, 2010 (P'000)	Commission Fees (P'000)	Net Collections (P'000)
Ministry of Trade & Industry (MTI)	Flour Levy	7,537,186	-	7,537,186
	Alcohol Levy	222,932,403	13,375,944	209,556,458
Ministry of Works & Transport (MWT)	Transport Permits and Road Safety	91,479,702	10,977,564	80,502,138
Motor Vehicle Accident Fund (MVAf)	Motor Vehicle Third Party Insurance Levy	8,946,783	894,678	8,052,104
Botswana Training Authority (BOTA)	Training Levy	192,419,133	9,620,957	182,798,176
Registrar of Companies	Recording Apparatus Levy	2,659,296	159,558	2,499,738
<b>Total</b>		<b>525,974,502</b>	<b>35,028,701</b>	<b>490,945,801</b>

### Key drivers of BURS' Performance

BURS continues to devise strategies/initiatives to create a favourable environment for taxpayers to comply with the provisions of the Revenue Laws. The following initiatives were undertaken to improve BURS' performance.

- **The Customer Outreach Programmes**

In an effort to enhance the public's understanding of their tax obligations and promote tax compliance, BURS managed to conduct 117 workshops against 80 that were planned to be conducted throughout the country during the 2009/10 financial year. Among these workshops, 73 were conducted as a result of requests from Taxpayers. The taxpayer education campaigns were also undertaken through the Media in the form of Television and radio programmes.

In order to specifically assist Small, Micro and Medium Entrepreneurs (SMMEs) to comply with the Revenue Laws, BURS collaborated with "The Business Place" to educate SMMEs on their tax obligations and rights. The collaboration was undertaken in the form of ongoing modular workshops covering basic information on tax in relation to SMMEs. Targeted workshops were also conducted for the Barclays Bank SMMEs business clients. The aim of the campaigns is to inculcate the culture of compliance with the provisions of the Revenue Laws by the SMMEs.

Further, BURS participated at the following fairs/exhibitions held during the year:

- o Local Enterprise Authority (LEA) SMME fair in Gaborone;
- o Consumer Fair in Gaborone;
- o Global Expo in Gaborone;
- o Vision 2016 commemorations held in Letlhakeng; and

- o The BOCCIM Northern Trade Fair held in Francistown

Participation at these exhibitions is aimed at promoting the BURS brand by taking the organisation to the people and enhancing the taxpayers understanding of their tax obligations. Even though the customer outreach programmes were carried out successfully, there were some challenges that were encountered, including, the need to translate the educational materials into Setswana. BURS will consider translating some of the tax educational materials into Setswana in the future. In addition, the understanding by businesses of the requirement to attach valid tax clearance certificates when submitting tenders to provide supplies and services to the Government, local authorities and parastatals has bloated the taxpayer register.

- **The Performance Management and Performance Based Reward Systems**

BURS is in its third year of implementing the Performance Management System (PMS). During 2009/10 financial year, BURS appointed additional three PMS Officers to effectively improve and manage the system. The PMS office continues to assist BURS Staff in the development of their performance contracts. The implementation of the enhanced PMS which began during 2009/10 experienced some challenges. The PMS Unit will continue to be strengthened to ensure effectiveness of the system.

- **Remuneration and Benefits**

BURS considers human resources as the most critical resource that can provide it with a competitive edge. Thus, BURS strives to attract and retain the skilled and experienced personnel that the market offers. During the year under review, the Revenue Service completed the review of its pay structure and

allowances to improve BURS attractiveness as the employer of choice. The revised pay structure and the allowances structure were implemented with effect from 1<sup>st</sup> November, 2009. Besides the pay structure and allowances, the review incorporated other recommendations on the attraction and the retention strategy, and the remuneration policy and strategy. The Revenue Service will continue to consider other recommendations to ensure that BURS attains its aspiration of being 'the regional leader in revenue and border administration whilst maximizing revenue collection'.

### *New initiatives*

- ***Customer Service Charter***

During the year under review, BURS began the development of its customer service charter. The service charter spells out the minimum standards to be met in providing services to our customers and the rights and obligations of the taxpayers. BURS would then conduct workshops across all the BURS offices in the country to sensitise and promote the standards among the employees. The standards are expected to enhance BURS' customer service and the turnaround times.

- ***Anti-Fraud Guidelines***

BURS began the development of the Anti-Fraud guidelines to assist it in dealing with the issues of integrity and to address fraud and corruption. During the 2010/11 financial year, BURS would approve and adopt the Guidelines as a policy document for BURS. The effective management of integrity in BURS would require the setting, communicating and/or educating, and enforcing common norms and standards. BURS employees are, therefore, expected to observe the rule of law and perform their duties in a fair, impartial, honest, trustworthy, polite, and professional manner. In addition, the Integrity and Internal Investigations office will be moved outside the BURS Head Office during the 2010/11 financial year to allow employees and the public to freely report fraud or any corrupt practices without fear. Further, a hotline will be installed to facilitate easy access to the office.

- ***Taxpayer Day Celebrations***

BURS is planning to introduce Taxpayer Day celebrations to honour taxpayers who would have been compliant with the provisions of the Revenue Laws. This gesture is intended to reward selected taxpayers for being complaint taxpayers and encourage those who would not have complied with the provisions of the Revenue Laws. A Committee will be established to spearhead the preparations for the holding of the Taxpayer Day Celebrations with effect from the 2011/12 financial year. The intention is that the Taxpayer Day Celebrations Committee would come up with the criteria that would be used to select compliant taxpayers, as well as the

taxpayers to be honoured by BURS and that the celebrations would be held on an annual basis.

- ***Call Centre***

A Call Centre will also be introduced during the coming year and it is hoped that this facility will improve customer service delivery, as customers would be able to access BURS telephonically as opposed to the current arrangement where they physically have to visit BURS offices.

### ***BURS Facilities/Development Projects***

During the year under review, BURS embarked on a number of development projects which are aimed at improving accessibility to BURS and providing a better service to the customers. Many of the projects will spill over the 2010/11 financial year. The projects included the following:

#### ***BURS Headquarters Building***

BURS carried out a number of projects to improve conditions both for the BURS staff and stakeholders. One of the major projects that was ongoing was commencing preparations for the construction of the BURS Head Quarters building in the Central Business District (CBD) in Gaborone. BURS has taken a strategic decision to construct its own custom built head office building in consideration of the escalating rental costs. The new Head Office shall incorporate the latest technologies, security and conveniences that will accommodate the organisation's current and future requirements. It will be custom-designed to substantially improve efficiencies and reduce administrative expenses resulting from renting out spaces for external functions.

#### ***Ghanzi Regional Office***

BURS has completed the Ghanzi regional office. The office became operational in April, 2010. The office serves as a service centre for the Income Tax and VAT matters in Ghanzi and its catchment areas. The office will be networked during 2010/11 to receipt tax Payments.

#### ***Pioneer Gate Border Post***

The Pioneer Gate border post has been proposed as an Integrated One Stop Border Post. The project is intended to house all government departments that require a presence at the border post. A project management firm has been appointed to oversee the design of border the post. During the year under review, the preliminary works such as the Topographical survey, Geotechnical surveys and the Environmental Management Plan were completed. The actual design of the office and associated work will commence during the 2010/11 financial year.

### **Container X-Ray Scanners**

The container x-ray scanners were procured during the 2009/10 financial year and currently plans are underway to install the scanners at the Gaborone Container Terminal (Gabcon) and the Tlokweng Gate border Post. The relocatable x-ray scanner will be installed at the Tlokweng gate border post whilst the mobile x-ray scanner will be deployed at Gabcon. The scanners will address the problems of smuggling and non declarations of goods entering and being taken out of Botswana. They will also help to detect concealed consignments of illegal or illicit goods. The scanners are expected to significantly reduce incidences of smuggling and cross border crime such as drug trafficking and money laundering.

The preparatory work for the installation of the x-ray container scanners has commenced. Construction of the Scanner Hall at Tlokweng border gate and the tender for the design of the civil works at both Tlokweng Gate and Gabcon and the actual carrying out of the civil works are expected to be completed during the 2010/11 financial year.

### **Upgrading of the Ramokgwebana Border Post**

The border post is being upgraded by constructing covered walkways, a new commercial office block for clearing agents and other service providers, new stand alone ablution blocks, extension of the existing office and the construction of staff houses. The project was 50% complete as at the end of the financial year. The project is expected to be handed over for occupation during the 2010/11 financial year.

## **BURS Collaborations and Partnerships with other Institutions**

### **Botswana Law Enforcement Agencies**

BURS has to unearth potential taxpayers who have not registered with it, as well as the registered taxpayers who are bent on hiding some of their incomes. BURS would not on its own unearth all tax dodgers or evaders, thus BURS has had to enlist the support of the Botswana Law Enforcement Agencies to pursue tax dodgers or evaders. As a result of the support and the cooperation that BURS has realised from other Botswana Law Enforcement Agencies, tax dodgers or evaders are continually being unearthed. BURS will do everything in its power to strengthen the cooperation that exists between it and the Botswana Law Enforcement Agencies with a view to unearthing more tax dodgers and evaders.

### **Training Initiatives/Partnerships**

BURS has, in partnership with the Zimbabwe Revenue Authority (ZIMRA) developed, during the 2008/09 financial year, a 12-month graduate trainee programme for new

officers joining the Revenue Service. BURS has also established partnerships with other Revenue Authorities such as the Tanzania Revenue Authority (TRA) and Kenya Revenue Authority (KRA) who have agreed to enrol some of the BURS employees on their training courses offered by their Tax Training Institutes. The two Revenue Authorities have also agreed to second some of their employees to BURS on a need basis. BURS will only recruit skilled and experienced tax officials from other revenue authorities.

BURS has completed the Development of the Training Administrative Policies and Procedures, Trainer Capacity Development and Curriculum Development. The remaining milestone is the development of the training delivery modules. The challenge is in securing training facilities for the delivery of the courses. BURS is exploring the possibility of outsourcing the facilities or purchasing of existing facilities as a short term measure. It is envisaged that the programme would commence towards the last quarter of 2010.

Further, during the year under review, BURS implemented one of the recommendations from the Training Needs Analysis (TNA) study which was to empower its leadership and management through leadership training. The Leadership Development Training workshop was conducted by the Institute of Development Management (IDM) for the BURS Executive Management and Senior Management Teams.

### **BURS/Swedish Tax Agency (STA) Technical Agreement**

The collaboration agreement between BURS and the Swedish Tax Agency (STA) to assist BURS to improve its tax administration capability was concluded during the 2009/10 financial year. The inception report detailing the specific assistance programme was at an advanced stage and was expected to be finalised in the early part of the 2010/11 financial year. The STA will assist BURS in areas comprising six broad areas, including the establishment of the Large Taxpayer Unit (LTU), the improvement of the Information Communications Technology Infrastructure (ICT), the development of the auditing capacity, intelligence gathering and risk management, the Human Resource Development and the improvement of the Taxpayer Services, as well as the review of BURS processes and procedures.

### **Regional Collaboration**

BURS participated in the Regional initiatives by the Southern African Development Community (SADC) and the Southern African Customs Union (SACU) aimed at facilitating data exchange among member countries. The SACU initiative successfully piloted the first stage of the data exchange

which allowed Botswana and Namibia to view each other's customs data in respect of import/export declarations. This initiative is expected to prevent distortion of customs data from one country to the other and reduce the time spent on reconciling the trade data between the two countries.

- ***The African Tax Administration Forum (ATAF)***

The objectives of ATAF are to organize and manage collaborative efforts between African Tax Administrations, as well as to foster cooperation with Tax Administrations of the developed countries. The Forum will provide a platform to promote and facilitate mutual cooperation among African Tax Administrations and other relevant and interested stakeholders, with the aim of improving the efficacy of their tax administrations. A Steering Committee comprising Botswana, Cameroon, Ghana, Nigeria, Rwanda, South Africa and Uganda had been instituted and the Forum was successfully launched during the 2009/10 financial year. BURS successfully hosted ATAF's second technical event on the 'Taxation of Natural Resources'. The Revenue Service had sent participants to all the technical events organised by the ATAF Secretariat during 2008/09 financial year and will continue to do so in the future to develop the skills of its workforce.

- ***SACU/World Customs Organisation Customs Modernisation Programme***

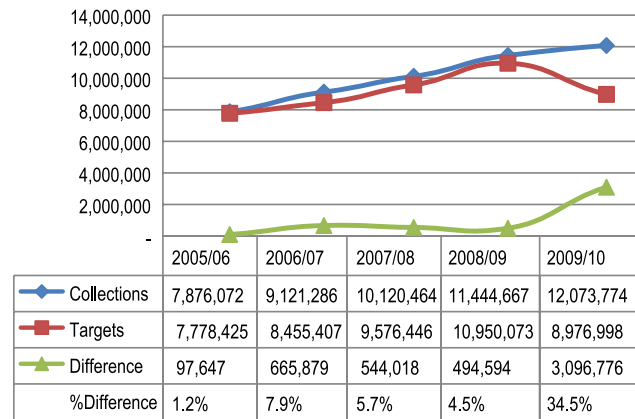
The five SACU Member States collectively entered into an agreement with the World Customs Organisation to embark on a three year programme to modernise the Customs Administrations of the SACU Member States. The programme was conceived to respond to the findings of the diagnostic studies which were conducted by the WCO in the member countries to gauge their preparedness to implement the WCO Framework of Standards on securing and facilitating international trade. The programme which is due to commence during the 2010/11 financial year was approved by the SACU Council of Ministers in December, 2009. The Programme will be sponsored by the Swedish International Development Agency (SIDA)

## Internal Revenue Operations and Performance

The 2009/10 financial year has been a challenging one due to the fact that BURS had to contend with the impact of the global financial crisis in tax revenue collection terms. The impact of the crisis was felt mostly during the second quarter of the 2009/10 financial year, when BURS recorded the lowest revenue collection of the year due to the significant drop of the income tax revenues, particularly the mineral tax revenue, during that period. However, as a result of the recovery of the mineral sector during the third and fourth quarters of 2009/10 financial year, revenue collections improved considerably.

During the 2009/10 financial year, the domestic tax revenue collections amounted to P12,074 million. The collection exceeded the target of P8,977 million by P3,097 million or 34.5%. The 2009/10 collection grew by P628 million or 5.5% from the P11,445 million collected in 2008/09. Figure 6 below presents comparisons between the actual revenue collections and targets for the period from 2005/06 to 2009/10. Over the period from 2006/07 to 2009/10, the revenue collections have exceeded the targets by at least P495 million annually. During the 2009/10 financial year, the collections exceeded the targets significantly by P3,097 million or 34.5% despite the impact of the global financial crisis.

Figure 6: Internal Revenue Collections against Targets (P'000)



### Revenue Performance for 2009/10 by the Tax Type

The Internal Revenue collection comprises of Income Tax and Value Added Tax. During the year under review, the collections for all the tax types exceeded targets as shown in Table 2 below. The Income Tax collections exceeded the target by 43.8%, while the VAT collections exceeded the targets by 18.1%. In terms of the contribution of each tax stream to the total internal revenue collections, Income Tax revenue contributed the bulk of the collection at 68.2% in 2009/10, down from 69.0% in 2008/09, while VAT contributed 31.8% during the 2009/10 compared to 31.0% in 2008/09.

Table 2: Domestic Tax Revenue Collections by the Tax Type

Tax Type	Actual Revenue Collected (P'000) (2008/09)	Revenue Collection Target – RCT (P'000) (2009/10)	Actual Revenue Collected (P'000) (2009/10)	Performance as a Proportion of Total Collections for 2008/09 (%)	Performance as a Proportion of Total Collections for 2009/10 (%)	% Variation against RCT
Income Tax	7,900,352	5,722,395	8,228,826	69.0%	68.2%	43.8%
VAT	3,544,315	3,254,824	3,844,948	31.0%	31.8%	18.1%
Total	11,444,667	8,977,219	12,073,774	100.0-	100.0	34.5%

### Analysis of Performance by the Tax Type

#### Income Tax

The income tax revenue comprises mineral and non-mineral income taxes. The non-mineral income tax is made up of the personal income tax, corporate self assessed income tax, dividend tax deducted and other withholding taxes. The mineral income tax revenue includes the corporate Self Assessed Income Tax (SAT), PAYE of the employees and the withholding taxes on dividends, commercial royalties and management fees paid by mining companies. The reported mineral income tax is understated by

the exclusion of the company tax paid by SODA Ash Botswana. The tax is normally paid to the Ministry of Minerals, Energy and Water Resources together with the dividends distribution.

As shown in Table 3 below, the non-mineral income tax revenue collections exceeded the target by P2,019 million or 54.0% in 2009/10, while the mineral income tax revenue collections exceeded the target by P487 million or 24.6% in the same period.

**Table 3: Mineral Tax and Non-mineral Tax**

	Actual Revenue Collected 2008/09 (P million)	2009/10 Revenue Collection Target (RCT) (P million)	2009/10 Actual Revenue Collected (P million)	Variation from Revenue Collection Target (P million)	Variation from RCT (%)	% Collection of Total Actual Income Tax Collection	
						2008/09	2009/10
Mineral	3,451	1,983	2,470	487	24.6%	43.7%	34.7%
Non-mineral	4,449	3,739	5,758	2,019	54.0%	56.3%	65.3%
<b>Total</b>	<b>7,900</b>	<b>5,722</b>	<b>8,228</b>	<b>2,506</b>	<b>43.8%</b>	<b>100.0%</b>	<b>100.0%</b>

Table 3 shows that the mineral income tax revenue collections improved during the 2009/10 financial year. Although the target for the mineral income tax revenue was exceeded during the 2009/10 financial year, the actual collection was below the 2008/09 collection by P981 million or 28.4%. This resulted in the reduction of the contribution of the mineral income tax to the total income tax from 43.7% to 34.7%. The non-mineral income tax revenue collections improved significantly with a growth of P1,309 million or 29.4%. Its contribution to the total tax revenue increased from 56.3% to 65.3%. On the overall, the actual income tax revenue collections grew by P328 million or 4.2% from 2008/09 to 2009/10.

**Analysis of tax types by source**  
**Income Tax Revenue by Source**

Table 4 depicts contributions of each income tax source to the overall income tax revenues. The tax source analysis shows that the major portion of the income tax collection is the deducted tax that was paid by companies through the corporate self assessment tax (SAT) with a contribution of 53.7%. The contribution of the SAT however declined from 59.4% in 2008/09. The second most significant source of the income tax collection was through the withholding taxes on employees as Pay As You Earn (PAYE) with a contribution of 27% from 24.5% in 2008/09. The remaining income tax collections were sourced from the assessments of the non-corporate taxpayers, including individuals running businesses such as trading, farming, real estate and professional services all of which contributed 19.3% of the total income tax collections depicting an improvement of a contribution of 18.6% recorded in 2008/09.

**Table 4: Income Tax Collection Source Analysis for 2008/09 and 2009/10**

	2008/09 Actual Collections	% of collection against total	2009/10 Actual Collections	% of collection against total	% Growth
Withholding Tax	1,237,120	15.7%	1,288,566	15.7%	4.2%
Deducted Tax (PAYE)	1,931,868	24.5%	2,186,480	26.6%	13.2%
Assessed Tax	4,689,071	59.4%	4,709,202	57.2%	0.4%
Penalty Interest	34,713	0.4%	42,850	0.5%	23.4%
Capital Transfer Tax	7,580	0.1%	1,728	0.0%	-77.2%
<b>Total Income Tax Collection</b>	<b>7,900,352</b>	<b>100%</b>	<b>8,228,826</b>	<b>100%</b>	<b>4.2%</b>

**Value Added Tax Revenue by Source**

The gross VAT collection during the period under review amounted to P4,992 million while total VAT refunds paid to taxpayers in respect of the VAT input tax amounted to P1,147 million. Thus, the net VAT collections amounted to P3,845 million exceeding the target of P3,254 million by P591 million or 18.2%. This represented a growth of 9.6% (or P339 million) from 2008/09 to 2009/10.

The Internal VAT and Imported VAT recorded increases of 7.1% and 12.9% respectively, while the Fuel Levy collection increased by 12.0%. Internal consumption accounted for the greater portion of the VAT collection during the year under review with 55.3% followed by the VAT on imports with 40.8% and the Fuel Levy with 3.8%.



Table 5: Value Added Tax Collections

Receipts	Actual VAT Collections	
	2009 ((P,000)	2010 (P,000)
VAT Import	2,584,509	2,632,324
VAT Internal	1,967,202	2,177,312
VAT Interest & Penalties	38,648	32,337
Fuel Levy	133,139	150,015
Gross Receipts	4,723,498	4,991,988
Less: Refunds	1,179,183	1,147,040
Net VAT Receipts	3,544,315	3,844,948

**Tax Refunds**

A total amount of P1,295 million was paid to taxpayers as tax refunds during the 2009/10 financial year. The amount of P148 million was paid as Income Tax refunds while P1,147 million was paid as VAT refunds. The tax refunds decreased by P36 million or 2.7% from P1,331 million in 2008/09 to P1295 million in 2009/10. Most of the income tax refunds were occasioned by losses incurred by farming and construction companies while VAT refunds were mainly paid to exporters such as mining companies and textile firms.

Table 6: Tax Refunds

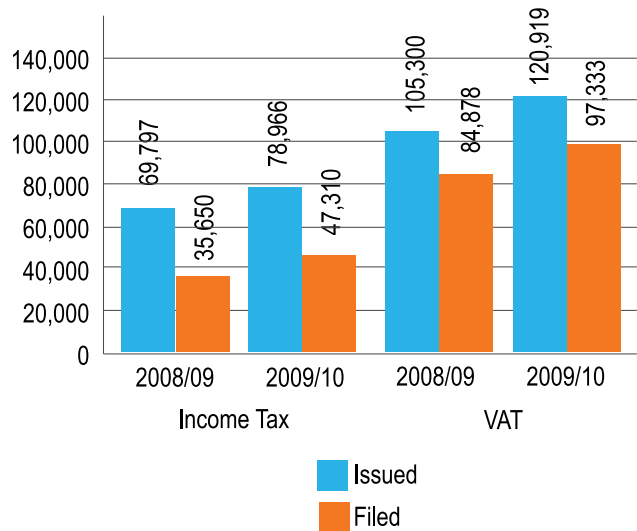
	2008/09	2009/10
Income Tax	P152,250,200	P147,798,432
VAT	P1,179,183,255	P1,147,039,089
Total	P1,331,433,455	P1,294,837,521

**Tax Returns**

Figure 7 below shows the number of income tax and VAT returns dispatched and received back from the taxpayers during the 2009/10 financial year compared to the 2008/09 financial year. There was an increase of the filing rate by 9.3% from 53.2% to 62.5% between the two periods in respect of the income tax returns, thus exceeding the target of 60% by 2.5%. However, in terms of the VAT returns, the filing rate was at 81% resulting in a shortfall of 1% from the target of 82%.

The Income Tax returns filed for the 2009/10 financial year were 47,310 when compared to 78,966 returns issued showing a shortfall of 31,656 returns not filed. This compares favourably with the income tax returns filed during the 2008/09 financial year. In 2008/09 there was a shortfall of 34,147 returns that were not filed.

Figure 7: Number of Income Tax and VAT Returns Filed



The VAT returns filed for the 2009/10 financial year were 97,333 against 120,919 returns issued. This represents a shortfall of 23,586 returns compared to a shortfall of 20,422 returns recorded in the 2008/09 financial year. The Income Tax and VAT returns filed increased by 32.7% and 14.7% respectively. Investigations are carried out to understand why 55,232 Income Tax and VAT returns were not filed by taxpayers. Both the Income Tax and VAT registers will be cleared during 2010/11. Further, the possibility of combining the two registers will be undertaken during the 2010/11 financial year.

**Debt Management**

Table 7 shows the tax arrears as at 31<sup>st</sup> March, 2010. The total tax arrears were reduced from P1,097 million by the 31<sup>st</sup> March, 2009 to P1,015 million as at 31<sup>st</sup> March, 2010 depicting a 7.5% reduction. The total Income Tax arrears dropped from P743 million to P594 million, showing a 20% decrease, while the total VAT arrears increased from P354 million to P420 million, depicting an 18% increase, over the same period. It should be noted that tax arrears amounting to P289 million were under appeal as at 31<sup>st</sup> March, 2010. Tax arrears under appeal could result in tax assessments being adjusted.

As a long term strategy, Debt Collectors have been engaged to follow up tax defaulters and help reduce the tax arrears. The legal debt recovery proceedings are instituted against the defaulters who refuse to pay the tax assessed in accordance with the provisions of the Revenue Laws. During the period under review, BURS dealt with a total of 387 matters through the legal debt recovery processes.

Table 7: Tax Arrears as at 31<sup>st</sup> March, 2010

Description	Balance as at 1 <sup>st</sup> April, 2009 (Pula)	Collection of Previous Years' Arrears (Pula)	Abandonment, Discharges, Remissions/Waivers & Adjustments (Pula)	Balance of Prior Years' Arrears Outstanding (Pula)	Arrears in respect of Current Year (Pula)	Balance as at 31 <sup>st</sup> March, 2010 (Pula)
VAT Internal	211,343,155	(47,974,950)	-	163,368,205	63,702,665	227,070,870
VAT Interest and Penalties	142,676,920	(25,533,038)	-	117,143,883	76,067,239	193,211,122
Assessed Tax	420,620,881	(100,390,880)	(134,675,056)	185,554,945	95,739,516	281,294,461
Assessed Tax Interest	322,662,039	(13,969,275)	(66,519,606)	242,173,158	70,947,360	313,120,518
<b>TOTAL</b>	<b>1,097,302,995</b>	<b>(187,868,143)</b>	<b>(201,194,662)</b>	<b>708,,240,191</b>	<b>306,456,780</b>	<b>1,014,696,971</b>

### The Block Management System (BMS)

BURS has been piloting the Block Management System (BMS) in the Mogoditshane and Broadhurst areas during the 2009/10 financial year. The system has played a vital role in identifying non compliant taxpayers. Since the inception of the BMS on 1<sup>st</sup> October, 2009, BURS has identified a number of non compliant taxpayers, in both Mogoditshane and Broadhurst areas. The identified non-taxpayers were pursued to register as taxpayers, file tax returns, and pay outstanding tax arrears. Consequently, resources permitting, the Block Management System would be extended to other areas in Gaborone and Regions during 2010/11.

### Tax Audits and Findings

During the 2009/10 financial year, BURS planned to audit 1,480 taxpayers with the expected revenue yield of P186 million. During this period, 619 taxpayers had been audited and an additional tax revenue amounting to P71 million was raised. Due to capacity constraints within BURS and lack of audit tools, the performance of the audit team was below target. During the following years, BURS will enhance the capacity of the BURS audit staff through providing them with modern computer assisted audit techniques. The modern computer assisted audit techniques would aim at reducing the time spent per audit and to improve the quality of the audits being carried out.

### Intelligence and Risk Management

The risk profiling creates a base of knowledge that will be used in a changed Risk Management process. BURS requires a structured and systematic process for deciding what is important in a tax compliance context and how major compliance risks will be addressed. By using the intelligence database and through the adoption of a modern risk management process in the ensuing years, BURS will be able to address the tax evasion and avoidance in a much better way and better outcomes in terms of efficiency and effectiveness would be achieved.

### International obligations

During the year under review, BURS was engaged in a number of international tax related negotiations with several countries where tax matters were discussed. The following are the negotiations that took place during the 2009/10 financial year.

- **Double Tax Avoidance Agreements**

Botswana negotiated four (4) double tax agreements being: Botswana/Luxemburg; Botswana/Belgium; Botswana/Swaziland and Botswana/Lesotho. Negotiations relating to two of the agreements (Botswana/Swaziland and Botswana/Lesotho) have been concluded. The two agreements are awaiting gazetting and ratification by Parliament, while negotiations are continuing in respect of the Botswana/Belgium agreement. The DTAA's are meant to avoid the double taxation of residents of the two Contracting States on the same income for the same period and to facilitate economic activity relations between the Contracting States.

- **International Meetings and Conferences**

BURS attended a number of SADC meetings where regional tax matters were discussed. The SADC Tax Forum desires to harmonize tax procedures as well as tax systems. The Forum has commenced work on the development of the SADC Model on Double Taxation Avoidance Agreements as well as the SADC Tax Incentive Strategies. BURS also attended the VAT Administrators in Africa Forum which seeks to promote best VAT practices in the continent. It is hoped that by interacting with other countries in the region as well as multilateral organisations, BURS will continue to improve her capabilities in respect of tax administration.

## Customs and Excise Operations and Performance

### Customs and Excise Duty Collections

Article 32 of the Southern African Customs Union (SACU) Agreement requires all SACU Member States to pay all the collections of customs, excise and additional duties into a Common Revenue Pool (CRP) established in terms of Article 33 of the said Agreement. Pursuant to this requirement Botswana collected and paid into the CRP a total amount of P297.3 million during the 2009/10 financial year. In the previous year, Botswana had paid P288.3 million to the CRP, as shown in table 8 below. The 2009/10 remittances to the CRP portray a modest increase of 3.1% over the previous year. The increase is attributed to the growth of the value of imports from outside the SACU region and the excisable goods produced during the period under review in Botswana. It should be noted, however, that the excise duties on

commodities produced and consumed within SACU are collected at source. In other words, the excise duty on commodities produced in the RSA or any other SACU Member States other than Botswana, but consumed in Botswana would be collected at source.

The substantial reduction in the excise duty collections results from the fact that in addition to the slight decrease in the production of beer due to the penetration of the local market by the imported beer products, the exports of beer to other SADC countries, such as Zambia and the Democratic Republic of Congo increased during the period under review. Such exports are not subjected to duty.

Table 8: Botswana's Customs and Excise Duty Collections paid to the CRP

CUSTOMS DUTIES	2008/2009	2009/2010	VARIATION	VARIATION (%)
Import Customs Duty	143,827,624	194,869,934	51,042,310	35.5%
Advalorem	22,252,135	15,417,439	-6,834,696	-30.7%
Anti Dumping	622,480	1,152,427	529,947	85.1%
Excise duty	121,620,415	85,871,607	-35,748,808	-29.4%
<b>TOTAL</b>	<b>288,322,654</b>	<b>297,311,407</b>	<b>8,988,753</b>	<b>3.1%</b>

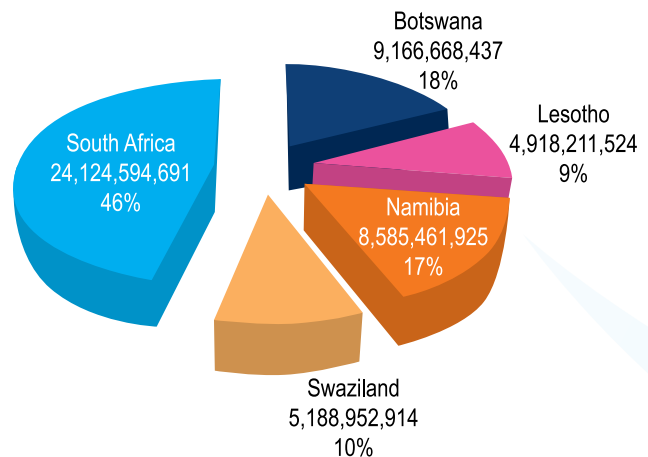
### Southern African Customs Union (SACU) Revenue Pool Receipts

Botswana's share from the SACU Common Revenue Pool continues to be a major revenue source of revenue for the country. During the year under review, Botswana's share from the Common Revenue Pool was P7.9 billion compared to P7.8 billion which was received in the 2008/09 financial year, representing an increase of P100 million or 1.3%. The increase is attributed to the growth in the value of imports from other SACU Member States and the growth in the excise Pool in the SACU Area.

Whilst the SACU Pool receipts have continued to show an increase year on year, it is anticipated that the size of the pool will progressively shrink due to the continued fall in the SACU tariff rates, in line with SACU's commitments under the World Trade Organisation (WTO).

Botswana's share from the CRP represents 18% of the total SACU pool for the year under review. South Africa's share for the year was approximately half of the entire pool at 46% as depicted in figure 8 below.

Figure 8: SACU Pool Receipts for 2009/10 – (Rands)  
SACU REVENUE SHARES - 2009/10



### Import and Export Declarations

During the period under review, BURS processed 596,598 import declarations and 50,623 export declarations at different customs offices and border posts, whereas 587,523 import declarations and 45,053 export declarations were processed during the 2008/2009 financial year. The bulk of the declarations (360,380 or 60%) were processed at the Tlokweng border post. The lowest number of

declarations was processed at Jwaneng and Maitengwe border posts. As depicted in Table 9 below, import declarations increased by 1.5% whilst export declarations increased by 12.4%. The surge in export declarations is due to other SADC countries, mainly Zimbabwe.

Table 9: Summary of Imports and Export Declarations

	2008/2009	2009/2010	Difference	Variation (%)
Imports	587,523	596,598	9,075	1.5%
Exports	45,053	50,623	5,570	12.4%

### Post Clearance Audits

The Customs and Excise Division routinely undertakes Post Clearance Audits of Customs declarations to review compliance with the provisions of the Revenue Laws. During the year under review, a total of 91,323 or 15.31% of the import declarations were audited compared to 88,133 declarations that were audited during the 2008/09 financial year. This represents a 3.6% increase on the previous year. The increase in the audited declarations is due to the fact that trade flows increased during the period.

As a result of the audits, additional revenue amounting to P43.3 million was recovered through new assessments compared to P32.6 million which was recovered in the previous reporting period. The substantial increase in the recovery of the unpaid customs duties and VAT clearly demonstrates that the level of compliance with the provisions of the Revenue Laws is still a major challenge. Going forward BURS intends to increase the intensity of the audits to enhance compliance. In addition, it is intended to increase the statutory fines imposed on the agents who deliberately undervalue or misclassify goods in order to pay lower amounts of the customs duty and/or the Value Added Tax.

### Passenger Traffic

The number of people entering and leaving Botswana continues to increase. During the period under review, a total of 6.6 million persons were cleared at various ports of entry compared to 6.5 million in the 2008/09 financial year. As a result of the increasing passenger volumes using Botswana's border posts, the Governments of Botswana, Namibia and South Africa agreed to extend the hours of operation of the Mamuno, Pioneer Gate and Tlokweng Gate Border Posts to operate for 24 hours daily during the 2009/10 financial year. The three border posts currently are open for 18 hours daily. However, these decisions could not be implemented because of the global economic slowdown and the shortage of facilities such as staff houses at the affected border posts. The extension of the hours of operations of the said border posts have therefore, been postponed indefinitely until the economic situation improves and BURS is able to secure funds to improve the three border facilities.

### External Trade

As shown in Table 10 below, during the 2009/10 financial year, BURS recorded imports valued at P35, 662.3 million compared to 2008/09 when the value of imports was P34, 507.1 million. The value of the 2009/10 imports increased by P1, 155.1 million or 3.3%. Conversely, the value of exports amounted to P28,152.6 million compared to P27,229.7 million recorded during the 2008/09 financial year. The value of exports thus increased by P922.9million or 3.4% over the previous year's exports.

The modest increases in the international trade transactions were experienced in spite of the global economic slow down. This is quite pleasing, especially because during the last quarter of the year under review, both imports and exports recorded signs of steady growth. This trend could be attributed to the economic recovery more especially in the mineral commodity markets.

Table 10: Monthly Trade Statistics for 2008/09 and 2009/10 (P'000)

MONTH	IMPORTS		EXPORTS		TRADE BALANCE	
	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10
April	2,655,264	2,495,230	2,540,645	2,309,162	(114,619)	-186,068
May	2,865,737	2,692,951	1,987,742	2,508,960	-(877,995)	-183,992
June	2,962,661	2,863,908	3,860,498	2,160,073	897,837	-703,834
July	3,251,936	2,833,369	2,917,664	2,748,544	(334,272)	-84,826
August	3,514,515	2,757,707	4,336,071	1,497,732	821,556	-1,259,975
September	2,784,231	2,860,435	3,481,341	2,641,102	697,110	-219,332
October	3,358,501	3,692,386	1,843,994	2,029,474	(1,514,507)	-1,662,911
November	3,157,537	2,929,168	1,098,222	2,707,653	(2,059,315)	-221,515
December	2,791,183	2,606,206	1,466,283	1,932,190	(1,324,900)	-674,016
January	2,228,279	2,699,762	961,433	2,278,457	(1,266,846)	-421,305
February	2,308,668	3,221,568	1,158,705	2,660,054	(1,149,963)	-561,514
March	2,628,677	4,009,634	1,577,131	2,679,219	(1,051,546)	(1,330,415)
TOTAL	34,507,189	35,662,324	27,229,729	28,152,621	(7,277,460)	(7,509,702)
Growth Rates (%)		3.3%		3.4%		

In terms of the overall trade balance, Botswana recorded a cumulative trade deficit amounting to P7, 509.7 million compared to the previous deficit of P7, 277.5 million. This was as a result of the decline in mineral commodities sales which resulted from the global financial crisis.

### Smuggling and Non Declaration of Goods

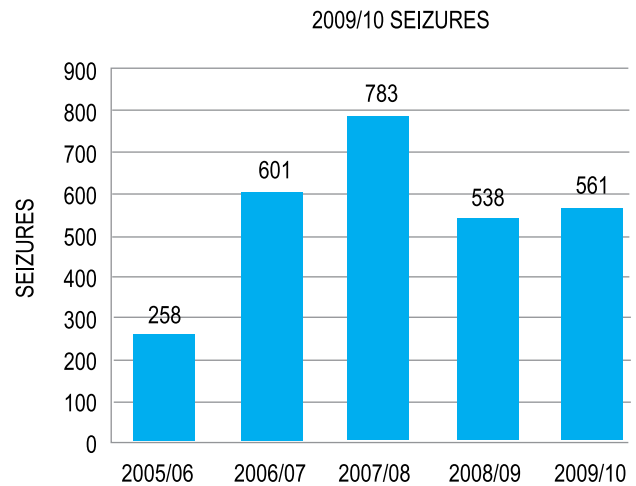
Smuggling and non-declaration of imported goods continues to be a major challenge for BURS because such illegal practices deny the country of the much needed revenue in the form of unpaid customs duties and the Value Added Tax. These customs offences impact on the competitiveness of legitimate businesses. Smuggling could also undermine other law enforcement efforts such as the prevention of drug trafficking, money laundering and other serious economic crimes, if it goes unchecked.

Figure 9 shows that 561 people were intercepted attempting to illegally import goods into Botswana during the 2009/10 financial year, compared to 531 intercepted during the 2008/09 financial year. This shows an increase of about 6% between the two periods. The ASYCUDA selectivity module is helping a great deal in detecting perpetrators as it is configured to flag suspected transactions for post clearance audits or physical examination by the customs staff.

The bulk of the seizures were for cigarettes. Since the beginning of 2006 the Southern Africa region has experienced an upsurge of trade in illegal cigarettes. The cigarettes are mostly smuggled from Zimbabwe through gazetted and illegal points of entry. Some of the cigarettes are seized from local traders in the open market while others are intercepted at the border posts on their way to South Africa. A total of 29,200 cartons of cigarettes with a total duty and the Value Added Tax liability amounting to P1,7 million were intercepted and seized at various locations by the customs staff and through the assistance of other law enforcement officers during the year.

Another challenge faced by BURS is the smuggling of facial creams. These creams are restricted under the Drugs and Related Substances Act and most of them are being smuggled from neighbouring countries i.e. Zambia and Zimbabwe. During the 2009/10 financial year, a total of 310 tubes of creams seized from importers were transferred to the Drug Regulation Unit for disposal.

Figure 9: Smuggling and Non-Declaration of Imported Goods



### International and Regional Obligations Southern African Customs Union (SACU)

BURS continues to participate in the meetings of the Southern African Customs Union (SACU). These include the Council of Ministers, the SACU Commission and the Technical Liaison Committees, where major decisions are taken in the context of deepening the SACU Regional Integration agenda and to distribute the Common Revenue Pool shares to the SACU Member States. During 2009/10, the SACU Council of Ministers approved the SACU Customs Policy Framework whose main objective is to give guidance and direction on the implementation of the SACU-World Customs Organisation (WCO) Customs Development Programme. Council also approved the Implementation Plan and the Budget Estimates for the said programme. The Programme is fully sponsored by the Swedish International Development Agency (SIDA) and is expected to run for three years.

The SACU-WCO Customs Development Programme also commenced during the 2009/10 financial year following the appointment of the Regional Project Coordinator based at the SACU Secretariat and the appointment by each SACU Member State of National Project Managers (NPM). Each of the NPM's was trained under the project management skills in order to enable them to closely monitor the implementation of the programme in their countries.

### Southern African Development Community (SADC)

During the year under review, a total of forty five (45) Botswana manufacturers were registered to trade in terms of the SADC Free Trade Area Agreement (FTA) which was launched in August, 2008. Most of the registrants trade in wholly originating goods, such as minerals. As a result of the FTA the volume of exports

from Botswana to other Non SACU countries such as Zambia and Zimbabwe increased. The value of exports to Zambia increased from P270,468,079 recorded in 2008/09 to P295,447,241 recorded in 2009/10 while the value of exports to Zimbabwe increased from P1,057,815,050 in 2008/09 to P1,114,715,323 in 2009/10.

In preparations for the SADC Customs Union, BURS participated in the SADC workshops of the Technical Committee which is responsible for developing a common external tariff for the envisaged SADC Customs Union. Progress would entail the development of the SADC Common Tariff Nomenclature and the categorization of the goods under the SADC Common Tariff Nomenclature.

BURS also participated in the meetings of the SADC Sub-Committee on Customs Cooperation at which major decisions were taken in the context of making preparations for the launch of the SADC Customs Union. BURS staff also participated in the training programmes and workshops conducted under the auspices of the EU sponsored SADC Customs Reform and Modernisation project.

#### *Southern African Development Community-European Union Economic Partnership Agreement (SADC- EU EPA)*

BURS staff participated in the meetings for the Technical Working Groups which are preparing for the implementation of the SADC-EU EPA. These include the alignment of the Rules of Origin and the Preferential Tariffs in the SADC EU EPA with those under the trade agreement between the EU and South Africa. During the period under review, there was only one Botswana Exporter which benefitted from exporting goods to the EU under the interim EPA preference scheme. The BMC was the only local company which took advantage of the SACU-EFTA Agreement by exporting beef to one of the EFTA countries, namely Norway.

BURS continued to receive some origin verification queries on the consignments exported to the EU under the Agreement and most of them were resolved. During the period under review, post verification audits were concluded on eight (8) certificates of origin from Germany. The results of the verification audits were that out of the eight certificates of origin in question, BURS was able to prove the originating status of the exports for only one certificate. The origin status for the other seven certificates could not be ascertained and measures have been taken including training and discussions with the issuing officers to ensure that incidents of this nature do not recur.

#### *The African Growth and Opportunity Act (AGOA)*

In 2009/10 Botswana experienced a significant decline in the value of goods exported to the United States of America under the provisions of AGOA. Textile and clothing products exported

under the Act amounted to US\$8,488,223.45 as compared to US\$20,859,999.51 exported in the previous year. This shows a decline of 60% from the previous year's exports.

The decrease was mainly attributable to the phasing out of the textile and clothing quotas by the World Trade Organisation (WTO) which has resulted in stiff competition being experienced by Botswana's manufacturers, particularly from China and other Asian countries. It is, however, anticipated that Botswana will continue to benefit from the scheme particularly with the recent extension of the Least Developed Country (LDC) status to Botswana. The LDC status entitles Botswana, a middle income country, to use inputs sourced from third countries for the manufacture of clothing for export to the USA. This provision which was scheduled to expire in September, 2007 has now been extended to 2012.

#### *Botswana/Zimbabwe Trade Agreement*

During the year under review, eighteen (18) Botswana companies were registered under this bilateral Trade Agreement and the result of this has been an increase in exports to Zimbabwe by about 5.4% over the 2008/09 trade figures

#### *World Customs Organisation (WCO)*

During the year under review, Botswana was elected to the position of an Ordinary member of the World Customs Organisation Policy Commission (PC) for a period of two years. The PC is the highest advisory body and by being elected to the PC Botswana has been given an opportunity to influence change in the running of the WCO Secretariat's affairs.

The Commissioner of Customs and Excise and the Head of the External Relations Unit attended the WCO Council Sessions in June 2009, whilst the former also attended the December, 2009 meeting of the Policy Commission. Due to financial constraints BURS has not been able to attend any of the WCO technical meetings which were held in Brussels. This situation denies staff the exposure that they need as part of their professional development.

During the WCO meetings several decisions were taken in the context of simplifying and harmonising customs procedures world wide to facilitate global trade. Some of the major decisions taken by the WCO Council include the following:

Agreement was reached on the way forward regarding capacity building of WCO Member States, where the developed countries pledged to provide more resources (human and financial) to the lesser developed WCO Member States for training. An agreement was reached on the carrying out of a feasibility study on globally networked Customs; Adoption of a Resolution on the Customs' Response to the Global Financial Crisis; and adoption by WCO Member States of the budgetary and

financial provisions for 2009/2010 and the members' expected contributions for the 2009/2010 Secretariat budget. Botswana was expected to contribute 0.161% of the budget which is the scale for developing country members and which amounts to €22,532.12 compared to the percentage contribution required from the United States, the major contributor at 22% of the budget.

During the year under review, a classification dispute concerning the tariff code of the company's imported blankets produced by a Botswana company was referred to the WCO for arbitration because the company did not agree with the tariff ruling given by BURS. The WCO ruled in favour of the BURS. The decision was conveyed to the company and is being implemented.

#### *Establishment of a One Stop Border Post between Botswana and Namibia*

Preparatory work for the establishment of a OSBP between Botswana and Namibia commenced during the 2009/10 financial year. In this regard, an Inter-ministerial Steering Committee which has been set up to coordinate preparations for the implementation of the OSBP adopted Terms of Reference to guide the Botswana National Negotiating Team comprising of border agencies stakeholders, which will negotiate a bilateral agreement on the OSBP between Botswana and Namibia.

The negotiating team has formulated a country position on the proposed bilateral agreement in preparation for a bilateral meeting with Namibia. The Attorney General's Chambers was mandated to draft the OSBP Bill. The OSBP Act once passed by parliament will provide an enabling environment for the operation of an OSBP in terms of allowing for the hosting of foreign officials and extra territorial recognition of our officials in another state and other associated matters.

#### *BURS Cooperation with the Botswana Freight Forwarders Association*

BURS held three consultative meetings with the Botswana Freight Forwarders Association (BFFA) during the period under review. The parties agreed to formalize their engagement and in this regard drafted the Terms of Reference that will govern their partnership. BURS and BFFA have resolved to meet quarterly henceforth to exchange information and share ideas on issues of mutual interest.

#### *Cooperation with the Private Sector through the Customs to Business Forum*

Following the BURS' establishment of the Customs to Business Forum in June 2008 with its major Customs stakeholders, the Forum engaged in a process of drawing up its Terms of Reference and held some events during the financial year 2009/10. Under the auspices of the Forum, two information sharing workshops were held in November 2009, with the first dealing with the introduction of the Authorised Economic Operator (AEO) Programme in Botswana and the second dealing with Customs Procedures relating to the valuation of second hand vehicles and the operation of bonded warehouses.

The Customs to Business Forum also held a special meeting in March 2010 through which BURS consulted the private sector on the proposal to introduce a user fee for the provision of the Automated System for Customs Data (ASYCUDA) to customers. The fee is intended to defray some of the expenses incurred by BURS in maintaining the ASYCUDA and for procuring any upgrades to the system. The introduction of the fees is in line with the Government's policy of cost recovery.

#### *Classification and Tariff Management*

For the period under review, a total of twenty five (25) different amendments to the SACU Tariffs were made. The amendments mainly involved reduction of rates of duty for various items and they were published in the Botswana Government Gazette and the necessary updates were made to the Botswana Customs Tariff publication and the ASYCUDA System.

## Challenges

- **Cheque Capping**

One of the significant changes that affected the activities of BURS during the year under review was the cheque capping introduced by the Bank of Botswana. Although cheque capping was a good initiative to mitigate incidents of fraud through the use of cheques, it presented challenges to BURS in terms of reconciling tax revenue collections. Taxpayers paying tax liabilities amounts in excess of P500,000 are now required to process their payments electronically. The taxpayers make their payments at banks without notifying BURS and, as a result, BURS is unable to update or credit the accounts of taxpayers. Taxpayers are urged and will be requested to submit payment support documents to BURS soon after settling their tax liabilities.

- **Imports of Second Hand Vehicles from South East Asia**

Botswana continues to face problems resulting from the surge in imports of second hand vehicles imported mainly from Japan and Singapore. BURS' revenue mobilisation efforts have been affected by these imports because most of them are undervalued at the time of clearance. This is done with the involvement of the suppliers at the Durban Bonded Warehouses who issue false invoices of lesser values. As a result, the revenue collected has been very low, as shown in table 11 below.

The table below contains data regarding imports of these vehicles in the past two years and the associated revenue collected.

Table 11: Imports of Second-hand vehicles

Number of Units	Total Import Value	VAT Collected	Customs Duty	Ad Val Duty	Total Revenue
35,766	5,394,675,955	276,592,007	304,330,526	2,638,132	583,560,6645

To address this problem, BURS regularly reviews valuations of vehicles deemed to have been undervalued. As a way of further dealing with the problem, BURS intends to benchmark with other countries within the SADC Region to develop a database which can be used to assist it in the valuation of imported second hand motor vehicles. In addition, BURS intends to make proposals to government to limit the age of second hand vehicles that can be imported into Botswana, because in many cases it is the countries which supply second hand vehicles to Botswana that do not maintain data concerning vehicles older than five years. As such it becomes very difficult for the countries of importation to obtain verifiable information concerning the true export values of these vehicles.

- **Counterfeit Goods**

Another challenge that BURS faces is that of counterfeit goods. The legislation and policy regarding counterfeit goods falls under the responsibility of the Ministry of Trade and Industry (MTI). BURS' main focus is to enforce the relevant provisions of the legislation on counterfeit goods on behalf of MTI. BURS, however, does not have the capacity and skills to enable proper enforcement of the legislation provisions relating to the treatment of the counterfeit goods.

BURS was able to make 32 detentions and 2 seizures of sports clothing products, which were suspected to be counterfeit between 26<sup>th</sup> March and 31<sup>st</sup> May, 2010. However, there has been uncertainty as to how these should be dealt with. Consultations between BURS and MTI would take place to put in place clear procedures on how BURS should address cases of counterfeit goods.



## Conclusion

In spite of the global financial crises experienced during the year under review, BURS managed to collect more tax revenues than in the previous financial year. Much of the achievements would never have been possible without the hard work of each and every member of BURS. We had developed various initiatives and programmes to improve our performance in the face of the crisis.

BURS remains committed to the highest standards of management and governance throughout the organisation and to meeting the needs of the nation. We will strive to minimise risks associated with the challenges as much as possible and will implement effective strategies to provide quality services to all BURS stakeholders.

We are very pleased with our performance and look forward with enthusiasm to the implementation of the second BURS Strategic Plan. The second Strategic Plan will drive BURS to be even more efficient in achieving its critical mandates of collecting more revenues for the Government and provision of quality services to stakeholders. The review of BURS' processes and procedures, including the review of the tax returns has begun. The adopted new processes and procedures will be implemented during 2010/11.

On behalf of the BURS Management and staff, I would like to thank the Government, the BURS Board of Directors, Board Committees, the Trade Union, the Botswana Institute of Accountants, and Consultative bodies for their productive guidance and efforts in driving BURS to enhance its performance, the Swedish Tax Agency (STA) who, despite the current strenuous financial situation resulting from the global financial crisis, found it fit to consider assisting BURS improve its revenue administration capability.

Further, I am very thankful to all the taxpayers who through their valued tax contributions make it possible for Botswana to achieve its national goals. I wish to call upon non-compliant businesses to pay their tax obligations to avoid penalties associated with non-compliance. I am also happy that work to develop the BURS Taxpayer Service Charter has commenced against which we may be judged. The Service Charter will be implemented during the 2010/11 financial year.

Finally, I wish to bid farewell to the retiring Commissioner General, Mr. Freddy Modise, as his tenure of office as the Commissioner General would be ending on 31-12-2010. His

leadership at BURS has been valuable for the successful performance of BURS, and wish him great success in all his endeavours.



Mr. Ken R. Morris  
COMMISSIONER GENERAL

# Annual Financial Statements

Botswana Unified Revenue Service

## Annual Financial Statements

31 March 2010

(Own Accounts)



## General Information

### *Board of Directors*

Taufila Nyamadzabo	: Chairperson
Daniel N. Loeto	: Vice Chairperson
Ken R. Morris	: Commissioner General
John Y. Stevens	
Oteng Batlhoki	
Siamisang T. Morolong	
Alexander Yalala	

### *Board Secretary*

Lorato Khimbele

### *Nature of Business*

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

### *Address*

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

### *Auditor*

Deloitte & Touche

### *Bankers*

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

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Annual Financial Statements  
31 March 2010

## Directors' Statement of Responsibility

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service Own Accounts, comprising the Statement of Financial Position as at 31 March 2010, the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the Statement of Cash Flows for the year then ended, and the Notes to the Annual Financial Statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Unified Revenue Service Act, 2003.

The Directors are required by the Botswana Unified Revenue Service Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of BURS as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Directors state that, for the year ended 31 March 2010, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act which requires BURS to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors acknowledge that they are ultimately responsible for the system of internal control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring BURS business is conducted in a manner that in all reasonable circumstances is above reproach.

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service Own Accounts, comprising the Statement of Financial Position as at 31 March 2010, the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the Statement of Cash Flows for the year then ended, and the Notes to the Annual Financial Statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Unified Revenue Service Act, 2003.

The Directors are required by the Botswana Unified Revenue Service Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of BURS as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Directors state that, for the year ended 31 March 2010, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act which requires BURS to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors acknowledge that they are ultimately responsible for the system of internal control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board

## Directors' Statement of Responsibility (continued)

sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring BURS business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS. While operating risk cannot be fully eliminated, BURS endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors' have made an assessment of BURS's ability to continue as a going concern and there is no reason to believe the Revenue Service will not be a going concern in the year ahead.

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

The external auditors are responsible for independently reviewing and reporting on BURS annual financial statements and their report is presented on page 37.

### Directors' Approval of the Annual Financial Statements

The annual financial statements set out on pages 38 to 55, which have been prepared on the going concern basis, were approved by the Board on 10 December 2010 and were signed on its behalf by:



\_\_\_\_\_  
Board Chairperson



\_\_\_\_\_  
Commissioner General

Annual Financial Statements  
31 March 2010

## Independent Auditor's Report to the Minister of Finance and Development Planning

### Report on the Financial Statements

We have audited the financial statements of Botswana Unified Revenue Service Own Accounts, set out on pages 38 to 55, which comprise the statement of financial position as at 31 March 2010, the statement of comprehensive income, statement of changes in reserves and the statement of cash flows for the year then ended, and the notes to the annual financial statements which include a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards.

This responsibility includes: designing, implementing and maintaining internal controls 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Botswana Unified Revenue Service: Own Accounts as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other Legal and Regulatory Requirements

For the year ended 31 March 2010, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end.

In addition, BURS has not complied with paragraph 29 of the Botswana Unified Revenue Service Act which requires a comprehensive report of the operations of the Revenue Service, together with the auditor's report, to be submitted to the Minister of Finance and Development Planning within 6 months of the year-end.

*Deloitte & Touche*

10 December 2010

# Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	2010 P'000	2009 P'000
<b>Revenue</b>			
Government funding for recurrent expenditure	6	234,077	182,472
Other income	7	42,685	24,041
Total revenue		<u>276,762</u>	<u>206,513</u>
Other gains and losses	8	<u>4,276</u>	<u>274</u>
<b>Expenses</b>			
Administrative expenses	9	(71,714)	(65,792)
Staff costs	10	(195,376)	(153,586)
Total expenses		<u>(267,090)</u>	<u>(219,378)</u>
Surplus / (deficit) for the year		13,948	(12,591)
<b>Other comprehensive (deficit) / income for the year</b>			
Gains on revaluation of properties	11	-	17,125
Adjustment to properties revaluation	11	(2,700)	-
Total comprehensive income for the year		<u>11,248</u>	<u>4,534</u>



Annual Financial Statements

# Statement of Financial Position

as at 31 March 2010

	Notes	2010 P'000	2009 P'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	199,479	163,089
Investment property	13	19,000	16,770
		<u>218,479</u>	<u>179,859</u>
<b>Current assets</b>			
Inventories	14	3,392	3,343
Trade and other receivables	15	54,780	16,990
Cash and cash equivalents	16	37,000	4,556
		<u>95,172</u>	<u>24,889</u>
Assets classified as held for sale	17	575	-
Total current assets		<u>95,747</u>	<u>24,889</u>
<b>Total assets</b>		<u><b>314,226</b></u>	<u><b>204,748</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Capital reserve		215,239	156,027
Properties revaluation reserve	11	14,485	17,185
Accumulated surplus / (deficit)		27,390	(789)
		<u>257,114</u>	<u>172,423</u>
<b>Current liabilities</b>			
Trade and other payables	18	57,112	32,325
		<u>57,112</u>	<u>32,325</u>
<b>Total reserves and liabilities</b>		<u><b>314,226</b></u>	<u><b>204,748</b></u>

## Statement of Changes in Reserves

for the year ended 31 March 2010

	Note	Capital reserve P'000	Properties revaluation reserve P'000	Accumulated surplus/(deficit) P'000	Total P'000
Balance at 1 April 2008		120,566	60	93	120,719
Total comprehensive income/(loss) for the year		-	17,125	(12,591)	4,534
Transfer of depreciation on funded assets	12	(11,709)	-	11,709	-
Government funding for capital expenditure		47,170	-	-	47,170
<b>Balance at 31 March 2009</b>		<b>156,027</b>	<b>17,185</b>	<b>(789)</b>	<b>172,423</b>
Total comprehensive income/(loss) for the year		-	(2,700)	13,948	11,248
Transfer of depreciation on funded assets	12	(14,231)	-	14,231	-
Government funding for capital expenditure		73,443	-	-	73,443
<b>Balance at 31 March 2010</b>		<b>215,239</b>	<b>14,485</b>	<b>27,390</b>	<b>257,114</b>

Annual Financial Statements

# Statement of Cash Flows

for the year ended 31 March 2010

	Notes	2010 P'000	2009 P'000
<b>Cash flows from (used in) operating activities</b>			
Surplus/ (deficit) for the year		13,948	(12,591)
Less: interest received	8	(4,182)	(2,535)
Adjustment for non-cash items	20	9,955	11,435
<b>Operating income/(deficit) before working capital changes</b>		<b>19,721</b>	<b>(3,691)</b>
<b>Changes in working capital</b>			
Increase in trade and other receivables		(37,790)	(10,913)
Increase in inventories		(49)	(1,548)
Increase in trade and other payables		24,787	4,642
<b>Net cash generated by/(used in) operating activities</b>		<b>6,669</b>	<b>(11,510)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(54,027)	(52,188)
Proceeds on disposal of property, plant and equipment		2,177	177
Interest received		4,182	2,535
<b>Net cash used in investing activities</b>		<b>(47,668)</b>	<b>(49,476)</b>
<b>Cash flows from financing activities</b>			
Net development funding received from the Government of Botswana		73,443	47,170
<b>Net cash generated by financing activities</b>		<b>73,443</b>	<b>47,170</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>32,444</b>	<b>(13,816)</b>
Cash and cash equivalents at beginning of year		4,556	18,372
<b>Cash and cash equivalents at end of year</b>		<b>37,000</b>	<b>4,556</b>

# Notes to the annual financial statements

for the year ended 31 March 2010

## 1. General Information and Introduction

Botswana Unified Revenue Service (BURS) is a semi-autonomous body corporate established by an Act of Parliament (Botswana Unified Revenue Service Act, 2003) as part of the Government of Botswana'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 Act, Income Tax Act, the Capital Transfer Act and the Value Added Tax Act, respectively.

For financial reporting purposes, the financial statements of BURS 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 funding received from Government, which are managed by BURS and utilised in running the organisation. 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 BURS in achieving its mandate. The financial statements are reported in Botswana Pula and in thousands (P'000).

## 2. Adoption of New and Revised Standards

### 2.1 Standards and Interpretations effective in the current period

In the prior years, BURS adopted changes in the International Accounting Standard (IAS) 1: Presentation of Financial Statements, in advance of its effective date of 1 January 2009. The impact of the adoption of changes to IAS 1 has been to recognise gains and losses from the revaluation of properties as other comprehensive income for inclusion in the statement of comprehensive income. BURS 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.

In the current year BURS adopted the changes in the International Financial Reporting Standard (IFRS) 7: Financial Instruments: Disclosures. This adoption has affected the presentation and disclosure of financial instruments in the financial statements.

### 2.2 Standards and Interpretations in issue not yet adopted (continued)

At the date of authorisation of the financial statements, the following new or revised Standards and Interpretations were in issue and not yet effective:

Standard/ Interpretation	Effective Date
IFRS 3 Business Combinations — Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRS 7 Financial Instruments: Disclosures — Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 9 Financial Instruments — Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1 Presentation of Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 24 Related Party Disclosures — Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 27 Consolidated and Separate Financial Statements — Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRIC 13 Customer Loyalty Programmes — Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRIC 14 AS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to voluntary prepaid contributions	Annual periods beginning on or after 1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010

Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### 2.2 Standards and Interpretations in issue not yet adopted (continued)

The Directors will assess the impact of these standards and interpretations for adoption in the applicable periods.

### 2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with the International Financial Reporting Standards 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 management's 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain assets. The principal accounting policies underlying the preparation of these financial statements are set out below.

### 3.3 Revenue recognition

#### (i) Government funding

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

b) Government funding relating to the recurrent expenditure of BURS, disbursed for the purpose of giving immediate financial support to BURS with no future related costs, are recognised in the statement of comprehensive income in the period in which they become receivable.

c) Capital and development funds, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised in the statement of changes in reserves and an amount equivalent to the depreciation determined on a historical cost basis is transferred from the capital reserve to the accumulated surplus/(deficit).

#### (ii) Interest income

Interest income includes interest on bank deposits and is recognised in the statement of comprehensive income on an accrual basis using effective interest method.

#### (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 BURS will receive the income and the income can be measured reliably.

### 3.4 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 BURS and that the assets have costs or values that can be measured reliably.

#### (ii) Liabilities and provisions

Liabilities and provisions are recognised in the statement of financial position when BURS 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.

### 3.4 Recognition of assets, liabilities, and provisions (continued)

#### (iii) Contingent liabilities

No liability is recognised when BURS 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 BURS, or when 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 on a First-in-First-Out basis. Inventories for BURS represent supplies to be consumed in the rendering of services.

#### (v) Receivables

Receivables represent the amounts owed to BURS as a result of providing services or allowing other parties to use BURS assets, and amounts as an advance or as a deposit for providing services to BURS.

#### (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.

### 3.5 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 the accumulated surplus/(deficit). 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 and office equipment, leasehold improvements, and porta-camps

Computers and office equipment, plant and machinery, office furniture, leasehold improvements and porta-camps, are stated at cost less accumulated depreciation and accumulated impairment losses. With effect from 1 April 2009, BURS elected to change the accounting policy in respect of motor vehicles. Refer to note 22 for further details.

## Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

**3.5 Property, plant and equipment****(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 revised estimated useful economic lives used in the calculation of depreciation are set out below:

<u>Category</u>	<u>Economic life (in years)</u>
Leasehold property	the shorter of 50 years or remaining lease period
Freehold property	50
Motor vehicles (light vehicles)	7
Motor vehicles (vans and trucks)	8
Office furniture	6.67
Computer and office equipment	3
Porta -camps	6.67
Leasehold improvements	the shorter of 6.67 years or the remaining lease period remaining

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. It is estimated that the residual values of motor vehicles, office furniture, computer and office equipment and porta camps will be negligible at the end of their useful lives.

**(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) Repairs and maintenance**

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

**(vi) 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 improvements and added to the original cost of the software.

**3.6 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.

**3.7 Foreign currencies**

The financial statements of BURS are prepared and presented in Botswana Pula, the currency of the primary economic environment in which BURS 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.

### 3.8 Retirement benefits

BURS operates a defined contribution pension fund for its entire pensionable and permanent citizen staff. The fund is registered under the Pension and Provident Funds Act (Chapter 27:03) of the Laws of Botswana. BURS contributes 15% of the pensionable earnings of the members to the fund while employees contribute an additional 5% of their pensionable earnings. BURS's contributions to the pension fund are recognised as an expense in the statement of comprehensive income when employees have rendered the service entitling them to the contributions.

### 3.9 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, an accrual is made for the severance benefits.

### 3.10 Non-current assets held for sale

BURS classifies a non-current asset whose carrying amount will be recovered principally through a sale rather than through continuing use as a 'Non-Current Assets Held for Sale'. Non-Current Assets Held for Sale are measured at the lower of their carrying amounts and fair values less costs to sell.

### 3.11 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 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 and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

### 3.12 Financial Instruments

#### Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

BURS' principal financial assets are 'loans and receivables'.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.



Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### Derecognition of financial assets

BURS derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If BURS neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, BURS recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If BURS retains substantially all the risks and rewards of ownership of a transferred financial asset, BURS continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities and equity instruments issued by BURS

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The BURS' equity comprises the capital reserve and accumulated funds.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. BURS' principal financial liabilities are 'other financial liabilities'.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### Derecognition of financial liabilities

BURS derecognises financial liabilities when, and only when, the BURS' obligations are discharged, cancelled or they expire.

#### 3.13 Cash and cash equivalents

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

#### 3.14 Related Party Transactions

BURS enters into various transactions with the Government of Botswana and related entities, its key management personnel, and the Board of Directors. All related party transactions are entered into at arm's length in the ordinary course of business.

#### 3.15 Construction contracts

Where the outcome of a construction contract can be estimated reliably, costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### 3.16 Employee bonus plans

BURS has an approved bonus payment plan to pay a performance incentive to its employees who have met or exceeded agreed levels of performance and are entitled to the bonus payment in accordance with principles outlined in the performance management system. The expected cost of the bonus payment is recognised during the year which the agreed level of performance was exceeded.

## 4. CRITICAL JUDGEMENT AREAS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Useful lives of plant and equipment and residual values

BURS reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

### Other estimates made

BURS also makes estimates for:

- the calculation of the provision for doubtful debts and
- the calculation of any provision for claims, litigation and other legal matters.

## 5. FINANCIAL RISK MANAGEMENT

BURS is exposed to certain financial risks. Financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on BURS's financial performance.

### 5.1 Market risk: currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. BURS operations utilise various foreign currencies and consequently, are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

### 5.2 Market risk: interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash. Interest rates earned on financial instruments compares favourably with those currently available in the market. A 1% increase in interest rates would result in the surplus for the year of P370 000 (2009:P46 000), while a decrease in interest rates by a similar margin would result in an equal opposite effect.

### 5.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. BURS is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

- Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.
- Staff debts are recovered in terms of the applicable policy and procedures directly from the employees salary.
- Where BURS has guaranteed housing and motor vehicle loans, on termination of employment, the bank is alerted and guarantees are recovered from the employees terminal salaries and other benefits.

There are no significant concentrations of credit risk.

### 5.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. BURS manages its liquidity risk to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since BURS is funded through a subvention from the Government, BURS does not regard there to be any significant liquidity risk. With the exception of certain employee benefits accruals, all of BURS liabilities are current and will be settled within three months of the year end with the exception of certain employee benefits which are linked with contractual contracts.

## Annual Financial Statements

**Notes to the annual financial statements (continued)**

for the year ended 31 March 2010

	2010 P	2009 P
<b>5.5 Categories of financial instruments</b>		
Financial assets		
Loans and receivables (including bank balances and cash)	91,780	21,546
Financial liabilities		
Other liabilities	57,112	32,325

**5.6 Capital risk management**

There is no active capital risk management process in place primarily because BURS was established under the Botswana Unified Revenue Service Act, 2003. Under this Act, the Government of Botswana provides grants for both capital and operational expenditure based on detailed budgets submitted by the Board of Directors. The capital of BURS comprises the capital reserve and accumulated funds as disclosed in the statement of changes in funds.

**6. GOVERNMENT FUNDING FOR RECURRENT EXPENDITURE**

Funding for recurrent expenditure	245,133	194,910
Less: utilised for capital expenditure	(11,056)	(12,438)
Funding utilised for recurrent expenditure	234,077	182,472

**7. OTHER INCOME**

Bank interest	4,182	2,535
Rental income	2,136	2,113
Agency commissions receivable	35,308	18,369
Other income	1,059	1,024
Total other income	42,685	24,041

Agency commissions represent fees charged by BURS for collecting revenues on behalf of the following respective Government Departments and Parastatals:

- (i) Road safety and permit fees (Department of Road Transport and Safety)
- (ii) Flour levy and Alcohol levy (Ministry of Trade and Industry - Department of Consumer Affairs)
- (iii) Motor vehicle road insurance (Motor Vehicle Accident Fund)
- (iv) Training levy (Botswana Training Authority)
- (v) Copyright levy (Ministry of Trade and Industry - Registrar of Companies)

**8. OTHER GAINS AND LOSSES**

Change in fair value of investment property	2,230	1,060
Gain/(loss) on disposal of assets	2,046	(133)
Loss on revaluation of property, plant and equipment	-	(653)
Total other gains and losses	4,276	274

# Notes to the annual financial statements (continued)

for the year ended 31 March 2010

	2010 P'000	2009 P'000
<b>9. ADMINISTRATIVE EXPENSES</b>		
Auditor's remuneration - current year	779	818
- prior year	112	-
Computer support	5,486	3,402
Consultancy costs and legal costs	2,393	1,248
Depreciation of property, plant and equipment	14,231	11,709
Electricity and water	2,961	2,838
Printing, stationery and office expenses	10,959	8,959
Operating lease rentals	9,242	10,334
Repairs and maintenance	4,717	9,353
Telephone and postage	3,943	3,455
Training expenses	1,942	2,680
Seminars, workshops, travelling and other administrative expenses	14,949	10,996
Total administrative expenses	71,714	65,792
<b>10. STAFF COSTS</b>		
Salaries and wages	157,216	129,788
Medical aid contribution	3,708	3,285
Annual performance bonus	10,559	-
Employee benefits		
- Gratuity and severance	1,238	1,749
- Pension contribution	16,662	14,250
- Leave	5,993	4,514
Total staff costs	195,376	153,586
<b>11. PROPERTIES REVALUATION RESERVE</b>		
Balance at beginning of year	17,185	60
Revaluation increase during the year	-	17,125
Adjustment to properties revaluation reserve	(2,700)	-
Balance at end of year	14,485	17,185

## Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Motor Vehicles	Office Furniture	Computers & Office Equipment	Plant & Machinery	Porta Camps	Work-in- Progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
<b>Cost/valuation</b>										
At 1 April 2009	33,198	68,681	11,002	11,903	4,946	16,699	524	4,036	26,994	177,983
Additions	-	11,677	4,090	-	1,578	1,298	431	-	34,953	54,027
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	(959)	-	(959)
Adjustment to properties revaluation reserve	(1,140)	-	(1,687)	-	-	-	-	-	-	(2,827)
Other transfers	-	26,994	-	-	-	-	-	-	(26,994)	-
Disposals	-	-	-	(25)	(85)	(704)	(58)	(209)	-	(1,081)
<b>At 31 March 2010</b>	<b>32,058</b>	<b>107,352</b>	<b>13,405</b>	<b>11,878</b>	<b>6,439</b>	<b>17,293</b>	<b>897</b>	<b>2,868</b>	<b>34,953</b>	<b>227,143</b>
<b>Accumulated depreciation</b>										
At 1 April 2009	-	-	3,908	-	1,638	8,112	235	1,001	-	14,894
Current year charge	-	2,216	2,565	2,723	906	5,046	125	650	-	14,231
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	(384)	-	(384)
Adjustment to properties revaluation reserve	-	-	(127)	-	-	-	-	-	-	(127)
Disposals	-	-	-	-	(51)	(697)	(50)	(152)	-	(950)
<b>At 31 March 2010</b>	<b>-</b>	<b>2,216</b>	<b>6,346</b>	<b>2,723</b>	<b>2,493</b>	<b>12,461</b>	<b>310</b>	<b>1,115</b>	<b>-</b>	<b>27,664</b>
<b>Carrying amount</b>										
<b>At 31 March 2010</b>	<b>32,058</b>	<b>105,136</b>	<b>7,059</b>	<b>9,155</b>	<b>3,946</b>	<b>4,832</b>	<b>587</b>	<b>1,753</b>	<b>34,953</b>	<b>199,479</b>

Work-In-Progress amounting to P34,953,000 is made up of the following :

Installation of a Payroll SAP module	1,246
Construction of residential and office accommodation at Ramokgwebana Border Post	10,482
Installation of non-intrusive scanners	23,225
<b>Total Work-In-Progress</b>	<b>34,953</b>

## Cost/valuation

At 1 April 2008	13,276	66,899	9,309	7,655	4,579	11,625	301	4,036	-	117,680
Additions	11,600	-	1,693	5,770	367	5,541	223	-	26,994	52,188
Disposal	-	-	-	(303)	-	(467)	-	-	-	(770)
Valuation increase/(decrease)	8,322	1,782	-	(1,219)	-	-	-	-	-	8,885
<b>At 31 March 2009</b>	<b>33,198</b>	<b>68,681</b>	<b>11,002</b>	<b>11,903</b>	<b>4,946</b>	<b>16,699</b>	<b>524</b>	<b>4,036</b>	<b>26,994</b>	<b>177,983</b>

## Accumulated depreciation

At 1 April 2008	-	2,193	1,926	1,678	901	4,009	129	396	-	11,232
Current year charge	-	1,726	1,982	2,113	737	4,440	106	605	-	11,709
Eliminated on disposal	-	-	-	(123)	-	(337)	-	-	-	(460)
Eliminated on revaluation	-	(3,919)	-	(3,668)	-	-	-	-	-	(7,587)
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>3,908</b>	<b>-</b>	<b>1,638</b>	<b>8,112</b>	<b>235</b>	<b>1,001</b>	<b>-</b>	<b>14,894</b>

## Carrying amount

<b>At 31 March 2009</b>	<b>33,198</b>	<b>68,681</b>	<b>7,094</b>	<b>11,903</b>	<b>3,308</b>	<b>8,587</b>	<b>289</b>	<b>3,035</b>	<b>26,994</b>	<b>163,089</b>
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Work-In-Progress amounting to P26,994,000 is made up of the following :

Construction of offices at Maitengwe	11,595
Construction of offices at Matsiloje	12,201
Renovation of offices at Mamuno	2,998
Renovations to residential property at Lots 795 and 796, Ghanzi	200
<b>Total Work-In-Progress</b>	<b>26,994</b>

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### Land and buildings carried at fair value

An independent valuation of land and buildings was conducted as at 31 March 2009 by Messrs CB Richard Ellis, independent professional valuers that are not related to BURS and are qualified for the purpose of the valuation. The valuation was conducted in accordance with the RCIS Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards.

Had the land and buildings been measured on a historical cost basis, their carrying amounts would have been as follows:

	2010 P'000	2009 P'000
Land	<u>24,876</u>	<u>24,876</u>
Buildings	<u>101,651</u>	<u>62,980</u>

Land includes a portion of Plot 8913, Gaborone with a fair value of P1,420,000 as at 31 March 2010. As reported in the previous year's financial statements, there is a dispute between BURS and Botswana Railways in respect of the ownership of Plot 8913. At the date of finalising the financial statements, the matter had not been resolved. A contingent liability has been recognised in note 21.

### 13. INVESTMENT PROPERTY

At fair value

Balance at beginning of the year	16,770	15,710
Gain from fair value adjustments	<u>2,230</u>	<u>1,060</u>
Balance at end of the year	<u>19,000</u>	<u>16,770</u>

The fair value of investment property has been arrived at on the basis of a valuation conducted by Pam Golding Properties (Proprietary) Limited, independent professional valuers not related to BURS and qualified for the purpose of the valuation. The valuation was performed on 31 March 2010 and was conducted in accordance with the RCIS Appraisal and Valuation Manual and the Real Estate Institute of Botswana Standards. Pam Golding Properties (Proprietary) Limited are members of the Real Estate Institute of Botswana. The investment property is partially constructed on Plot 8913 as discussed in note 11. The fair value of the disputed portion of land on which the investment property is constructed amounts to P280 000.

### 14. INVENTORIES

Printing and stationery	2,136	2,374
Office supplies	965	477
Low value tools and equipment	-	87
Uniform and protective clothing	<u>291</u>	<u>682</u>
	3,392	3,620
Less: provision for obsolete stock	-	277
Total inventories	<u>3,392</u>	<u>3,343</u>

Inventories represent unconsumed supplies held in store at year-end to be consumed in the rendering of services, pending issuance to different cost-centres.

### 15. TRADE AND OTHER RECEIVABLES

Agency commissions receivable	18,957	12,670
Receivable from related parties	29,117	2,060
Staff receivables	244	130
Other receivables and prepayments	<u>6,462</u>	<u>2,130</u>
Total trade and other receivables	<u>54,780</u>	<u>16,990</u>

## Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

	<b>2010</b>	<b>2009</b>
	<b>P'000</b>	<b>P'000</b>
<b>16. CASH AND CASH EQUIVALENTS</b>		
Business call account and cash on hand	27,428	4,309
Gratuity call account	1,797	71
Development funds	7,775	176
<b>Total cash and cash equivalents</b>	<b>37,000</b>	<b>4,556</b>
<b>17. ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Porta-camps	575	-
<p>BURS has decided to dispose of two porta cabins within the next 12 months. The porta cabins were previously used at the Maintengwe and Matsiloje border posts. The Botswana Police have committed to the purchase of these porta cabins.</p>		
<b>18. TRADE AND OTHER PAYABLES</b>		
Trade payables and accruals	24,049	14,655
Rental accruals	4,581	4,139
Payroll deductions	2	25
Provision for annual performance bonus	10,559	-
Employee benefits accruals	17,921	13,506
<b>Total trade and other payables</b>	<b>57,112</b>	<b>32,325</b>
<b>19. RELATED PARTY TRANSACTIONS</b>		
Related parties transactions comprise the following:		
Transactions with Government of Botswana		
Recurrent funding received from the Government	245,133	194,910
Development funding received from the Government	62,388	34,732
<b>Total funding received from the Government</b>	<b>307,521</b>	<b>229,642</b>
Executive Management personnel compensation		
Salaries and other short term employee benefits	4,308	3,907
Post employment benefits	984	590
<b>Total executive Management personnel compensation</b>	<b>5,292</b>	<b>4,497</b>
Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits include pension and gratuities.		
c) Board members sitting allowance	53	56
Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board (and board sub-committee) meetings.		
The following business transactions were conducted with related parties:		
Ministry of Trade and Industry (alcohol levy, flour levy and copyrights levy)	13,520	3,801
Botswana Training Authority (training levy)	11,069	3,658
Motor Vehicle Accident Fund ( motor vehicle road insurance)	1,224	572
Departments of Road Transport and Safety (road safety tokens and permits)	9,495	10,338
	<b>35,308</b>	<b>18,369</b>

# Notes to the annual financial statements (continued)

for the year ended 31 March 2010

	2010	2009
	P'000	P'000

## 19. RELATED PARTY TRANSACTIONS (continued)

Public Procurement and Asset Disposal Board (rental income)	1,827	1,827
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### The following balances with related parties were outstanding:

Significant balances receivable from /(payable to) related parties:

Development funds in transit from BURS Revenue collection accounts	6,600	-
Development funds owed by the Government	22,497	-
Agency fees from Government departments and other parastatals	18,957	12,670
Advances and bank charges payable to Revenue accounts	(240)	(862)
	<b>47,814</b>	<b>11,808</b>

## 20. ADJUSTMENT FOR NON-CASH ITEMS

Depreciation of property, plant and equipment	14,231	11,709
Loss on revaluation of properties	-	653
(Gain)loss on disposal of property, plant and equipment	(2,046)	133
Adjustments on fair valuation of investment property	(2,230)	(1,060)
	<b>9,955</b>	<b>11,435</b>

## 21. CONTINGENT LIABILITIES

BURS has facilities with First National Bank of Botswana Limited and Stanbic Bank Botswana Limited each with a limit of P15,000,000 to provide staff with residential and motor vehicle loans. The amounts below represent BURS exposure on guaranteed staff loan balances of employees at year-end:

First National Bank of Botswana Limited	8,019	3,856
Stanbic Bank Botswana Limited	1,219	571

As documented in Notes 11 and 12, BURS is in a dispute with Botswana Railways regarding the ownership of Plot 8913. The total fair value of this land is P1,700,000 and Botswana Railways currently hold the legal title. BURS may need to purchase this land from Botswana Railways.

## 22. CHANGE IN ACCOUNTING POLICY

In the current year BURS decided to change the accounting policy in respect of motor vehicles. In the previous years motor vehicles were recognised at valuation less depreciation. However, due to the nature of valuations of motor vehicles which decline annually and in keeping with the accounting practice of similar entities in Botswana, BURS considers it more prudent to recognise motor vehicles at cost less depreciation. The impact of this change does not materially impact the carrying amounts for the current and previous financial years hence no further disclosures have been made in the financial statements.



Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### 23. OPERATING LEASE COMMITMENTS

At year-end, BURS had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as detailed below:

Within one year	10,886	9,518
Within two to five years	10,427	16,503
<b>Total operating leases</b>	<b>21,313</b>	<b>26,021</b>

### 24. CAPITAL COMMITMENTS

Commitments for the acquisition or expansion of property, plant and equipment	<b>70,000</b>	<b>36,000</b>
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Significant contractual obligations falling due within the next financial year will be financed through Government funds approved during the current year. Significant contractual obligations include; procurement of mobile scanners (balance outstanding:P15 million), balance remaining to complete the project for the construction of Matsiloje and Maitengwe border posts estimated at P4 million, pre-contract (design) phase for the development of the BURS Headquarters at P29 million, construction of temporary structure at Pioneer Border Post (balance outstanding P5.4 million) and ongoing construction of Ramokgwebana Border post (balance outstanding: P16.6 million).

### 25. SUBSEQUENT EVENTS

At the time of finalisation of the financial statements, no events came to the attention of management and the Board of Directors that require disclosure or adjustments in the financial statements.

# Annual Financial Statements

*Botswana Unified Revenue Service*

## Annual Financial Statements

*31 March 2010*

*(Administered Government Revenue Accounts)*



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BOTSWANA

PIONEER GATE  
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## General Information

### *Board of Directors*

Taufila Nyamadzabo	: Chairperson
Daniel N. Loeto	: Vice Chairperson
Ken R. Morris	: Commissioner General
John Y. Stevens	
Oteng Bathoki	
Siamisang T. Morolong	
Alexander Yalala	

### *Board Secretary*

Lorato Khimbele

### *Nature of Business*

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

### *Address*

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

### *Auditor*

Deloitte & Touche

### *Bankers*

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

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Annual Financial Statements  
31 March 2010

## Directors' Statement of Responsibility

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts, comprising the statement of financial position as at 31 March 2010, the statement of financial performance, the statement of changes in net assets, and the statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, prepared on the cash basis of accounting as outlined in Note 1.2, and in the manner required by the Botswana Unified Revenue Service Act, 2003.

The Directors are required by the Botswana Unified Revenue Service Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Administered Government Revenue Accounts as at the end of the financial year and the results of its operations and cash flows for the year then ended, on the cash basis of accounting. The Directors state that, for the year ended 31 March 2010, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring the revenue service's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS.

While operating risk cannot be fully eliminated, BURS endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors' have made an assessment of BURS's ability to continue as a going concern and there is no reason to believe the entity will not be a going concern in the year ahead.

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

The external auditor is responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been examined by BURS's external auditors and their audit report is presented on page 61.

## Directors' Statement of Responsibility (continued)

### DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 62 to 71, which have been prepared on the going concern basis, were approved by the Board on 10 December 2010 and were signed on its behalf by:



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Board Chairperson



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Commissioner General

Annual Financial Statements  
31 March 2010

## Independent Auditor's Report to the Minister of Finance and Development Planning

We have audited the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts, set out on pages 62 to 71, which comprise the statement of financial position as at 31 March 2010, the statement of financial performance, the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the Ministry of Finance and Development Planning, as set out in accounting policy Note 1.2 and in the manner required by the Botswana Unified Revenue Service Act, 2003.

This 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present, in all material respects, the financial position of Botswana Unified Revenue Service: Administered Government Revenue Accounts as at 31 March 2010, and of its financial performance and its cash flows for the year ended in accordance with the cash basis of accounting as outlined in accounting policy Note 1.2 and in the manner required by the Botswana Unified Revenue Service Act, 2003.

### Other matters

Without qualifying our opinion, we draw attention to the fact that the annexures set out on pages 72 to 74 do not form part of the annual financial statements and are presented as additional information. We have not audited these annexures and accordingly we do not express an opinion on them.

### Report on Legal and Regulatory Requirements

For the year ended 31 March 2010, BURS has not complied with paragraph 28 (2) of the Botswana Unified Revenue Service Act which requires the Revenue Service to submit its book of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end.

In addition, BURS has not complied with paragraph 29 of the Botswana Unified Revenue Service Act which requires a comprehensive report of the operations of the Revenue Service, together with the auditor's report, to be submitted to the Minister of Finance and Development Planning within 6 months of the year-end.

*Deloitte & Touche*

10 December 2010

# Statement of Financial Performance

for the year ended 31 March 2010

	Notes	2010 P'000	2009 P'000
<b>Revenue collected on behalf of the Government of Botswana</b>			
Tax revenues and Customs Union Receipts			
Income tax	2	8,228,826	7,900,352
Value Added Tax	3	3,844,948	3,544,315
Customs Union Receipts	4	7,931,023	7,750,129
Other tax revenue	5	450	785
Total tax revenues and Customs Union Receipts		20,005,247	19,195,581
Non-tax revenue	6	1,520	2,339
<b>Total revenue collected on behalf of the Government of Botswana</b>		<b>20,006,767</b>	<b>19,197,920</b>
Revenue collected on behalf of Government Departments	7	300,096	156,265
<b>Total revenue collected for the year</b>		<b>20,306,863</b>	<b>19,354,185</b>



Annual Financial Statements

## Statement of Financial Position

31 March 2010

	Notes	2010 P'000	2009 P'000
<b>ADMINISTERED ASSETS</b>			
Current assets			
Amount due by Government Remittance Account		-	1,947
Accounts receivable	8	23,611	15,413
Cash and cash equivalents	9	328,725	260,288
<b>Total administered assets</b>		<b>352,336</b>	<b>277,648</b>
<b>ADMINISTERED LIABILITIES</b>			
Current liabilities			
Accounts payable	10	277,560	277,648
Amount due to Government Remittance Account	11	74,776	-
<b>Total administered liabilities</b>		<b>352,336</b>	<b>277,648</b>

# Statement of Changes in Net Assets

for the year ended 31 March 2010

P'000

Amount due to/ (by) Government Remittance Account

Balance at 1 April 2008	152,478
Total revenue collected for the year	19,354,185
Transfers to Government Remittance Account	<u>(19,508,610)</u>
Balance at 31 March 2009	(1,947)
Total revenue collected for the year	20,306,863
Transfers to Government Remittance Account	<u>(20,230,140)</u>
Balance at 31 March 2010	<u><u>74,776</u></u>

Annual Financial Statements

# Statement of Cash Flows

31 March 2010

Notes	2010 P'000	2009 P'000
<b>Cash flows from operating activities</b>		
Net collections/(payments) for the year	76,723	(154,425)
<b>Movement in assets and liabilities</b>		
Increase in accounts receivable	(8,198)	(9,226)
(Decrease)/increase in accounts payable	(88)	142,915
Net movement in assets and liabilities	(8,286)	133,689
Increase/(decrease) in cash and cash equivalents	68,437	(20,736)
Cash and cash equivalents at beginning of year	260,288	281,024
Cash and cash equivalents at end of year	<u>328,725</u>	<u>260,288</u>

# Notes to the annual financial statements

for the year ended 31 March 2010

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 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 financial statements, are set out below and are in accordance with the cash basis of accounting.

### 1.2 Basis of preparation

The financial statements are required in terms of Sections 28 and 29 of the Botswana Unified Revenue Service Act. The financial statements are prepared on the cash basis of accounting. In 2008 BURS took over the responsibility for revenue accounting and reporting from the Government's Department of the Accountant General. BURS has taken advantage of the transitional provisions of International Public Sector Accounting Standards ("IPSAS") 23 Revenue for Non – Exchange Transactions, which allows an entity to maintain their existing accounting policies in respect of recognition and measurement of taxation revenue for reporting periods beginning on a date within five years following the date of first adoption of IPSAS 23. Consequently, BURS has prepared the financial statements on a cash basis in line with accounting principles of the Government of Botswana.

### 1.3 Adoption and implementation of IPSAS 23

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 became effective for annual financial statements covering periods from 30 June 2008 (earlier adoption encouraged). The Standard prescribes requirements for financial reporting of the revenue arising from non-exchange transactions. Paragraphs 116-119 of the Standard however allow a five year transitional period from the existing cash basis accounting framework to an accrual basis of accounting.

BURS is in the process of conducting research on accrual accounting and anticipates that it will develop reliable models and policies for measuring and recognising tax revenue to enable compliance with the requirements of the Standard, within the five year transitional period. BURS early adopted IPSAS 23 on 1 April 2007.

BURS will subsequently prepare its financial statements on the accrual basis and the changeover from a cash basis will be properly accounted for and disclosed in the financial statements.

### 1.4 The reported activity – revenue collection accounts

For financial reporting purposes, these financial statements are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS. They cover transactions relating to the tax revenues collected on behalf of the Government and its departments and third parties. The financial statements covering those operational revenues, such as funds received from the Government, which are managed by BURS 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 BURS in achieving its mandate.

The financial statements are presented in Botswana Pula and in thousands (P'000) except for the analysis of Arrears of Revenue (see unaudited annexure), which is 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 Income Tax Act, Value Added Tax Act, Capital Transfer Tax Act and Customs and Excise Duty Act.

#### 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

Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

to violators of the Customs and Excise Duty Act such as non-declaration or undervaluation of goods at the time of importation. Penalties are statutory payments for failure to comply with the Income Tax Act, Value Added Tax Act and the Capital Transfer Tax Act, and are paid as admission of guilt.

### 1.5.3 Debtors

For these financial statements, balances disclosed in the statement of financial position represent debtors for dishonoured cheques. Dishonoured cheque recoveries for periods prior to the establishment of BURS in 2007 are credited in the statement of financial performance as Other Tax Revenue, as no debtor accounts exist.

### 1.5.4 Write-offs

Write-offs are debts for dishonoured cheques that are irrecoverable and uncollectible either when there are no practical means for pursuing the debt or when all reasonable steps have been taken to recover the debt. Write-offs are recognised in the year that they are authorised. Any recoveries in respect of written off debts arising from the previous years when the function of revenue accounting was under the Accountant General, are accounted for as revenue received from the replacement of the previous year's dishonoured cheques, and such recoveries are payable to the Government Remittance Account.

## 1.6 Revenue recognition

### Tax revenues and Customs Union Receipts Recognition

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 when cash is received. 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.

## 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 the functional currency rate ruling at the date of the transaction.

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

### 2. INCOME TAX

Income tax revenue collected during the year was derived from the following sources:

	2010 P'000	2009 P'000
Withholding tax	1,288,566	1,237,120
Deducted tax (Pay As You Earn)	2,186,480	1,931,868
Assessed tax	4,709,202	4,689,071
Penalty interest	42,850	34,713
Capital transfer tax	1,728	7,580
	<u>8,228,826</u>	<u>7,900,352</u>

### 3. VALUE ADDED TAX

Value Added Tax (VAT) is recognised in the Statement of Financial Performance on a net basis. 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 for the year ended 31 March 2010 represent the actual cash paid out as VAT refunds. The VAT revenue received during the year is analysed as follows:

	2010 P'000	2009 P'000
VAT import	2,632,324	2,584,509
VAT internal	2,177,312	1,967,202
VAT interest and penalties	32,337	38,648
Fuel levy	150,015	133,139
Gross receipts	4,991,988	4,723,498
Less: Refunds	1,147,040	1,179,183
Net VAT receipts	<u>3,844,948</u>	<u>3,544,315</u>

### 4. CUSTOMS UNION RECEIPTS

The Customs Union Receipts represent monies received by 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 share 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.

	2010 P'000	2009 P'000
Customs Union Receipts	<u>7,931,023</u>	<u>7,750,129</u>

### 5. OTHER TAX REVENUE

Other tax revenue reported includes collection from the replacement of prior year cheques dishonoured by banks.

	2010 P'000	2009 P'000
Received from the replacement of previous years dishonoured cheques	<u>450</u>	<u>785</u>

## Annual Financial Statements

## Notes to the annual financial statements (continued)

for the year ended 31 March 2010

**6. NON-TAX REVENUE**

Non-tax revenue consists of 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 and Customs Clearing Agents. Customs fines are received 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:

	2010 P'000	2009 P'000
Licence fees	23	25
Customs fines	1,497	2,307
Interest – call deposit	-	7
	<u>1,520</u>	<u>2,339</u>

**7. REVENUE COLLECTED ON BEHALF OF GOVERNMENT DEPARTMENTS**

BURS collects revenue on behalf of 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 and the alcohol levy are collected on behalf the Department of Consumer Affairs. In the current year BURS has entered into a service level agreement with the Registrar of Companies to collect a copyrights levy. The amount reported as revenue collected on behalf of other Government departments includes the following:

	2010 P'000	2009 P'000
Copyrights Levy	2,500	-
Road safety tokens	3,705	3,751
Transport permits	76,798	82,396
Flour levy	7,537	2,242
Alcohol levy	209,556	67,876
	<u>300,096</u>	<u>156,265</u>

**8. ACCOUNTS RECEIVABLE**

Accounts receivable represent debtors in respect of cheques dishonoured by banks, and overpayments to BURS "Own Accounts". The breakdown of receivables is analysed as follows:

	2010 P'000	2009 P'000
Dishonoured Cheques	23,235	15,188
Receivable from BURS Own Accounts (note 12)	376	225
	<u>23,611</u>	<u>15,413</u>

**9. CASH AND CASH EQUIVALENTS**

The cash and bank balance of P328,725,000 (2009: P260,288,000) represents funds held by BURS pending transfer to the Government Remittance Account, SACU Common Revenue Pool, payment of VAT refunds and payment of other unremitted collections.

# Notes to the annual financial statements (continued)

for the year ended 31 March 2010

## 10. ACCOUNTS PAYABLE

A breakdown of accounts payable within one year is as follows:

	Other payables	Unremitted collections	Refundable deposits	Total
	P'000	P'000	P'000	P'000
<b>31 March 2010</b>				
Temporary deposits	-	-	14,795	14,795
Customs and excise duties	-	153,773	-	153,773
Payable to BURS Own Accounts	-	18,282	-	18,282
Gross payments	-	-	9,533	9,533
Advance received from Government	1,000	-	-	1,000
Training levy (Botswana Training Authority)	-	60,475	-	60,475
Assurance Levy (Motor Vehicle Accident Fund)	-	2,400	-	2,400
Unallocated EFT transactions	14,913	-	-	14,913
Unpresented cheques	2,206	-	-	2,206
Bank overdraft	18	-	-	18
Bank clearing account	165	-	-	165
	<b>18,302</b>	<b>234,930</b>	<b>24,328</b>	<b>277,560</b>
<b>31 March 2009</b>				
Temporary deposits	-	-	7,412	7,412
Customs and excise duties	-	209,041	-	209,041
BURS miscellaneous receipts	-	1,453	-	1,453
Gross payments	-	-	3,806	3,806
Advance received from Government	1,000	-	-	1,000
Training levy (Botswana Training Authority)	-	51,802	-	51,802
Assurance Levy (Motor Vehicle Accident Fund)	-	2,532	-	2,532
Unpresented cheques	431	-	-	431
Cash gain	-	57	-	57
Bank clearing account	114	-	-	114
	<b>1,545</b>	<b>264,885</b>	<b>11,218</b>	<b>277,648</b>

### Other payables

Other payables are amounts established as due at year end. These include an advance of funds towards operating a dishonoured cheques bank account, un-presented cheques in respect of VAT refunds and a bank clearing account. The advance funds were advanced from BURS Own Accounts and from the Government of Botswana. All cheques dishonoured by Barclays Bank of Botswana are debited to the dishonoured cheques bank account so that the main collection account is not distorted by dishonoured cheques. To maintain this account in credit, the Government advanced P1,000,000. The amount in the bank clearing account represents funds erroneously transferred into BURS bank accounts by Barclays Bank of Botswana, which do not belong to BURS and are pending reversal by Barclays Bank of Botswana.

### Unremitted collections

Unremitted collections include amounts collected and held by BURS at year end which are payable to third parties. These include customs and excise duties, training levies, assurance levies, commissions withheld and other miscellaneous receipts.

### Refundable deposits

Refundable deposits includes money paid in the current and previous year to BURS that relates to transactions that may occur in future accounting periods, e.g. money deposited in the Gross Payments account to cater for future import of goods.



## Annual Financial Statements

**Notes to the annual financial statements (continued)**

for the year ended 31 March 2010

**11. AMOUNT DUE TO GOVERNMENT REMITTANCE ACCOUNT**

The amount of P74,776,000 as due to the Government Remittance Account represents collections not yet transferred to Government as at year end.

**12. RELATED PARTY TRANSACTIONS**

Related parties comprise Botswana Government and Botswana Unified Revenue Service (Own Accounts). Transactions with related parties are in the normal course of business and on normal commercial terms. Due to the nature of BURS 's business, there are a large number of transactions, relating to tax collection income with Government departments.

The following balances with related parties were outstanding:

	2010 P'000	2009 P'000
<b>Botswana Government</b>		
Amount due by Government Remittance Account	-	1,947
Amount due to Government Remittance Account	(74,776)	-
Amount payable to Government (Note 10)	(1,000)	(1,000)
	<hr/>	<hr/>
<b>Amount due (to)/from Government</b>	<b>(75,776)</b>	<b>947</b>
<b>Botswana Unified Revenue Service (Own Accounts)</b>		
<b>Accounts receivable (note 8)</b>		
BURS advance overpaid	100	100
Point of Sale and other bank charges	276	125
<b>Accounts payable (note 10)</b>		
Commission Payable	(11,546)	(1,453)
Development Projects Funds in transit	(6,600)	-
Overpayment of funds	(136)	-
	<hr/>	<hr/>
<b>Amount due to BURS Own Accounts</b>	<b>(17,906)</b>	<b>(1,228)</b>
<b>Total due to related parties</b>	<b>(93,682)</b>	<b>(281)</b>

Unaudited annexures to the annual financial statements  
 for the year ended 31 March 2010

## Annexure 1: Schedule of Movements in Collections and Payments to SACU and Third Parties

The following annexures do not form part of the audited financial statements. They are presented as additional information:

	SACU Pool  Pula	Motor Vehicle Assurance Fund Pula	Botswana Training Authority  Pula	TOTAL Pula
Balance at 01 April 2009	208,127,534	2,531,872	51,801,763	262,461,169
Collections	325,977,760	8,708,807	193,605,447	528,292,015
Adjustments	(132,550,398)	-	(547,921)	(133,098,319)
Payments to third party	(243,573,844)	(7,842,756)	(177,179,589)	(428,596,189)
Payments – BURS Commission	-	(997,898)	(7,204,984)	(8,202,882)
Balance at 31 March 2010	157,981,053	2,400,025	60,474,716	220,855,794
Balance at 01 April 2008	119,851,143	-	-	119,851,143
Collections	870,017,073	16,032,970	176,035,435	1,062,085,478
Adjustments	(67,375,829)	(6,863,083)	(23,265,105)	(97,504,017)
Payments to third Party	(714,364,853)	(5,841,453)	(94,910,453)	(815,116,759)
Payments – BURS Commission	-	(796,562)	(6,058,114)	(6,854,676)
Balance at 31 March 2009	208,127,534	2,531,872	51,801,763	262,461,169

Collections to third parties represent funds that had not been transferred at year end from collections due from service level agreements. BURS has entered into service level agreements with Government departments and parastatals to collect revenue on their behalf. The agreements are as follows; Botswana Training Authority for the collection of the training levy and the Motor Vehicle Accident Fund for the collection of the assurance levy.

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2010

## Annexure 2: Schedule of Arrears of Revenue

### 31 MARCH 2010

Description	Collection of previous years' arrears Pula	Balance at 01 April 2009 Pula	Abandonment, discharges, remissions/ waivers & adjustments (see note below) Pula	Balance of prior years' arrears outstanding Pula	Arrears in respect of current year Pula	Balance at 31 March 2010 Pula
VAT internal	211,343,155	(47,974,950)	-	163,368,205	63,702,665	227,070,870
VAT interest and penalties	142,676,920	(25,533,038)	-	117,143,883	76,067,239	193,211,122
Assessed tax	420,620,881	(100,390,880)	(134,675,056)	185,554,945	95,739,516	281,294,461
Assessed tax interest	322,662,039	(13,969,275)	(66,519,606)	242,173,158	70,947,360	313,120,518
<b>TOTAL</b>	<b>1,097,302,995</b>	<b>(187,868,143)</b>	<b>(201,194,662)</b>	<b>708,240,191</b>	<b>306,456,780</b>	<b>1,014,696,971</b>

### 31 MARCH 2009

Description	Collection of previous years' arrears Pula	Balance at 01 April 2008 Pula	Abandonment, discharges, remissions/ waivers & adjustments (see note below) Pula	Balance of prior years' arrears outstanding Pula	Arrears in respect of current year Pula	Balance at 31 March 2009 Pula
Licence fees	200	(200)	-	-	-	-
VAT internal	185,622,987	(35,289,123)	-	150,333,864	61,009,291	211,343,155
VAT interest and penalties	134,287,400	(47,032,020)	-	87,255,380	55,421,540	142,676,920
Assessed tax	251,627,042	(45,017,983)	(29,971,970)	176,637,089	243,983,792	420,620,881
Assessed tax interest	268,094,349	(11,357,841)	(32,626,903)	224,109,605	98,552,434	322,662,039
<b>TOTAL</b>	<b>839,631,978</b>	<b>(138,697,167)</b>	<b>(62,598,873)</b>	<b>638,335,938</b>	<b>458,967,057</b>	<b>1,097,302,995</b>

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 accounts receivables in the financial statements as 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.

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

## *Annexure 2: Schedule of Arrears of Revenue (continued)*

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.

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 a 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.

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## Contacts

### *BURS Headquarters*

Plot 53976  
Kudumatse Road  
P/Bag 0013  
Gaborone  
Tel: 363 8000 / 363 9000  
Fax: 363 9999 / 395 3101

### BURS Regional Offices

#### *Central Region*

P.O.Box 129  
Selebi-Phikwe  
Tel: 261 3699  
Fax: 261 5367

#### *North West Region*

P.O.Box 219  
Maun  
Tel: 686 1321  
Fax: 686 0194

#### *South Central Region*

P/Bag 00102  
Gaborone  
Tel: 363 8000 / 363 9000  
Fax: 363 9999 / 395 3101

#### *South Region*

P.O.Box 263  
Lobatse  
Tel: 533 0566  
Fax: 533 2477

#### *North Region*

P/Bag 38  
Francistown  
Tel: 241 3635  
Fax: 241 3114

#### *Palapye Office*

P.O.Box 97  
Palapye  
Tel: 492 0388  
Fax: 492 0784

#### *Ghanzi Office*

P/Bag 18  
Ghanzi  
Tel: 659 6463  
Fax: 659 6468

***BURS Call Center number: 17649***

[www.burs.org.bw](http://www.burs.org.bw)