



Annual Report 2011

Collecting revenues to aid the nation's progress and development



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

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
- Value Added Tax
- Fuel Levy
- Capital Transfer Tax
- 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;

- Internal Revenue Division (IRD)
- Customs & Excise Division (CED)
- Finance & Administration Division (FAD)
- Human Resources Division (HRD)
- Information Technology Division (ITD)
- Internal Audit Division (IAD)
- Legal Services Division (LSD)

Corporate Profile

Corporate Profile

The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of 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, and the administration of statutory controls at various 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 accounting for the revenue collected on behalf of the Government and other entities.

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

Corporate Governance

The BURS Board of Directors has seven members who consist of a Non-Executive Chairman, and other members from the public, parastatals, private sector and the Commissioner General. They are appointed by the Minister of Finance and Development Planning in accordance with provisions of Section 6 of the BURS Act, 2003 (No. 17 of 2004).

The Board meets at least four (4) times in a year pursuant to its statutory mandate and to ensure proper and effective control of the Revenue Service's operations and to carry out periodic evaluation of the Revenue Service's operational performance. The Board Members make annual declarations of interest and assets at the beginning of every year and further at every sitting, members make declarations of interest in respect of matters before them. During the year under review, the Board met four times as shown in the table of attendance below:

Attendance of Meetings by the Board of Directors

Name	Position	24/09/2010	26/10/2010 (Special)	27/10/2010 (Special)	10/12/2010	Sitting Allowance
Dr. T. Nyamadzabo	Chairperson	√	√	√	√	P4,200
Mr. D. N. Loeto	Vice Chairperson	√	√	√	√	P4,200
Mr. J. Stevens	Member	A	√	A	√	P1,680
Mrs. S. T. Morolong	Member	A	A	A	√	P840
Mr. A. T. Yalala	Member	√	A	√	√	P2,520
Mr. F. Modise	Commissioner General	√	√	√	PP	-
Mr. K. Morris	Commissioner General	PP	PP	PP	√	-
Mrs. L. Khimbele	Board Secretary	√	√	√	√	-
					Total	P13,440

Key: √ means attended meeting
 A means apology tendered
 PP means Pre/Post term

Board Committees

Section 15 (1) of the BURS Act empowers the Board to appoint Committees. The Committees may be of a general or special nature, consisting of a number of members, with qualifications, as the Board may determine. Further, the Board may delegate any of its powers, functions or duties under the Act to the appointed Committees. In terms of Section 16 of the BURS Act, the Board may appoint co-opted Members to serve as Committee Members.

The Board has appointed the following Committees, namely; the Board Audit and Finance Committee (BAFC), the Board Human Resources Committee (BHRC) and the Board Tender Committee (BTC). The Board Committees also meet at least four times a year.

The following table sets out the composition of the Board Committees and their mandates.

BURS Board Committees for the 2010/11 financial year

Committee	Members	Duties
Board Audit and Finance Committee	Mr. J. Stevens (Chairman) Mr. A. T. Yalala Mr. G. Dobo* Mr. M. Lesokola*	The Committee is charged with the responsibilities relating to financial performance of the investment and budgets, reviewing financial statements with external auditors prior to approval by the Board and oversight over the carrying out of the Annual Statutory Audits. The Committee is also responsible for the quarterly reports of the Chief Internal Auditor.
Board Tender Committee	Mrs. S. T. Morolong (Chairperson) Mr. D. N. Loeto Mr. A. T. Yalala Ms. 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 as well as to deal with matters incidental to procurement.
Board Human Resources Committee	Mrs. S. T. Morolong Mr. D. N. Loeto Mr. B. O. Batlhoki Mr. S. Meti*	The Committee deals with the recruitment of senior Members of staff, the BURS remuneration policy and advises the Board on all staff welfare and human resources related matters.

Members marked in asterisk are co-opted Members of the Committee first appointed in 2007 and reappointed in July, 2010 for another three year term.

Mr O.B. Batlhoki was appointed as an ex-officio Member of the Board from Ministry of Trade and Industry to replace Mr. Laletsang on the 11th April 2010.

Attendance of meetings by Board Committee Members:

Board Tender Committee Meetings:

Name	25/05/2010	28/07/2010	28/09/2010	07/12/2010	07/02/2011	Sitting Allowance
M.s. S. T. Morolong	√	√	A	√	√	P3,360
Mr. D. N. Loeto	√	A	√	√	√	P3,360
Ms. O. Zhikhwa	√	√	√	√	√	P4,200
Mr. A.T. Yalala	A	√	√	√	√	P3,360
Mr. F. Modise	√	√	PP	PP	PP	-
Mr. K. R.Morris	PP	PP	√	√	A	-
Total						P14,280

Board Human Resources Committee Meetings:

Names	15/04/2010	17/05/2010 (Special)	25/08/2010	21/10/2010	26/10/2010	27/10/2010 (Special)	Sitting Allowance
Mr. D. N. Loeto	√	√	A	√	√	√	P4,200
Mrs. S. T. Morolong	√	√	√	√	A	A	P3,360
Mr Stevens	√	√	√	√	√	√	P5,040
Mr. S. Meti	√	A	√	√	√	√	P4,200
Mr. A.T. Yalala	A	√	A	A	√	√	P2,520
Dr T. Nyamadzabo		√				√	P1,680
Total							P21,000

Board Audit and Finance Committee Meetings:

Name	27/07/2010	05/11/2010	28/02/2011	Sitting Allowance
Mr. J. Stevens	A	√	√	P1 680
Mr. A. T. Yalala	√	√	A	P1 680
Mr D.N. Loeto	√	A	A	P 840
Mr. M. Lesokola	√	√	√	P2 520
Mr. G. Dobo	√	√	√	P2 520
Mr. K.R. Morris	A	A	√	-
Total				P9,240

Board of Directors



Dr. T. Nyamadzabo
Board Chairman



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



Mr. T. Yalala
Board Member



Mr. D. N. Loeto
Vice Chairman



Mr. J. Y. Stevens
Board Member



Mrs. L. Khimbele
Director Legal
Services & Board
Secretary

Executive Management

EXECUTIVE MANAGEMENT



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



Mr. S. Lekau
Commissioner
Internal Revenue



**Mr. K.
Kgosidintsi**
Commissioner
Finance &
Administration



**Mr. G. M.
Motsewabagale**
Acting
Commissioner
Customs & Excise



Ms. M. Pelaelo
Director Human
Resources



Mrs. L. Khimbele
Director Legal
Services & Board
Secretary



Ms. L. Mosweu
Director
Information
Technology



Mrs. A. Motlhanka
Chief
Internal Auditor

Chairperson's Statement

Chairperson's Statement



BURS managed to exceed the collection target of P18.21 billion by P1.97 billion or **10.8%** during the year under review.

Introduction

I am pleased to present the 2011 Annual Report for the Botswana Unified Revenue Service. Once again I am happy about the positive growth attained by BURS over the past year despite the global and domestic economic and financial challenges.

Economic Review and Prospects

For many years, Botswana's economy has enjoyed long periods of growth, which has provided the basis for increased revenue collection across all tax types. This has resulted in BURS consistently collecting revenues in excess of the set targets. The task of mobilising tax revenue has not been an easy one. However, BURS prevailed in spite of the numerous challenges that it has faced. The sustained revenue collection could not have been possible without the commitment and dedication of all BURS employees. The revenue collected by BURS has in a large part provided Government with the funding required to further expand its physical and social development programmes while also providing additional tax relief to low income earners. The Government did this while maintaining its strict fiscal discipline of achieving a balanced budget.

The economic prospect maybe favourable if the recovery of the mining sector is sustained. The diamond sales went significantly up in 2010/11 and more improvements are expected in 2012/13. The Ministry of Finance and Development Planning (MFDP) forecasted real economic growth rate of 5.1% in 2011 and 4.4% in 2012 (Budget Speech, 2012). However, given the challenges resulting from the recent global economic crisis, Government was forced to increase its borrowing and drawing down on its savings. At the end of the 2010/11 financial year, the internal Government debt ratio stood at 7.0 percent of Gross Domestic Product (GDP), while the external ratio stood at 16.5 percent of GDP. This put more pressure on the Government budget, thus calling for improved revenue collection. It is for this reason that BURS is vigorously implementing a number of initiatives to improve revenue collection to fund the ever increasing demands on the limited resources.



Sustainable revenue collection improvements cannot only rely on economic growth. It is for this reason that BURS is putting more efforts in **improving compliance and enhance service delivery** and efficiency through various means.

The new tax amendments

The amendments to the Income Tax Act, the Value Added Tax Act and Transfer Duty Act were approved by Parliament during the year under review including the abolishment of the two tier corporate tax system to replace it with a corporate tax rate of 22% and a dividend withholding tax rate of 7.5%. The threshold for individual taxpayers was increased from P30,000 per annum to P36,000 per annum. Another tax amendment was to exempt farming implements, such as ploughs, planters and harvesters from VAT in order to encourage Botswana to participate in arable farming. The amendments would be effective from 1st July, 2011.

BURS Funding

BURS is funded through subventions from the Government payable on quarterly basis to meet its operational costs. The Revenue Service is currently in consultation with the Government to explore the best funding arrangements that can be employed.

During the year under review, the subventions provided

by Government amounted to P245.1 million. In addition, BURS managed to generate its own income, in accordance with provisions of Section 26 (l) (a) of the BURS Act, amounting to P55.7 million. Hence, the total funding for the 2010/11 financial year amounted to P299.8 million. P9.8 million of this amount was utilised to purchase capital expenditure assets, leaving BURS with a total income of P291 million against total expenses of P328.7 million. With other comprehensive income of P38.1 million, which includes valuation gains, BURS reported a total comprehensive loss of P14.9 million for the year.

BURS Achievements

- Revenue collection

BURS managed to exceed the collection target of P18.21 billion by P1.97 million or 10.8% during the year under review. This is mainly due to the considerable performance of the Customs Receipts that exceeded the target by 21.4% followed by VAT which exceeded the target by 7.9% and income tax at 6.0%.

- **Automation**

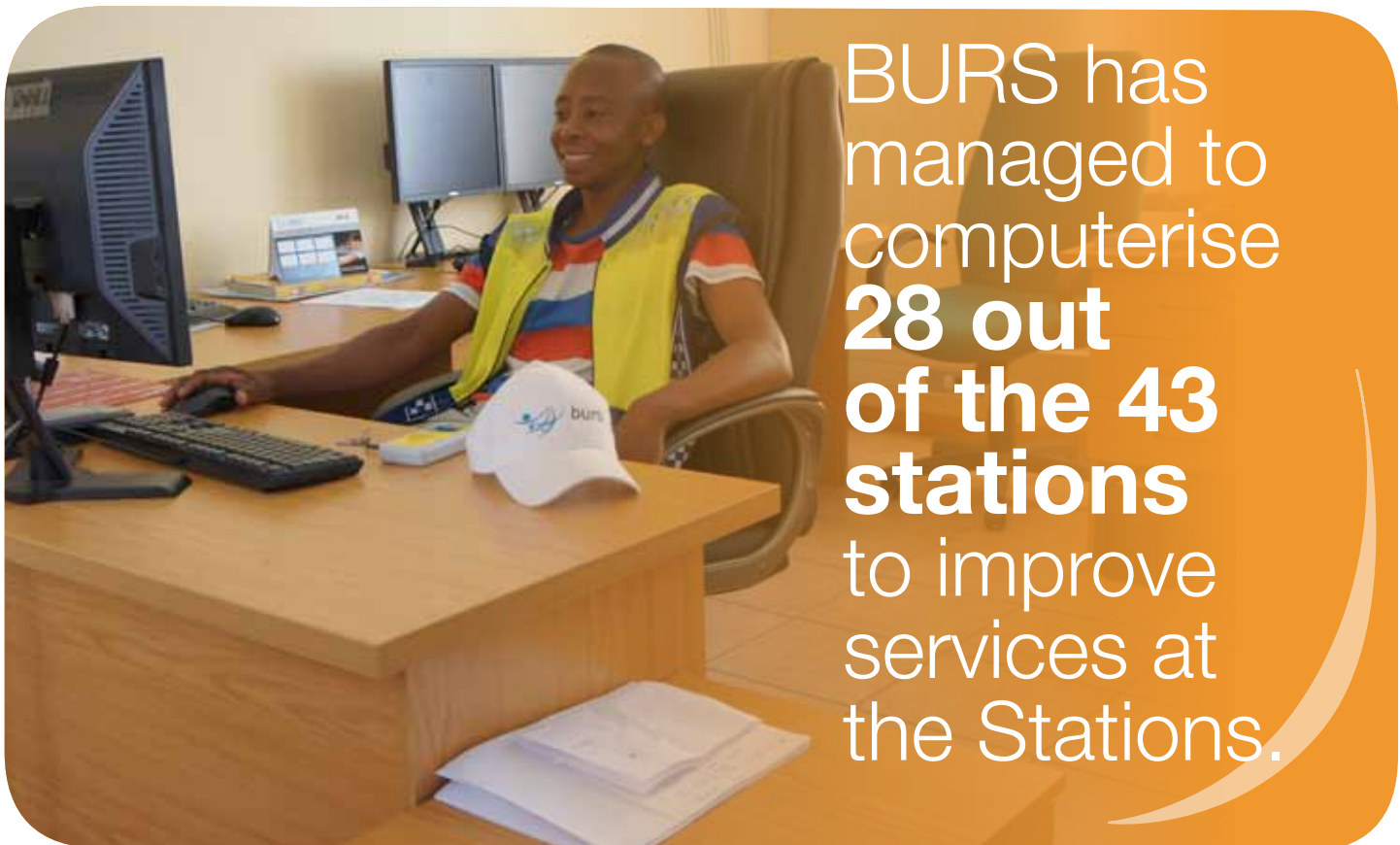
As way of implementation of its ICT Strategy, BURS has managed to computerise 28 out of the 43 Stations to improve services at the Stations. These efforts are geared towards the BURS ICT Strategy goal of total automation to reduce the burdensome manual processes. Further, BURS enhanced the ASYCUDA system to allow the Department of Roads and Transport Safety (DTRS) to verify electronically the clearance of customs duties prior to registering a vehicle.

- **Development Projects**

Great strides have been achieved as part of the STA/BURS project. This includes, among others, the establishment of the Large Taxpayer Unit, integration of the TMS and BIVATS, cleaning of the tax register, E-Audit and Risk Management capacity development and the development of the Data Warehouse. BURS has also completed the upgrading of the Ramokgwebana border post as well as the temporary works at the Pioneer border gate. The X-Ray Scanners have been installed at both the Tlokweng border gate and GABCON and will be operational during the 2012/13 financial year.

Challenges

The Taxpayer Service Centre (TSC) is faced with challenges of congestion especially on due dates for payment of Income Tax and VAT. To address this challenge, BURS has established an additional office at the Gaborone Fairgrounds for the Large Taxpayers. The office will start operation in April, 2012.



- **Limited Financial Resources**

Due to the limitations of the funding from the Government, BURS continues to face a number of challenges including the maintenance of facilities across the country especially distant facilities, the upgrading of the ICT infrastructure and the human resource capacity development especially in certain critical areas of tax administration. There is also a pressing need to increase the service centres to more regions to bring the services closer to the people and improve accessibility.

- **Tax Arrears/Debt**

Tax arrears continue to trouble BURS. This is particularly the case for the old arrears which may not be collectable as such businesses may have been liquidated or no longer exist or attempts to identify the Directors may have been unsuccessful. These arrears would continue to haunt BURS and taint the good performance of the Revenue Service and this requires the debt to be written off. The overall debt owed by taxpayers increased from P1.01 billion in 2009/10 to P1.12 billion in 2010/11 representing an increase of 11%. The increase is mainly due to interest charges that accrued on old arrears.

- **Smuggling and Non Declaration of Goods**

The smuggling and non-declaration of imported goods continues to be one of the major concerns of BURS as it has a negative impact on the competitiveness of legitimate businesses. These include cigarettes and facial creams, some of which enter Botswana at ungazetted areas. BURS continues to seize a growing number of these goods every year. Efforts are being made to frustrate these criminal actions through joint operations with the Botswana Police Service and other law enforcement agencies.

Conclusion

Sustainable revenue collection improvements cannot rely on economic growth alone. It is for this reason that BURS is putting more efforts in improving compliance to enhance service delivery and efficiency by other various means. Ongoing efforts on taxpayer education and public awareness as well as improvements in



BURS has also **completed the upgrading** of the Ramokgwebana border post as well as the temporary works at the Pioneer border gate.

enforcement abilities will bring further gains in tax revenue collections. It is critical for BURS to make gains in high-risk industries and continue raising awareness about the harm done by non-compliance of tax laws on our economy.

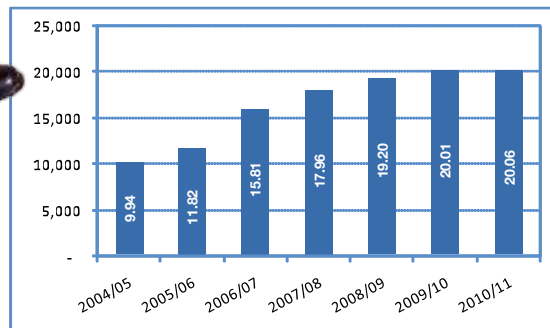
Dr. T. Nyamadzabo
Board Chairman

Commissioner General's Review



BURS exceeded the target mainly due to the Customs Receipts that exceeded the target by **21.4%** followed by VAT with excess of **7.9%** over the target and income tax with **6.0%**.

Figure 1: Total Tax Revenue collections (P billion)



The 2010/11 financial year was a challenging one for Botswana, as the country continued to experience the effects of the global economic down turn. Despite the unfavourable economic conditions the Revenue Service maintained positive performance as in the past year. Notwithstanding the positive performance, the revenue growth has over the last three years been growing at a decreasing rate depicting the dynamics of the economy. The ongoing efforts made in recent years to help taxpayers to understand and comply with tax laws are delivering a steady increase in compliance levels. However, many challenges still remain.

During the 2010/11 financial year, BURS collected tax revenue amount of P20.06 billion compared to P20.01 billion collected during the 2009/10 financial year, as shown in figure 1. This represents a slight growth of 0.8% down from the 4.2% growth rate recorded in 2009/10. The collections exceeded the target significantly by P1.97 billion or 10.8%. BURS exceeded the target mainly due to the Customs Receipts that exceeded the target by 21.4% followed by VAT with excess of 7.9% over the target and income tax with 6.0%.

Over the past 5 years, tax revenue as a proportion of Gross Domestic Product (GDP) has been more or less stable at around 20% as shown in figure 2 below. Whilst the proportion of tax revenue to GDP dropped quite significantly from 23.1% obtained in 2009/10 financial year to 19.1% on average this compares favourably with other countries in Sub-Saharan Africa whose proportions range from 6.6% in Ethiopia and 26.3% in South Africa during the years 2008 and 2009 (International Tax dialogue, 2010).

On the other hand, the tax revenue as a proportion of government budget has consistently been on the increase since 2005/06, signifying the growing importance of the tax revenue in the economy. In 2010/11 the proportion increased to 74.7% from 72.8% attained in 2009/10.

Overall Revenue Collection by Tax Type

Figure 3 shows that during the 2010/11 financial year, BURS achieved its revenue collection target by collecting P20.06 billion, which is P1.97 billion or 10.8% higher than the target of P18.21 billion. BURS exceeded the target mainly due to the Customs Receipts that exceeded the target by 21.4% followed by VAT with excess of 7.9% over the target and income tax with 6.0%.

Figure 4 shows growth rates attained over the years since 2005/06. The tax revenue collection continued to grow at a decreasing rate from 33.8% in 2006/07 to 0.8% in 2010/11. During the 2010/11 financial year, the total tax revenue collection remained low at 0.8% despite the significant growth of the internal revenue collection by 15.7%. The decline in the total tax revenue is explained by the significant drop in the Customs receipts by P1.7 billion or 21.7% in 2010/11. The consistently declining growth rates call for more concerted efforts especially in respect of the income tax and VAT which have a greater potential to bring more revenues and improve the growth rate. The income tax recorded moderate growth rates below 10% in the past four years while the VAT recorded considerable growth ranging from 8% to 29% over the same period. It is likely that BURS would collect lower tax revenue in the next financial year if no new and effective measures are adopted to improve the collection.

Cost of collection

The subventions from the Government amounted to P245.1 million during the 2010/11 financial year. In addition, BURS managed to generate its own income, in accordance with provisions of Section 26 (l) (a) of the BURS Act, amounting to P55.7 million. Hence, the total funding for the 2010/11 financial year amounted to P299.8 million. However, P9.8 million was utilised on capital expenditure, leaving P291 million against total expenses of P328.7 million.

As shown in figure 5 above, the benefits to the Government have been declining over the years from 2005/06 to 2010/11 financial year. During the year under review, Government realised a benefit of 66.2 compared to 71.9 in 2009/10 for every P1.00 spent by BURS. The lower benefit is due to the increasing cost of collection against declining growth in tax revenues.

Key Strategic Drivers of Performance

In a bid to achieve its ever increasing revenue collection targets, BURS embraced key initiatives which, coupled with a dedicated workforce, enabled it to exceed its target by P1.97 billion or 10.8%. BURS administers tax in an open, accountable and consistent manner to promote voluntary compliance. The Revenue Service utilizes several key elements to support taxpayer compliance including improved service delivery, Block Management System (BMS), Taxpayer Education, intelligence and risk management.

Figure 2: Tax Revenue as percent of GDP and Government Revenues

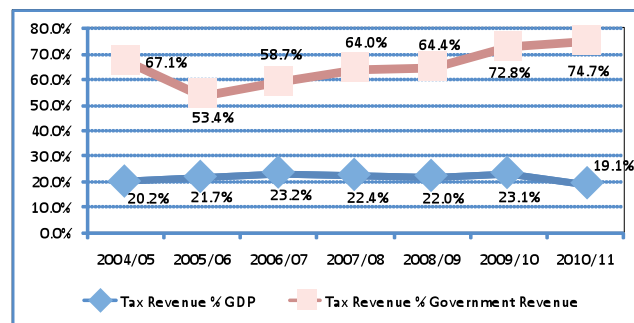


Figure 3: Revenue Collection by Tax Type for 2010/11

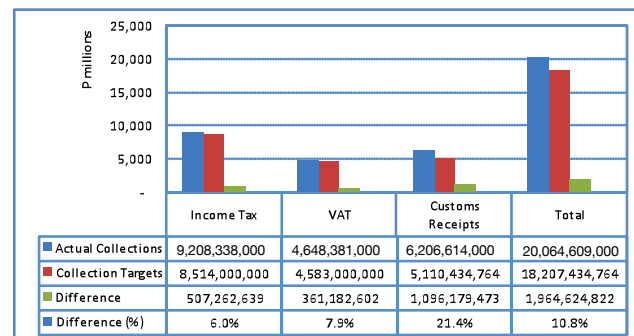


Figure 4: Total Tax Revenue growth rates

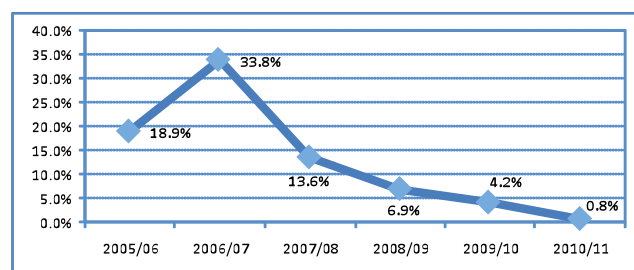
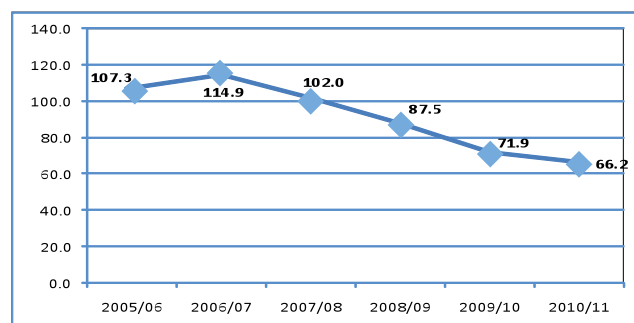


Figure 5: Tax Revenue collection to cost ratio





In a bid to achieve its ever increasing revenue collection targets, BURS embraced key initiatives which, **coupled with a dedicated workforce**, enabled it to exceed its target by P1.97 billion or 10.8%.

Implementation of ICT Strategy

BURS continues to pursue the implementation of its ICT strategy though this has been hampered by shortage of funding. The strategy had been earmarked for implementation during the tenth National Development Plan (NDP10). However, on account of other critical national priorities BURS could not acquire requisite funding for its ICT strategy during the said plan period. Nonetheless the strategy was not abandoned. Some of its elements especially those that could be achieved with limited funds were favoured. During the past financial year BURS has implemented the following elements of the ICT Strategy:

- **Internal work processes improvement**

In order to improve internal work processes for IT, focus was devoted to strengthening ICT governance within the organization in order to reduce the risk associated with the use of technology to drive key business processes. Policies around usage of internet and e-mail resources were reviewed and strengthened. In addition procedures relating to databases management, change management, back-up and server management were also strengthened. BURS will continue to review its ICT governance as it continues to acquire new ICT products and services in pursuit its ICT and Business Strategies. During the next financial year, BURS intends to draft policies, process and procedures to manage the envisaged BURS data warehouse and its Virtual Private Network (VPN) services to be used for submission of electronic customs declarations. The BURS VPN service will augment a service currently provided through government.

- **Acquisition and continued improvement of business systems**

BURS automated some of its manual processes as well as strengthened management of some of its resources, through the implementation of Systems, Applications, and Products in Data Processing (SAP) human resource and payroll modules.

The use of the Automated System for Customs Data (ASYCUDA) was further enhanced by developing a feature which allows the Department of Road and Transport Safety (DTRS) to view and confirm the clearance of imported motor vehicles before registering them in Botswana. The new feature has replaced the manual procedures, which had potential of being manipulated and speeded up the vehicle registration processes thereby improving service delivery to BURS and DTRS customers and reduced costs to both organisations.

- **Automation Expansion**

Four BURS offices comprising Mahalapye, Poso House, Kasane and the Integrity Office were added to the BURS Data Network (BDN) thereby expanding automation with a view to improve services to taxpayers. BURS now has a total of 28 computerised stations out of a total of 43 which represents a throughput of 65% automation. This steady addition to the BDN at the rate of four stations per year allows BURS to work towards the accomplishment of its ICT strategic goal of a 100% automation of its core business processes in a gradual manner.

This objective will be attained without an undue burden on the organisation to incur a sharp increase in its expenditure.

- **Introduction of strategic technologies**

BURS has installed a facility that allows all BURS offices to be connected through one switchboard. This ground breaking innovation for BURS was piloted successfully by connecting the Integrity Office, which is situated in an office separate from the BURS Headquarters to the switchboard installed at the BURS Headquarters. This development allows both offices to communicate at extension line level hence reducing telephone costs associated with the use of separate switchboards at different BURS offices. The model has further saved costs relating to recruiting a switchboard operator as well as purchasing switchboard equipment for the smaller office. BURS plans to roll out the use of this technology to other BURS offices with passage of time. If fully implemented, taxpayers and traders will no longer have to remember numerous telephone numbers to call the many BURS offices; one number would suffice for the whole country.

Opening of a Second Taxpayers Service Centre in Gaborone

The Gaborone Taxpayer Service Centre (TSC) is faced with the challenge of congestion especially on the 15th and 25th of every month when taxpayers have to account for and pay their Income Tax and Value Added Tax (VAT) assessments. As an interim solution, the Revenue Service has established additional service points to assist during peak periods to service taxpayers. As a long term measure BURS has secured an additional office at the Fairgrounds Park in Gaborone.. The office is expected to be operational in September, 2011. In addition BURS intends is exploring the feasibility of installing a Queue Management System (QMS) to help alleviate congestion at its busier offices such as Gaborone and Francistown, as well as busy border posts such as Tlokweng Gate.

Customer Service Charter

The development of the BURS Customer Service Charter commenced during the 2009/10 financial year. The Charter is intended to improve Customer Service Delivery in BURS. Currently, consultations are ongoing

with major stakeholders, both internal and external, to finalise the Charter. It is intended to implement the Charter during the latter part of the 2011/12 financial year.

Enforcement

BURS is continuously seeking to identify and employ modern strategies to address non-compliance with tax laws. These include the conduct of tax audits, taxpayer education, undertaking investigations and the use of intelligence and risk management principles and processes. These measures are described in more detail below

- **Tax Audits**

During the period under review BURS closed 677 audit cases representing 48% of the targeted cases. The total additional assessment raised for both Income tax and VAT for the year amounted to P63, 585,307.00. The intended segmentation of taxpayers for Audit purposes during the 2011/12 financial year will improve compliance and tax revenue performance.

- **Intelligence and Risk Management**

Through collaboration with other government departments such as Registrar of Companies, the Directorate on Corruption and Economic Crime (DCEC), ministries and private companies, BURS is able to gather, analyse and disseminate information to facilitate the implementation of tax audits and investigation activities. This minimizes incidents of tax evasion and non compliance by the taxpayers and helps in bridging the tax gap. During the year under review, BURS conducted 8 surveys aimed at obtaining information from large, small and medium enterprises on how they conducted their tax matters. The surveys were done during various workshops conducted by the Local Enterprise Authority (LEA) through an arrangement whereby BURS officials interviewed the attending companies to get information on their tax compliance.

Taxpayer Education

BURS strongly believes that it is easy for taxpayers to comply if they are aware of their obligations and understand compliance process. In this regard BURS annually conducts several taxpayer education activities throughout the country to inform taxpayers and potential

taxpayers about tax laws. During the year under review BURS had planned to conduct 120 workshops, however, only 95 workshops of which 23 were initiated by BURS and 72 by customers were conducted due to resource limitations. The workshop conducted also included those covering music promoters and artists in the entertainment industry. BURS further participated in 7 expos/fares against 6 which were planned. Furthermore, BURS has extensively used the print media, Botswana Television and radio stations to educate the general public on the provisions of the revenue laws. In the years to come BURS intends to continue and intensify its taxpayer education campaign and during the 2011/12 financial year more focus will be given to educating the taxpayers about the new tax law amendments.

Return Processing

BURS is striving to ensure that all returns for different tax types are issued to all registered taxpayers and mailed on time and all received returns are processed within the specified timelines. During the year under review, 97.7% of VAT returns were captured and posted within the stipulated time. On the other hand the turnaround periods for various Income Tax returns took longer because of various factors, including having to deal with backlogs from previous years and taxpayers who did not provide adequate information on their returns.

The greatest challenge is for the WHT, which recorded the lowest result of 40% processed after 4 months. This is due to the instability of the WHT module, insufficient information on returns, rotation of officers to Taxpayer Service Centre (TSC), capturing of bulk individual certificates, backlog over the years since the introduction of this module.

The following activities will help improve the return processing for WHT:

- o Inspectorate Unit has been set up to assist in inspection of WHT cases,
- o Registration of all employees earning above P36,000 will also assist with the TIN numbers and Omang numbers of employees for reconciliation purposes.
- o The large taxpayer template is to be improved to enable taxpayers to submit electronically

STA/BURS project to improve tax administration capacity of BURS

The STA/BURS project that commenced during 2009/10 financial year has run smoothly over the period to 2010/11. Most of the activities planned to be carried out have started and implementation is progressing according to schedule. These activities include the establishment of the Large Taxpayer Unit (LTU), the improvement of the Information Communications Technology (ICT) infrastructure, improvement of audit capacity, intelligence, risk management, taxpayer services as well as human resource development. The project is expected to modernise BURS and assist in improving tax administration.

Training and Staff Development

One of the goals of BURS is to become an employer of choice. This entails the creation of an enabling environment to enable our employees to perform to their best ability. BURS continues to ensure that its employees are fully trained through exposing them to various training programmes both locally and regionally. Some of the courses attended by BURS staff during 2010/2011 include; Advanced Taxation Course attended by twenty (20) officers at the Botswana Accountancy College, Risk based Auditing for eleven (11) officers under the Internal Audit Division, e-auditing for fifteen (15) officers from the Internal Revenue Division and Project Management for twenty – five (25) officers from across the BURS Divisions.

Supervisory skills training was conducted for ninety (90) employees of the middle management level at the University of Botswana, to ensure that the supervisors' management and supervisory skills are honed and enhanced. A week-long customer care course facilitated by a local consultant was conducted for one hundred twenty (120) officers. The BURS also provides in-house courses for its employees and some of those conducted during the year under review include; Risk management, Valuation, Classification and Rules of origin.

- **Graduate Trainee Programme**

The preparations for the commencement of the Graduate Trainee Programme (GTP) are ongoing and the programme is planned to begin at the beginning of September 2011 at the Botswana Public Service College (BPSC).

The BURS has established partnerships with other Revenue Authorities in Tanzania, South Africa, Kenya and Zimbabwe for benchmarking and training purposes.

The GTP is divided into two levels; level 1 and level 2. Each level takes three months with a three months field-work between the two levels. Forty (40) trainees for the Graduate Trainee Programme have been identified internally and they will train on a block-release basis. These Trainees are graduate employees who have been in employment for a year or two and have not undergone a comprehensive induction course. The Trainers will be sourced internally from the BURS employees who will be engaged on par-time basis to facilitate the training.

- **Training Partnerships/Collaboration**

Another initiative geared towards improving the capacity of the BURS employees to succeed in dealing with the demands of a diverse and dynamic tax administration environment is collaboration with other Revenue Authorities.

The BURS has established partnerships with other Revenue Authorities in Tanzania, South Africa, Kenya and Zimbabwe for benchmarking and training purposes. During the 2010/2011 plan period, the BURS enrolled seven officers at the Institute of Tax Administration (ITA) in Tanzania for an eighteen (18) months Post-Graduate Diploma in Taxation and one officer for a two (2) year Diploma in Customs and Tax Management, these officers commenced

their studies in November, 2010. Two other officers are in Germany pursuing a Master of Customs Administration, law and Policy qualification under the sponsorship of the German Government.

Performance Management System

The improvement to the implementation of the Performance Management System (PMS) is continuing. The skills improvement initiatives have been embarked upon in the quest to enhance staff knowledge and skills for the improvement of the PMS implementation. Workshops were carried out during the 2010/11 financial year covering various topics such as correct drawing of Divisional plans, Individual contract formulation, conducting reviews and appraisals and validation of appraisals. The workshops covered approximately 925 BURS employees including managers and the general staff.

Development Projects

As part of its strategy to increase its footprint nationally and enhance its corporate image, BURS has embarked on a programme to upgrade border post facilities and construct new facilities at various locations across the country. During the year under review the following projects were completed namely:



Completed projects by March 31, 2011

- Upgrading of Ramokgwebana Border Post**
BURS completed the second phase of the upgrading of Ramokgwebana border post by constructing residential staff houses, extension of the existing office block, two ablution blocks, commercial office, human corridor and the external works associated. The third phase would go out to tender during the 2011/12 financial year. This phase entails the construction of residential staff houses in a form of flats and the refurbishment of all the existing staff houses.
- Temporary works at Pioneer Border Gate**
BURS carried out the refurbishment of the existing office block, additional ablutions and increasing parking for trucks and small vehicles to enable the border post staff to utilise the facilities whilst the border post is being developed for the long term.

In addition the some projects which either commenced during the 2010/11 or were ongoing will spill over into the 2011/12 financial year. These include the following:

- BURS head Office building**
The BURS Head Office building project is one of the major projects that started in the 2009/10 financial year. The project started with the design of the building which will be located in the Central Business District (CBD) in Gaborone. The construction phase of the project will commence after funds have been sourced.
- Development at Pioneer Border Gate**
The Integrated One Stop Border Post (OSBP) project at Pioneer Gate border post is ongoing and is intended to house all government departments that require a presence at the border post. The design team are working on the design of the border post.
- Construction of staff houses at Pont Drift**
This project comprises four (4) LA2 semi detached staff houses which were being constructed through the Ipelegeng labour based scheme under the supervision of the Bobonong Sub-District Council.



During the financial year 2010/11 the installation of the scanner equipments and the mobile scanner were completed and delivered to Gaborone.

• **Construction of staff houses at Mamuno**

This project comprises the construction of eight (8) LA2 semi detached staff houses at Mamuno Border Post through the Ipelegeng labour based scheme. It is supervised by the Charles Hill Sub District Council. The project commenced in January, 2011, however, it was temporarily suspended because the land on which construction was to be executed was not suitable. The project will be continued at a different site, which was subsequently allocated to BURS by the Charles Hill Sub Land board.

• **New Border post at Bokspits**

The project comprises the provision of six (6) porta cabins, one office block, four residential staff houses and an ablution block for the public. The work is expected to be completed by December, 2011 to allow for the opening of the border post to traffic before the end of the 2011/12 financial year.

• **Upgrading of Tlokweg Border Post sewerage**

This project is for the design and construction of the sewer line to connect the Tlokweg border post sewerage to the existing sewer line at Tlokweg village. The project is expected to relieve the current problem of over spilling drainage at the border post. The project is expected to be completed during the during the 2012/13 financial year.

• **X-Ray Scanners**

The Container x-ray scanner equipment was delivered to BURS during the 2010/11 financial year. Preparations to facilitate the operation of the equipment, which include the realignment of the internal road at Tlokweg gate Border post and the construction of a scanner platform at the Gaborone Container Terminal, are expected to be concluded during the 2011/12 financial year.

BURS is currently undertaking a study to estimate the tax gap to establish the magnitude of non-compliance or the tax gap and devise appropriate strategies for minimizing the gap.

New Initiatives

- **JICA project: Establishment of a One Stop Border Post between Botswana and Namibia**

The Government of Botswana requested the Government of Japan to provide technical assistance to BURS to develop capacity for the implementation of a One Stop Border Post (OSBP) between Botswana and Namibia at Mamuno/Trans Kalahari Border Post. The Government of Japan through the Japanese International Cooperation Agency (JICA) accepted the request and has since availed two experts who are based in Gaborone to assist BURS on the project. In this regard BURS has signed an agreement with JICA which covers areas to be addressed by both parties and the management of the project. The Japanese assistance will be provided over a period of three years which commenced on 1st October, 2010. The experts have already reviewed processes at the two contiguous border posts and consulted authorities and produced an Inception Report for consideration by the BURS management and the Botswana OSBP Negotiating Team for consideration.

It is intended that once the bilateral negotiations have been concluded the experts would draft the OSBP procedure manuals and train the personnel in Botswana and Namibia who would be implementing the OSBP.

- **Tax Gap estimation**

BURS is currently undertaking a study to estimate the tax gap to establish the magnitude of non-compliance or the tax gap and devise appropriate strategies for minimizing the gap. The tax gap is estimated in consultation with the Swedish experts. A Tax Gap study team has already been established comprising BURS and

Ministry of Finance and Development Planning officials. The team is expected to undertake a study visit to the Sweden Tax Agency (STA) during the 2011/12 financial year to appreciate the practice in tax gap estimation and tax revenue forecasting in Sweden. Further, BURS will commence the development of the tax revenue estimation model. The tax gap and the revenue estimation model will assist BURS to provide accurate and reliable revenue forecasts.

- **System Integration**

As a means to improving the service provision to taxpayers, BURS through the BURS/STA collaborative project, has embarked on a project to merge the Tax Management System (TMS) and the Botswana Integrated Value Added Tax System (BIVATS) for payments, registration and security. The project is expected to be operational from 1st June 2011.

- **Certificates of Origin**

With a view to improve operational efficiency, a benchmarking exercise was undertaken with the Mauritian Customs Administration relating to Automation of certificates of Origin. Preparations for the introduction of electronic certificates of origin have commenced and it is expected that during the financial year 2011/12, certificates of origin would be issued electronically. However, it is intended that this electronic system would start with the EUR 1 Certificates and would later be rolled-out to other certificates of origin.

Internal Revenue Operations and Performance Internal Revenue Operations and Performance

Revenue Performance

Internal Revenue Collection growths

The internal revenue collection for the 2010/11 financial year amounted to P13.86 billion against a target of P13.10 billion. The target was, therefore, exceeded by P760 million or 6.6%. The internal revenue collection increased by P1.79 billion or 14.7% from the 2009/10 financial year. This is mainly explained by the significant growth

Figure 6 below shows a decreasing growth of the Internal Revenue collection from 17.4% in 2005/06 to 5.5% in 2009/10. The growth rate of 5.5% recorded in the 2009/10 financial year was mainly a result of the impact of the financial crisis. However, during the 2010/11 financial year the collection realised a growth rate of 15.7% signalling that the economy was emerging from the economic downturn.

The income tax revenue collections for the 2010/11 financial year amounted to P9.21 billion while VAT revenue collection amounted to P4.65 billion. As shown in figure 8 below, the income tax revenue exceeded the target by P507 million or 6.0%. The VAT revenue collection exceeded the target by P358 million or 7.8%.

Analysis by Income Tax Type

Income Tax Revenue by Source

The major source of the income tax revenue is the assessed tax which contributed 56.1% down from 57.2% in 2009/10 followed by Deducted Tax which contributed 34.5% from 26.6% in 2009/10. The share of the deducted tax increased considerably as a result of its significant growth at 42.3%. The withholding tax revenue collection decreased significantly by P482 million or 37.4% from P1.29 billion in 2009/10 to P807 million in 2010/11. As a result the contribution of the withholding tax revenue went down from 14.3% to 9.8%. The Assessed tax increased by P349 million or 7.4% from P4,709 in 2009/10 to P5,057 in 2010/11 hence its contribution improved from 52.2% to 61.5%.

Figure 6: Overall Internal Revenue Collections against targets (P million)

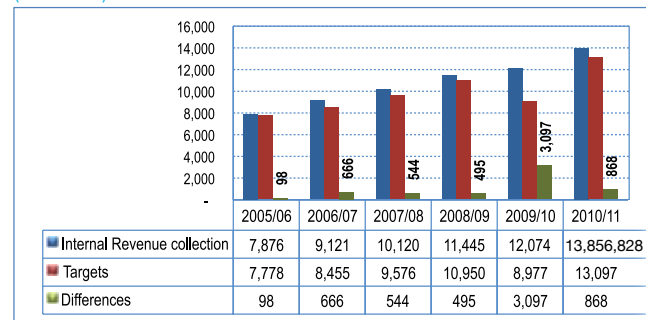


Figure 7: Internal Revenue collections growth

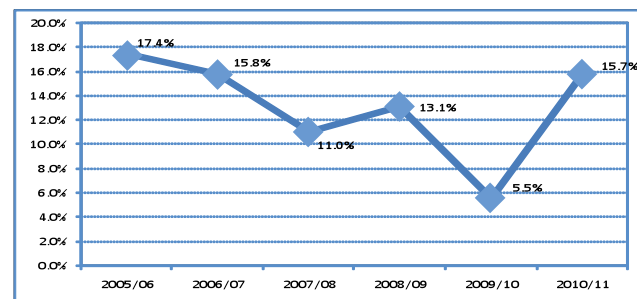


Figure 8: Internal Revenue Collection by Tax Types (P million)

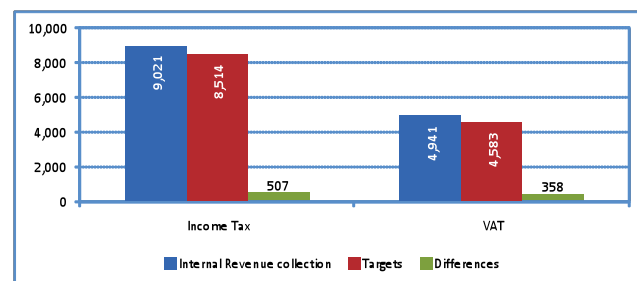


Table 1: Income Tax Revenue collection by Source

	2009/10 Actual Collections (P'000)	% collection against total	2010/11 Actual Collections (P'000)	% collection against total
Withholding Tax	1,288,566	15.7%	1,320,967	14.35%
Deducted Tax	2,186,480	26.6%	2,676,565	29.07%
Assessed Tax	4,709,202	57.2%	5,168,896	56.1%
Penalty Interest	42,850	0.5%	39,582	0.4%
Capital transfer tax	1,728	0.02%	2,328	0.0%
Total Income tax collected	8,228,826	100%	9,208,338	100%

Table 2: Value Added Tax Revenue collection by Source

	2009/10 (P'000)	% collection against total	2010/11 (P'000)	% collection against total
VAT Imports	2,632,324	52.7%	3,459,037	74.4%
VAT internal	2,177,312	43.6%	2,705,327	58.20%
VAT interests & penalties	32,337	0.6%	39,422	0.8%
Fuel levy	150,015	3.0%	149,795	3.2%
Gross receipts	4,991,988	100.0%	6,353,581	100.0%
Less Refunds	1,147,040	23.0%	1,705,206	36.7%
Net VAT receipts	3,844,948		4,648,381	

Value Added Tax (VAT) Revenue by Source

The gross VAT collection for the current financial year is P6.35 billion while the total VAT refunds paid to taxpayers amounted to P1.71 billion. The VAT refunds constitute 36.7% of the gross VAT collections. The net collection is, therefore, P4.65 billion. The VAT imports contributed the highest amount at P3.46 billion or 74.4% followed by internal VAT at P2.71 billion or 58.2% to the gross VAT collections. In comparison with the previous year there is an increase in the total net VAT collection by P0.81 billion or 21.07% while the refunds increased by P0.57 billion or 49.7%. The refunds increased as a proportion of gross receipts from 23.0% in 2009/10 to 36.7% in 2010/11. The refunds are for the Diplomats, exploration companies and exports. The exploration companies do not have taxable activities while exports are zero rated.

Customs and Excise Operations and Performance

CHITWANE ANA EXCISE OPERATIONS ANA BEFOTWANE

Southern African Customs Union (SACU) Revenue Pool Receipts

The Southern African Customs Union (SACU) receipts for the 2010/11 financial year amounted to P6.2 billion against a target of P5,110 million. The target was, therefore, exceeded by P1.1 billion or 21.4%. Botswana's share from the SACU revenue pool continues to be a major revenue source for the country representing 30.8% of the total tax revenues. The Botswana's share from the Common Revenue Pool decreased from P7.9 billion in 2009/10 to P6.2 billion in 2010/11, representing a decrease by P1.7 billion or 21.7%. The decrease in the common revenue pool receipts was attributed to a deduction to the members' shares as an adjustment to account for the deficit in the Common Revenue Pool (CRP) which was realised in the previous financial year.

The SACU revenue pool recorded a lower collection of R38.2 billion in 2010/11 from R51.98 billion collected in 2009/10. This represents a contraction of the revenue pool by 26.5% during the period. This is mainly due to the huge declines recorded by Swaziland (62.1%), Lesotho (56.0%), Namibia (40.0%) and Botswana (38.3%) while South Africa recorded a slight contraction of 3.5%. As a result, all SACU members except South Africa recorded declining shares of the SACU revenue pool while South Africa recorded a huge increase of its share from 46.4% in 2009/10 to 60.9% in 2010/11.

For the year under review, Botswana's share from the pool was the second highest after South Africa. Botswana's share represents 14.8% of the total shares as demonstrated in the following figure. Botswana's share decreased significantly by R3.51 billion or 38.3% from R9.17 billion to R5.66 billion.

The SACU receipts have been increasing at a decreasing rate over the period from 2006/07 to 2010/11, closely reflecting the declining performance of the total revenue collection.

Review of the SACU Revenue Sharing Arrangement

Following the decision to review the SACU revenue sharing arrangement by the SACU Member States during the 2010/11 financial year, a consultancy firm has been contracted to undertake the review. The revision of the formula, in terms of the options proposed by the consultant, may eventually have the effect of reducing Botswana's revenue shares in the future.

Figure 9: Southern African Customs Union (SACU) Receipts (P billion)

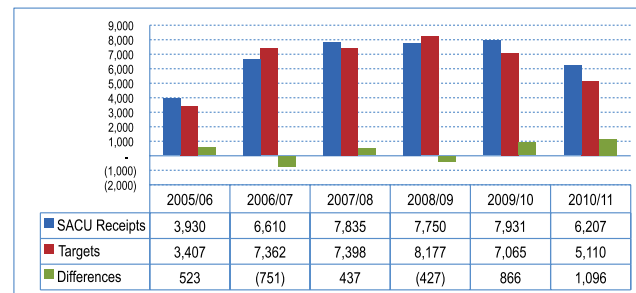


Figure 10: SACU Pool Receipts for 2010/11 (Rands)

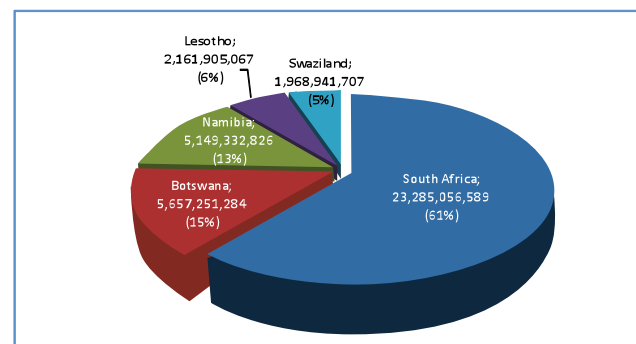


Figure 11: SACU Receipts growth rate

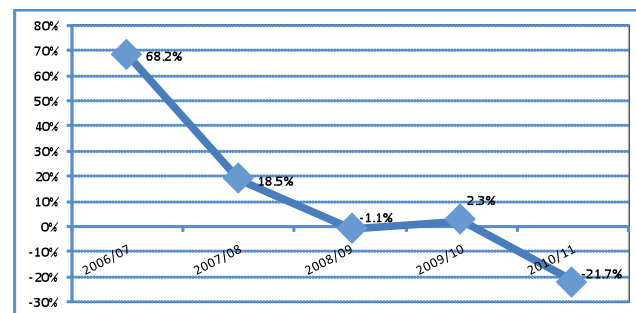


Table 3: Customs and Excise Duty Collections paid to the Common Revenue Pool (CRP)

	2009/2010	2010/2011	Variation	% Variation
Import Customs Duty	198,869,834	123,258,494	-71,611,440	-36.7%
Advalorem	15,417,439	14,291,791	-1,125,648	-7.3%
Anti Dumping	1,152,427	2,294,632	1,142,205	99.1%
Excise Duty	85,871,607	94,548,518	8,676,911	10.1%
Total	297,311,407	337,107,003	39,795,596	13.4%

Table 4: Trade Statistics for 2009/10 and 2010/11 (P'000)

MONTH	IMPORTS		EXPORTS		TRADE BALANCE	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
April	2,495,230	2,783,879	2,309,162	1,400,304	-186,068	-1,383,575
May	2,692,951	2,779,711	2,508,960	2,431,313	-183,991	-348,398
June	2,863,908	3,282,445	2,160,073	3,525,684	-703,835	243,239
July	2,833,369	3,385,577	2,748,544	3,308,845	-84,825	-76,732
August	2,757,707	2,821,245	1,497,732	2,243,050	-1,259,975	-578,195
September	2,860,435	3,274,942	2,641,102	2,679,659	-219,333	-595,283
October	3,692,386	3,418,367	2,029,474	3,137,682	-1,662,912	-280,685
November	2,929,168	4,232,814	2,707,653	3,463,591	-221,515	-769,223
December	2,606,206	3,138,819	1,932,190	1,943,632	-674,016	-1,195,187
January	2,699,762	3,203,492	2,278,457	3,006,475	-421,305	-197,017
February	3,221,568	4,303,315	2,660,054	2,020,509	-561,514	-2,282,806
March	4,009,634	4,492,878	2,679,219	4,318,747	-1,330,415	-174,131
TOTAL	35,662,324	41,117,483	28,152,621	33,479,491	-7,509,703	-7,637,992
Growth Rates (%)		13.30%		15.90%		

Table 5: Summary of Imports and Export Declarations

	Imports Declarations	Exports Declarations
2009/10	596,598	50,623
2010/11	605,241	57,179
Difference	8,643	6,556
Variation (%)	1.43	11.5

Customs and Excise Duty Collections

The Southern African Customs Union (SACU) Member States are required 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 SACU Agreement. In accordance with this requirement, Botswana collected and paid into the CRP a total amount of P337 million during the 2010/11 compared to P297 million collected in the previous financial year. This represents an increase of 13.4% during the period. The increase is mostly attributed to the growth of imports from outside the SACU region and excisable goods produced during the period.

External Trade

During the period under review, BURS processed greater amount of import and export goods. Export declarations processed increased by 18.9% from P28,152 million in 2009/10 to P33,479 million in 2010/11 while import declarations increased by 15.3% from P35,662 million to P41,117 million, respectively. Despite the higher growth rate attained by the exports compared to imports, the economy recorded negative trade balances during the period, as shown in table 3 below. As a result, trade balance worsened by 1.7% in 2010/11.

Volume of Import and Export Declarations

During the period under review, BURS processed a total of 605,241 import declarations and 57,179 export declarations at different customs offices and border posts, as shown in table 5 below. The declarations grew compared to the previous financial year. The import declarations processed grew by 8,643 or 1.4% while the export declarations processed grew by 6,556 or 11.5% from the 2009/2010 financial year. The bulk of the declarations amounting to 340,060 (56%) were processed at the Tlokweng border post. The lowest number of declarations was processed at Jwaneng and Maitengwe border post. Jwaneng recorded 31 declarations whereas Maitengwe processed only 20 declarations. The low number of declarations at Maitengwe is due to the continuous unavailability of the network.

Post Clearance Audits

A total amount of 99,603 declarations were audited during the 2010/11 financial year as compared to 91,323 declarations that were audited during the 2009/10 financial year. This represents a 9% increase. The 99,603 declarations represent 16.5% of the total number of declarations processed exceeding the target of 15%. This has resulted in additional revenue collections of P24,9 million.

Passenger Traffic

The number of people entering and leaving Botswana declined during the year under review. A total of 6 million people were cleared at various ports of entry compared to 6.5 million in the 2009/10 financial year. This represents a decrease of 0.5 million people or 8.3%.

Agency Work Performed on Behalf of other Government Departments

BURS continues to collect revenues on behalf of government agencies and departments at entry points. The collections include Flour Levy, Road Transport Permit fees and Road Safety levy. Most importantly the agency work involves implementing statutory controls on the movement of goods whose importation or exportation may be restricted or prohibited. The agencies and departments and the amount of levies collected are provided in table 6 below.

The revenue collected for the agencies and departments amounted to P553 million in 2010/11 compared to P526 million collected in 2009/10 financial year. This represents an increase of P27 million or 5.1%. As a cost recovery measure, BURS charges service fees from the collection of the levies and pay out to the agencies and department the collection net of the service fee charges. The service fees charged by BURS for collecting the levies amounted to P36 million representing an increase of P1 million or 2.9% over the previous year fees.

The actual levy collections (net of the service fee charges) paid to the agencies and departments amounted to P516 million showing an increase of P25 million or 5.1% from the amount paid to the agencies and departments in the previous financial year.

Table 6: Levies collected on Behalf of Other Government Departments

Organisation	Description	Gross Collections	Agreed Fees	Net Collections
Ministry of Trade & Industry	Flour Levy	6,082,248	-	6,082,248
Ministry of Transport & Works	Transport Permits, Road Safety and Foreign Registered Vehicles	80,846,903	9,701,628	71,145,274
Motor Vehicle Accident Fund (MVAFF)	Motor Vehicle Third Party Insurance Levy	8,369,280	836,928	7,532,352
Ministry of Trade & Industry	Alcohol Levy	289,415,841	16,460,269	257,877,553
Botswana Training Authority (BOTA)	Training Levy	157,016,072	7,850,804	149,165,269
Registrar of Companies (ROC)	Halogram	2,092,855	125,571	1,967,284
Totals	All Levies	552,823,199	36,419,882	516,403,318

The revenue collected for the agencies and departments amounted to P553 million in 2010/11 compared to P526 million collected in 2009/10 financial year. **This represents an increase of P27 million or 5.1%.**

Developments in Respect of the International and Regional Agreements

BURS subscribes to a number of agreements regionally and internationally. The developments in respect of these obligations and agreements that took place during the period under review are as follows.

During the period under review, twenty four (24) applications were considered for registration as exporters under various Trade Agreements including the SADC FTA, Botswana/Zimbabwe Trade Agreement, SADC-EU EPA, SADC-EFTA and AGOA. Twenty two (22) were approved and two (2) were rejected.

Southern African Development Community (SADC)

- **Implementation of the Southern African Development Community (SADC) Protocol on Trade**

As part of the implementation of the SADC Free Trade Area Agreements which was launched in August 2008, a total of fifteen (15) manufacturers were registered under the agreement during the year under review. As a result, the volume of trade between Botswana and other SADC member States increased considerably. The Botswana's exports in terms of the FTA are mainly destined to Zimbabwe, Zambia and the Democratic Republic of Congo (DRC).

- **Southern African Development Community-European Community Interim Economic Partnership Agreement (SADC- EC EPA)**

Two companies that exported under this agreement during the year under review were the Botswana Meat Commission (BMC) and Tati Nickel Mining. The companies exported beef and nickel, respectively, to the European Community (EC). No textile or clothing products were exported to the European Community (EC) during the period under review since all the registered textile companies under this agreement have closed down. As a result, the origin certification queries during the year reduced due to the closure of the textile companies that exported to the EC.

BURS staff participated in the meetings for the Technical Working Groups preparing for the implementation of the SADC- EC EPA.

Even though the target of concluding the EPA negotiations by end of 2010 was not met, some progress has been realized in the area of market access, the rules of Origin and Cumulation with South Africa. The technical experts were able to establish a common understanding of cumulation and developed a joint working text, which was approved by the Senior Officials.

Southern African Customs Union (SACU)

- **SACU Summit**

The SACU Heads of State and Government held a SACU Summit in July 2010 and identified key challenges currently facing the region that required urgent attention. Among the issues considered were the Cross Border Infrastructure and Trade Facilitation. To this end, the SACU Heads of Customs met to address the priorities identified by the Summit. An action plan has been developed with five priority areas focussing on IT Interconnectivity; Enforcement; Improving Border Efficiencies; Partnerships with Traders and Legislation. The plan will guide the SACU Customs programme and progress reporting to the SACU Council and Summit on regular basis.

- **Southern African Customs Union - European Free Trade Area (SACU-EFTA) Trade Agreement**

During the period under review, Botswana Meat Commission (BMC) and Tati Nickel Mining were the two local companies which took advantage of the SACU-EFTA Trade Agreement by exporting beef and nickel/copper matte, respectively.

- **Classification and Tariff Management**

During the period under review, a total of twenty (20) different amendments to the SACU Tariff 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 and the ASYCUDA System.

- **Double Tax Avoidance Agreements (DTAAs)**

During the 2010/11 financial year, BURS was engaged in the Double Tax Avoidance Agreements

(DTAAs) with Belgium and Portugal and the negotiations will continue during the next financial year.

World Customs Organization (WCO)

- **World Customs Organization (WCO): E-learning Programme**

During the year under review, thirteen Customs Officers were enrolled to pilot the e-learning programme of the WCO. The officers were registered for various short courses relevant to their areas of work namely; Customs controls, the Harmonised System of Classification, the Authorised Economic Operator Programme, the SAFE Framework of Standards, Integrity, the Customs Valuation Agreement and Rules of Origin. Eleven officers successfully completed their modules and were awarded certificates.

- **World Trade Organisation (WTO) Negotiations on Trade Facilitation**

BURS represented Botswana at the WTO negotiations on Trade Facilitation during the 2010/11 financial year. The divergences of negotiating positions between the different countries varied due to the levels of development, industrialisation and trade openness existing among the member states of the WTO. More than ninety per cent (90%) of proposals tabled for discussion at the WTO come from developed countries or newly industrialised economies mostly seeking more open procedures, techniques and policies while developing countries were more reserved given their level of development.

- **Conduct of the Time Release Study**

In September, 2010 BURS with the technical support of the SACU and WCO Secretariats, conducted a time release study at Mamuno border post with the view to measure the average time taken from the arrival of the goods to the time the goods are released from Customs control. The study was limited to the import of goods by road covering both manual and automated Customs procedures. The study revealed that the average time taken from the lodgement of a goods declaration with Customs

to the release of goods at the Mamuno border post is 13.12 minutes.

African Growth Opportunity Act (AGOA)

During the period under review two companies exported their textile products to the USA under the African Growth Opportunity Act (AGOA). The two companies are Caraapparel and Marine Garments. Marine Garments, a joint venture between a local company and a Chinese company, is a new company registered in January 2011 to export T-shirts and shorts.

Other Agreements/Obligations

- **Audits for Rules of Origin Compliance**

The Ramokgwebana Border Post and Lobatse regional office were selected for audit with a view to enhance compliance with the rules of origin. One hundred and fifty six (156) import declarations and two hundred and seventeen (217) export declarations processed were audited. The audit included among other things double certification where two certificates for different trade agreements are issued for one consignment. The findings will be used to guide and direct officers based at stations and regions on proper implementation of trade agreements.

Challenges

Challenges

Although BURS continues to make studies in respect of improving its performance it faces a number of challenges some of which are common to revenue administration. The challenges include mainly, low compliance levels, undervaluation of goods and services, and smuggling.

- **Budget Constraints**

BURS is currently funded through Government subventions. The subventions have over the years not been adequate, forcing the Revenue Service to forego some of planned initiatives which would otherwise improve tax revenue collection. Further, the subventions are always released late. This does not augur well for the effective administration of the Revenue Service. A review of this funding option was carried out in 2009, with the assistance of the European Union (EU) and a proposal was presented to the Ministry of Finance and Development Planning (MFDP) recommending an alternative funding option. The proposed option is expected to improve BURS performance as it would provide proper and/or adequate financial base for efficient planning, autonomy and certainty.

- **Maintenance of Facilities**

The maintenance of facilities especially border posts continues to provide one of the major challenges for BURS. Most of these border posts, particularly those in the remote areas, are not in good working conditions as there are many, widespread and placed in the most remote of places and some without satisfactory ablution facilities. It is, therefore, a big challenge for BURS to properly and efficiently maintain these borders in the least cost manner. This makes it difficult for BURS to achieve some of its critical goals of effectively bringing services closer to the taxpayers and improve accessibility to taxpayer services because the border posts are many and widespread geographically.

- **Undervaluation of Imported used vehicles**

During the period under review, a total amount of P1.0 million in the form of VAT and customs duties was re-covered from the re-valuation of undervalued imported used vehicles. In order to curb the undervaluation of goods, BURS is in the process of developing a valuation database

which will ensure that incidents of undervaluation by importers are detected promptly and remedial action taken. A benchmarking exercise was undertaken during the 2010/11 financial year with Mauritius Revenue Authority (MRA) whose valuation systems are expected to assist BURS to address this problem.

- **Tax Arrears/Debt Management**

The overall debt level increased from P1.014 million in 2009/10 to P1.124 million in 2010/11 depicting an increase of 11%. The P1.124 million outstanding tax arrears comprise of P532 million (47%) amount of the principal tax and P592 million (53%) of the penalties and interest. The increase in the debt to P1.124 million is mainly due to interests charges that accrued on old arrears that has to be written off as either the businesses owing the tax are no longer operating or recovering from the Directors has proven to be futile.

- **Smuggling and Non Declaration of Goods**

Smuggling and non-declaration of imported goods continues to be a major challenge for BURS as this denies the economy the much needed revenue for development in the form of unpaid customs duties and VAT. These offences have a negative impact on the competitiveness of legitimate businesses. The offences also undermine other law enforcement efforts such as the prevention of drug trafficking, money laundering and other serious economic crimes. During the 2010/11 financial year, 655 people were intercepted by customs officials attempting to illegally import goods into Botswana compared to 561 people during 2009/10 financial year. This shows an increase of about 16.8% between the two periods.

A total of 42, 467 cartons originating from Zimbabwe were seized for non-declaration with the potential of generating P4.0 million in the form of excise duties. The trend on cigarette smuggling has been a serious concern for the past three financial years. In an effort to try and counteract the problem, joint operations were conducted with the Botswana Police at different strategic points identified as high risk.

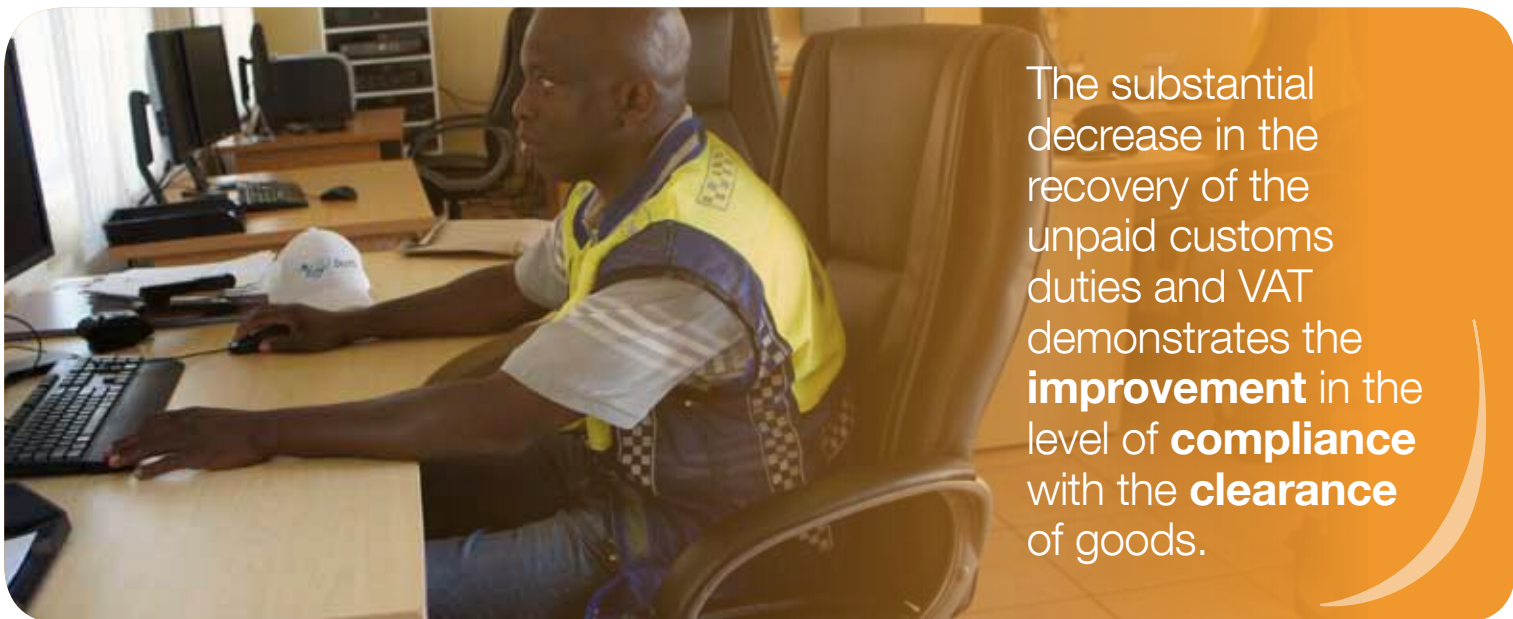
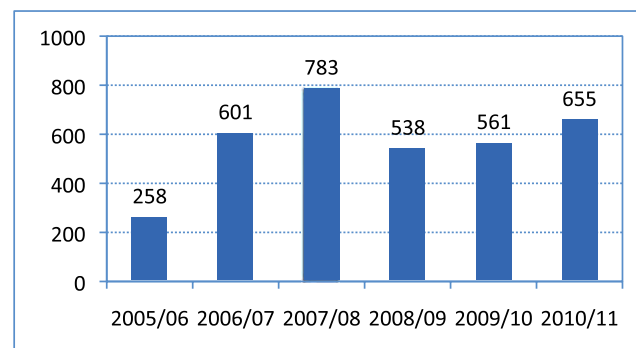
It has also been discovered that local cigarettes manufacturers were also diverting cigarettes exports destined for countries outside SACU back into the SACU market.

Another challenge is the smuggling of facial creams. These creams are restricted under Drugs and Related Substances Act and most of them are being smuggled from Zambia and Zimbabwe. A total of 310 tubes of creams have been transferred to the Drug Regulation Unit for disposal.

Investigative operations we conducted at points of entry/exit targeting cross border traffic and goods to enhance compliance. Some operations targeted illicit fire arms trafficking, drug trafficking, motor vehicle theft, human trafficking and illegal immigrants. During these operations, 44 master cases of cigarettes were seized and a total of P34,750 was collected as admission of guilt fines. Other investigations which include non-declaration of imported vehicles resulted in the collection of admission of guilt fines to the sum of P292,708.

During the 2010/11 financial year, revenue amounting to P24.8 million was recovered through post clearance checking of declarations submitted to BURS during processing and application through the ASYCUDA System's selectivity mechanism compared to P43.3 million recovered during the last financial year. The substantial decrease in the recovery of the unpaid customs duties and VAT demonstrates the improvement in the level of compliance with the clearance of goods.

Figure 12: Seizures during the 2010/11 financial year



The substantial decrease in the recovery of the unpaid customs duties and VAT demonstrates the **improvement** in the level of **compliance** with the **clearance** of goods.

I would like to take this opportunity to express my gratitude to the 1,266 BURS employees who each day do their best to provide services to the general public, businesses and the economy at large. **It gives me a privilege to lead such a supportive, dynamic and motivated staff.**

Conclusion

Overall BURS has performed satisfactorily under the prevailing challenges. The good performance is a result of the initiatives that BURS has embarked upon during the year under review. However, a great amount of work still has to be done especially given the decreasing rate of growth of the tax revenue collections. Nevertheless, we remain confident and committed to achieving objectives for the 2011/12 financial year. The implementation of the proposed tax amendments as well as other initiatives such as the Customer Service Charter, Enforcement, Taxpayer Education, Training, System Integration and Tax Gap estimation would lead to enhanced tax compliance and revenue collections. In addition, our initiatives such as the BURS/STA and JICA projects would go a long way in equipping staff with appropriate skills to enable them to perform their duties effectively and efficiently.

I would like to take this opportunity to express my gratitude to the BURS employees who each day do their best to provide services to the general public, businesses and the economy at large. It gives me a privilege to lead such a supportive, dynamic and motivated staff.

I would also like to thank the Minister of Finance and Development Planning (MFDP) and the BURS Board, various committees and other consultative bodies for the tireless support and guidance they provided to me, BURS Management Team and Staff.



Mr. Ken R. Morris
Commissioner General

Botswana Unified Revenue Service

Annual Financial Statements

31 March 2011

(Own Accounts)

General Information

Board of Directors

Taufila Nyamadzabo: Chairperson
Daniel N. Loeto: Vice Chairperson
Freddy Modise(resigned : 30 November 2010)
Keneilwe R. Morris: Commissioner General (appointed : 1 December 2011)
John Y. Stevens
Oteng B. Batlhoki(appointed : 1 July 2010)(resigned: 11 July 2011)
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

Botswana Unified Revenue Service (Own Accounts)
Annual Financial Statements
31 March 2011

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Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

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 2011, the statement of comprehensive income, the statement of changes in reserves, and the statement of cashflows 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 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, inconformity with IFRS.

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 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 BURS'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 can not 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 state that, for the year ended 31 March 2011, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 15(5) which requires the Board sub-committees to meet at least four times a year for the transaction of its business;
- Paragraph 28(2) 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; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.

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.

Botswana Unified Revenue Service (Own Accounts)

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31 March 2011

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 auditors are responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been audited by BURS's external auditors and their audit report is presented on pages 38 and 39.

Directors' Approval of the Annual Financial Statements

The annual financial statements set out on pages 40 to 63, which have been prepared on the going concern basis, were approved by the Board on 8 December 2011 and were signed on its behalf by:



Board Chairperson



Commissioner General

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

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

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

Report on the Financial Statements

We have audited the annual financial statements of Botswana Unified Revenue Service: OwnAccounts which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 63.

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 International Financial Reporting Standards and in the manner required by the Botswana Unified Revenue Service Act, 2003, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 at 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Unified Revenue Service Act, 2003.

Botswana Unified Revenue Service (Own Accounts)

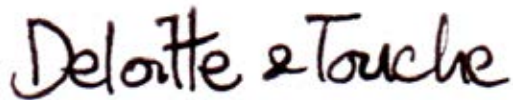
Annual Financial Statements

31 March 2011

Report on Legal and Regulatory Requirements

For the year ended 31 March 2011, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 15 (5) which requires the Board sub-committees to meet at least four times a year for the transaction of its business;
- Paragraph 28 (2) 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; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year.

The logo for Deloitte & Touche, featuring the company name in a stylized, handwritten-style font.

Deloitte & Touche
Certified Public Accountants
Practicing Member: C V Ramatlapeng (20020075.24)

Gaborone
15 December 2011

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

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Statement of Comprehensive Income

Statement of Comprehensive Income

	<u>Notes</u>	<u>2011</u> P'000	<u>2010</u> P'000
Income			
Government funding for recurrent expenditure	6	235 304	234 077
Other income	7	55 706	42 685
Total income		<u>291 010</u>	<u>276 762</u>
Other gains and losses	8	<u>(15 243)</u>	<u>4 276</u>
Expenses			
Administrative expenses	9	(99 308)	(71 714)
Staff costs	10	<u>(229 464)</u>	<u>(195 376)</u>
Total expenses		<u>(328 772)</u>	<u>(267 090)</u>
(Deficit) / surplus for the year		<u>(53 005)</u>	<u>13 948</u>
Other comprehensive income / (deficit) for the year			
Gains on revaluation of properties	11	40 622	-
Adjustment to properties revaluation reserve	11	<u>(2 541)</u>	<u>(2 700)</u>
		<u>38 081</u>	<u>(2 700)</u>
Total comprehensive (loss) / income for the year		<u><u>(14 924)</u></u>	<u><u>11 248</u></u>

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Statement of Financial Position
 Statement of Financial Position

	<u>Notes</u>	<u>2011</u> P'000	<u>2010</u> P'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	258 151	1 99 479
Investment property	14	19 646	19 000
		<u>277 797</u>	<u>218 479</u>
Current assets			
Inventories	15	2 773	3 392
Trade and other receivables	16	24 504	54 780
Cash and cash equivalents	17	40 404	37 000
		<u>67 681</u>	<u>95 172</u>
Assets classified as held for sale	18	138	575
		<u>67 819</u>	<u>95 747</u>
Total assets		<u>345 616</u>	<u>314 226</u>
RESERVES AND LIABILITIES			
Reserves			
Capital reserve		224 513	215 239
Properties revaluation reserve	11	52 566	14 485
Accumulated surplus		1 130	27 390
		<u>278 209</u>	<u>257 114</u>
Current liabilities			
Trade and other payables	19	67 407	57 112
Total reserves and liabilities		<u>345 616</u>	<u>314 226</u>

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Statement of Changes in Reserves

Statement of Changes in Reserves

	Note	Capital reserve P'000	Properties revaluation reserve P'000	Accumulated (loss) / surplus P'000	Total P'000
Balance at 1 April 2009		156 027	17 185	(789)	172 423
Total comprehensive income for the year		-	(2 700)	13 948	11 248
Transfer to retained earnings	12	(14 231)	-	14 231	-
Government funding for capital expenditure		73 443	-	-	73 443
Balance at 31 March 2010		215 239	14 485	27 390	257 114
Total comprehensive loss for the year		-	38 081	(53 005)	(14 924)
Transfer to retained earnings	12	(26 745)	-	26 745	-
Government funding for capital expenditure		36 019	-	-	36 019
Balance at 31 March 2011		224 513	52 566	1 130	278 209

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Statement of Cash Flows
 Statement of Cash Flows

	<u>Notes</u>	<u>2011</u> P'000	<u>2010</u> P'000
Cash flows from operating activities			
(Deficit) / surplus for the year		(53 005)	13 948
Less: interest income		(2 303)	(4 182)
Adjustment for non-cash items	21	28 691	9 955
Operating (deficit) / income before working capital changes		<u>(26 617)</u>	<u>19 721</u>
Changes in working capital			
Decrease / (increase) in trade and other receivables		30 276	(37 790)
Decrease / (increase) in inventories		619	(49)
Increase in trade and other payables		10 295	24 787
Net cash generated from operating activities		<u>14 573</u>	<u>6 669</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(50 148)	(54 027)
Proceeds on disposal of property, plant and equipment		657	2 177
Interest received		2 303	4 182
Net cash used in investing activities		<u>(47 188)</u>	<u>(47 668)</u>
Cash flows from financing activities			
Net development funding received from the Government of Botswana		36 019	73 443
Net cash generated from financing activities		<u>36 019</u>	<u>73 443</u>
Increase in cash and cash equivalents		3 404	32 444
Cash and cash equivalents at beginning of year		37 000	4 556
Cash and cash equivalents at end of year	17	<u><u>40 404</u></u>	<u><u>37 000</u></u>

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

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 OWN ACCOUNTS. The financial statements – ADMINISTERED GOVERNMENT REVENUE ACCOUNTS cover transactions relating to the revenue collected on behalf of the Government. The financial statements – OWN ACCOUNTS cover those operational transactions, 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 current period, the entity has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2010. The adoption of these standards has not resulted in any significant changes to the entity's accounting policies and has not affected either the amount or the presentation and disclosure of amounts reported in these financial statements.

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

(Continued)

2.2 Standards and Interpretations in issue not yet effective

Certain new accounting standards, interpretations and amendments to existing standards which have been published that are mandatory for the entity's accounting periods beginning on or after 1 April 2011 which the company has not early adopted, are as follows:

New/Revised International Financial Reporting Standards		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 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

(Continued)

2.2 Standards and Interpretations in issue not yet effective (continued)

New/Revised International Accounting Standards		Effective Date
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 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	Annual periods beginning on or after 1 July 2012
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	Annual periods beginning on or after 1 January 2013
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRIC Interpretations		Effective Date
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	IAS 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

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

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements (Continued)

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with International Financial Reporting Standards requires 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) Interest income

Interest income includes interest on bank deposits and is recognised in profit or loss on an accrual basis using the effective interest method.

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

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

3.4 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, is recognised in profit or loss 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 and impairment losses, if any, is transferred from the capital reserve to the accumulated surplus/ (deficit).

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements (Continued)

3.5 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.

(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 can not 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 the end of each reporting period. 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.

3.6 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 end of each reporting period. 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. 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 profit and loss. On the subsequent sale or retirement of a revalued

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3.6 Property, plant and equipment (continued)

Land and buildings (continued)

property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated surplus/(deficit).

- 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.

(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:

Category	Economic life (in years)
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 remaining lease period remaining

The estimated useful lives, residual values and depreciation methods are reviewed at end of each reporting period, 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.

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.

(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.

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(v) **Repairs and maintenance**

Repairs and maintenance are charged to profit and loss 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.

3.7 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 profit and loss in the period in which they arise.

3.8 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 end of the reporting period. All differences are taken to the profit and loss. 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.

3.9 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 profit and loss when employees have rendered the service entitling them to the contributions.

3.10 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 end of the reporting period. For employees on daily rate terms, an accrual is made for the severance benefits.

3.11 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 'Non-Current Assets Held for Sale'. Non-Current Assets Held for Sale are measured at the

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lower of their carrying amounts and fair values less costs to sell.

3.12 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.

3.13 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.

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.

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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, properties revaluation 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, BURS's obligations are discharged, cancelled or they expire.

3.14 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.

3.15 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.

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3.16 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.

3.17 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 statement of financial position 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 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

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in the surplus for the year of P402 982 (2010:P370 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:

- (i) Cash and cash equivalents -all deposits and cash balances are placed with reputable financial institutions.
- (ii) Staff debts are recovered in terms of the applicable policy and procedures directly from the employees salary.
- (iii) 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.

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. 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.

	2011	2010
	P'000	P'000
5.5 Categories of financial instruments		
Financial assets		
Loans and receivables (including bank balances and cash)	<u>63 125</u>	<u>88 151</u>
Financial liabilities		
Other liabilities	<u>67 407</u>	<u>57 112</u>

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, the properties revaluation reserve, and accumulated funds as disclosed in the statement of changes in reserves.

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	2011	2010
	P'000	P'000
6. Government Funding for Recurrent Expenditure		
Funding for recurrent expenditure	245 133	245 133
Less: utilised for capital expenditure	(9 829)	(11 056)
Funding utilised for recurrent expenditure	<u>235 304</u>	<u>234 077</u>

7. Other Income

Bank interest	2 303	4 182
Rental income	2 163	2 136
Agency commissions	42 095	35 308
Provision of technical service by Swedish International Development Agency	3 257	-
Other income	5 888	1 059
Total other income	<u>55 706</u>	<u>42 685</u>

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	646	2 230
Gain on disposal of assets	82	2 046
Loss on revaluation of property	(15 971)	-
Total other gains and losses	<u>(15 243)</u>	<u>4 276</u>

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	2011	2010
	P'000	P'000
9. Administrative Expenses		
Auditor's remuneration - current year	846	779
- prior year	50	112
Computer support	6 237	5 486
Consultancy costs and legal costs	3 871	2 393
Consulting with Swedish International Development Agency	6 514	-
Depreciation of property, plant and equipment	13 448	14 231
Electricity and water	3 361	2 961
Printing, stationery and office expenses	12 063	10 959
Operating lease rentals	13 790	9 242
Repairs and maintenance	6 476	4 717
Telephone and postage	5 399	3 943
Training expenses	3 523	1 942
Seminars, workshops, travelling and other administrative expenses	<u>23 730</u>	<u>14 949</u>
Total administrative expenses	<u>99 308</u>	<u>71 714</u>
10. Staff Costs		
Salaries and wages	187 273	157 216
Medical aid contribution	4 336	3 708
Annual performance bonus	12 913	10 559
Employee benefits- Gratuity and severance	1 184	1 238
- Pension contribution	19 918	16 662
- Leave	<u>3 840</u>	<u>5 993</u>
Total staff costs	<u>229 464</u>	<u>195 376</u>
11. Properties Revaluation Reserve		
Balance at beginning of year	14 485	17 185
Gains on revaluation of properties during the year	40 622	-
Adjustment to properties revaluation reserve	<u>(2 541)</u>	<u>(2 700)</u>
Balance at end of year	<u>52 566</u>	<u>14 485</u>
12. Transfer to Retained Earnings		
Transfer of realised income on depreciation of funded assets	13 448	14 231
Transfer of realised income on valuation loss of funded assets	15 971	-
Transfer of realised income on disposals	<u>(2 674)</u>	<u>-</u>
Total transfer to retained earnings	<u>26 745</u>	<u>14 231</u>

Notes to the Annual Financial Statements (Continued)

13. Property, Plant and Equipment

Cost/valuation	Computers & Equipment										Total
	Land	Buildings	Leasehold Improvements	Motor Vehicles	Office Furniture	Office Equipment	Plant & Machinery	Porta Camps	Work-in-Progress		
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
At 1 April 2010	32 058	107 352	13 405	11 878	6 439	17 293	897	2 868	34 953		227 143
Additions	1 128	1 269	155	3 280	664	2 561	122	1 116	39 853		50 148
Transfer to non-current assets held for sale	-	-	-	(315)	-	-	-	-	-	-	(315)
Other transfers	-	1 659	-	-	-	-	-	-	(1 659)	-	-
Adjustment to properties revaluation reserve	8 878	10 725	-	1 219	-	-	-	-	-	-	20 822
Disposals	-	-	-	(168)	-	-	-	(5)	-	-	(173)
At 31 March 2011	42 064	121 005	13 560	15 894	7 103	19 854	1 019	3 979	73 147	-	297 625
Accumulated depreciation											
At 1 April 2010	-	2 216	6 346	2 723	2 493	12 461	310	1 115	-	-	27 664
Current year charge	-	2 832	3 658	1 734	1 025	3 464	197	538	-	-	13 448
Transfer to non-current assets held for sale	-	-	-	(177)	-	-	-	-	-	-	(177)
Adjustment to properties revaluation reserve	-	(5 048)	-	3 760	-	-	-	-	-	-	(1 288)
Disposals	-	-	-	(168)	-	-	-	(5)	-	-	(173)
At 31 March 2011	-	-	10 004	7 872	3 518	15 925	507	1 648	-	-	39 474
Carrying amount											
At 31 March 2011	42 064	121 005	3 556	8 022	3 585	3 929	512	2 331	73 147	-	258 151

Work-In-Progress amounting to P73,147 million is made up of the following :

Installation of a Payroll SAP module	1 750
Residential and office accommodation at Ramokgwebana and Pioneer Border Posts	42 880
Installation of non-intrusive scanners	28 517
Total Work-In-Progress	73 147

Notes to the Annual Financial Statements (Continued)

13. Property, Plant and Equipment (continued)

	Computers &										Total	
	Land	Buildings	Leasehold Improvements	Motor Vehicles	Office Furniture	Equipment	Plant & Machinery	Porta Camps	Work-in-Progress			
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Cost/valuation												
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)		
At 31 March 2010	32 058	107 352	13 405	11 878	6 439	17 293	897	2 868	34 953	227 143		
Accumulated depreciation												
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)		
At 31 March 2010	-	2 216	6 346	2 723	2 493	12 461	310	1 115	-	27 664		
Carrying amount												
At 31 March 2010	32 058	105 136	7 059	9 155	3 946	4 832	587	1 753	34 953	199 479		

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

Installation of a Payroll SAP module	1 246
Construction of residential and office accommodation at Ramokwebana and Pioneer Border Posts	10 482
Installation of non-intrusive scanners	23 225
Total Work-In-Progress	34 953

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13. Property, Plant and Equipment (continued)

Land and buildings carried at fair value

An independent valuation of land and buildings was conducted as at 31 March 2011 by Willy Kathurima Associates, 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 Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards. Willy Kathurima Associates are members of the Real Estate Institute of Botswana.

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

	2011 P'000	2010 P'000
Land	<u>25 958</u>	<u>24 830</u>
Buildings	<u>84 546</u>	<u>84 450</u>

Land includes Platjan with a fair value of P150,000 and Zanzibar with a fair value of P150,000. Ownership of this land is currently in dispute with third parties and as a result a contingent liability has been recognised in note 22.

14. Investment Property

At fair value

Balance at beginning of the year	19 000	16 770
Gain from fair value adjustments	<u>646</u>	<u>2 230</u>
Balance at end of the year	<u>19 646</u>	<u>19 000</u>

The fair value of investment property has been arrived at on the basis of a valuation conducted by Willy Kathurima Associates, independent professional valuers not related to BURS and qualified for the purpose of the valuation. The valuation was performed on 31 March 2011 and was conducted in accordance with the RCIS Appraisal and Valuation Manual and the Real Estate Institute of Botswana Standards. Willy Kathurima Associates are members of the Real Estate Institute of Botswana.

The investment property is partially constructed on Plot 8913 and includes land with a fair value of P4,200,000. 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. The fair value of the disputed portion of land on which the investment property is constructed amounts to P1,895,000. A contingent liability has been recognised in note 22.

15. Inventories

Printing and stationery	1 952	2 136
Office supplies	310	965
Uniform and protective clothing	<u>511</u>	<u>291</u>
Total inventories	<u>2 773</u>	<u>3 392</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. Inventories are stated at cost on a First-in-First-out basis

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	2011	2010
	P'000	P'000
16. Trade and Other Receivables		
Receivable from related parties	20 596	48 074
Staff receivables	493	244
Other receivables and prepayments	<u>3 415</u>	<u>6 462</u>
Total trade and other receivables	<u>24 504</u>	<u>54 780</u>
17. Cash and Cash Equivalents		
Business call account and cash on hand	33 459	27 428
Gratuity call account	1 872	1 797
Development funds	<u>5 073</u>	<u>7 775</u>
Total cash and cash equivalents	<u>40 404</u>	<u>37 000</u>
18. Assets Classified as Held for Sale		
Porta camps	-	575
Motor vehicles	<u>138</u>	<u>-</u>
Total assets held for sale	<u>138</u>	<u>575</u>
<p>BURS has taken a decision to dispose of several motor vehicles which are costly to maintain, within the next twelve months. The vehicles will be sold through the public auction.</p>		
19. Trade and Other Payables		
Trade payables and accruals	21 789	23 809
Payable to related parties	9 589	240
Rental accruals	2 677	4 581
Payroll deductions	-	2
Provision for annual performance bonus	12 934	10 559
Employee benefits accruals	<u>20 418</u>	<u>17 921</u>
Total trade and other payables	<u>67 407</u>	<u>57 112</u>
20. Related Party Transactions		
<p>Related parties transactions comprise the following:</p>		
Transactions with Government of Botswana		
Recurrent funding received from the Government	245 133	245 133
Development funding received from the Government	<u>25 867</u>	<u>62 388</u>
Total funding received from the Government	<u>271 000</u>	<u>307 521</u>

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	2011	2010
	P'000	P'000
20. Related Party Transactions (continued)		
Executive Management personnel compensation		
Salaries and other short term employee benefits	4 594	4 308
Post employment benefits	651	984
Total Executive Management personnel compensation	5 245	5 292

Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits include pension and gratuities.

c) Board members sitting allowance	59	53
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Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board (and board sub-committee) meetings.

The following business transactions were conducted with related parties:

Ministry of Trade and Industry (alcohol levy, flour levy and copyright levy)	20 313	13 520
Botswana Training Authority (training levy)	10 206	11 069
Motor Vehicle Accident Fund (motor vehicle road insurance)	941	1 224
Departments of Road Transport and Safety (road safety tokens and permits)	10635	9 495
	42 095	35 308
Public Procurement and Asset Disposal Board (rental income)	1 827	1 827

The following balances with related parties were outstanding:

Significant balances receivable from /(payable to) related parties:		
Development funds in transit and agency fees from Revenue accounts	12 268	6 600
Development funds owed by the Government	(22)	517
Agency fees from Revenue Accounts	1 255	11 546
Agency fees from Departments of Road Transport and Safety	7 073	7 411
Bank charges and foreign exchange losses payable to Revenue accounts	(9 589)	(240)
	11 007	47 834

21. Adjustment for Non-Cash Items

Depreciation of property, plant and equipment	13 448	14 231
Loss on revaluation of properties	15 971	-
Gain on disposal of property, plant and equipment	(82)	(2 046)
Adjustments on fair valuation of investment property	(646)	(2 230)
	28 691	9 955

Botswana Unified Revenue Service (Own Accounts)

Annual Financial Statements

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Notes to the Annual Financial Statements

(Continued)

2011 **2010**
P'000 **P'000**

22. 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	<u>11 718</u>	<u>8 019</u>
Stanbic Bank Botswana Limited	<u>1 425</u>	<u>1 219</u>

As documented in Note 13, BURS is in a dispute with third parties regarding the ownership of Zanzibar and Platjan. The fair value of the land in dispute is P300,000. As these third parties hold the legal title BURS may need to purchase the land from the third parties.

As documented in Note 14, BURS is in a dispute with Botswana Railways regarding the ownership of Plot 8913. The fair value of the land in dispute is P1,895,000 and Botswana Railways currently hold the legal title. BURS may need to purchase this land from Botswana Railways.

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	16 694	10 886
Within two to five years	9 060	10 427
	<u>25 754</u>	<u>21 313</u>

24. Capital Commitments

Commitments for the acquisition or expansion of property, plant and equipment	<u>515 000</u>	<u>70 000</u>
---	----------------	---------------

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; construction of the BURS Head Office for P290 million, construction of the Pioneer One-Stop Service Border Post for P140 million, upgrading of the Ramokgwebana Border Post for P19 million, upgrading of the Tlokweg sewerage system for P48 million and the development of an IT online filing system for P6 million. A commitment has also been made towards the Swedish International Development Agency (SIDA). SIDA is providing technical assistance to BURS on a 50:50 cost sharing ratio. The budget for 2011/12 is P12 million of which BURS is to pay 50%.

Botswana Unified Revenue Service (Own Accounts)

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25. Events After the Reporting Period

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 adjustment in the financial statements.

Botswana Unified Revenue Service

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(Administered Government Revenue Accounts)

General Information

Board of Directors

Taufila Nyamadzabo: Chairperson
Daniel N. Loeto: Vice Chairperson
Freddy Modise(resigned : 30 November 2010)
Keneilwe R. Morris: Commissioner General (appointed : 1 December 2011)
John Y. Stevens
Oteng B. Batlhoki(appointed : 1 July 2010 (resigned: 11 July 2011)
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

Botswana Unified Revenue Service
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Directors' Statement of Responsibility

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 2011, 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, prepared on the modified 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 modified cash basis of accounting.

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 state that, for the year ended 31 March 2011, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 15 (5) which requires the Board sub-committees to meet at least four times a year for the transaction of their business;
- Paragraph 28 (2) 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; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of the year.

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

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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 audited by BURS's external auditors and their audit report is presented on pages 68 and 69.

Directors' Approval of the Annual Financial Statements

The annual financial statements set out on pages 70 to 82, which have been prepared on the going concern basis, were approved by the Board on 8 December 2011 and were signed on its behalf by:



Board Chairperson



Commissioner General

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

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

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

We have audited the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts which comprise the statement of financial position as at 31 March 2011, the statement of financial performance, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 70 to 80.

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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: Administered Government Revenue Accounts as at 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with the modified 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.

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

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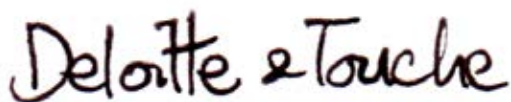
Other matters

Without qualifying our opinion, we draw attention to the fact that the annexures set out on pages 81 to 82 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 thereon.

Report on Legal and Regulatory Requirements

For the year ended 31 March 2011, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 15 (5) which requires the Board sub-committees to meet at least four times a year for the transaction of its business;
- Paragraph 28 (2) 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; and
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of the year.



Deloitte & Touche
Certified Public Accountants
Practicing Member: C V Ramatlapeng (20020075.24)

Gaborone
15 December 2011

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

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Statement of Financial Performance

for the year ended 31 March 2011

	Notes	<u>2011</u> P 000	<u>2010</u> P 000
Revenue collected on behalf of the Government of Botswana			
Tax revenues and Customs Union Receipts			
Income tax	2	9,208,338	8,228,826
Value Added Tax	3	4,648,381	3,844,948
Customs Union Receipts	4	6,206,614	7,931,023
Other tax revenue	5	<u>109</u>	<u>450</u>
Total tax revenues and Customs Union Receipts		20,063,442	20,005,247
Non-tax revenue	6	<u>1,167</u>	<u>1,520</u>
Total revenue collected on behalf of the Government of Botswana		20,064,609	20,006,767
Revenue collected on behalf of Government Departments	7	<u>414,945</u>	<u>300,096</u>
Total revenue collected for the year		<u>20,479,554</u>	<u>20,306,863</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

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Statement of Financial Position
 Statement of Financial Position

as at 31 March 2011

	Notes	<u>2011</u> P 000	<u>2010</u> P 000
ADMINISTERED ASSETS			
Current assets			
Accounts receivable	8	42,697	23,611
Cash and cash equivalents	9	<u>409,900</u>	<u>328,725</u>
Total administered assets		<u>452,597</u>	<u>352,336</u>
ADMINISTERED LIABILITIES			
Current liabilities			
Accounts payable	10	353,370	277,560
Amount due to Government Remittance Account	11	<u>99,227</u>	<u>74,776</u>
Total administered liabilities		<u>452,597</u>	<u>352,336</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)
Annual Financial Statements
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Statement of Changes in Net Assets

Statement of Changes in Net Assets

for the year ended 31 March 2011

	P 000
Amount due to /(by) Government Remittance Account	
Balance at 1 April 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>74,776</u>
Balance a 1 April 2010	74,776
Total revenue collected for the year	20,479,554
Transfers to Government Remittance Account	<u>(20,455,103)</u>
Balance at 31 March 2011	<u>99,227</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

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Statement of Cash Flows

Statement of Cash Flows

for the year ended 31 March 2011

	<u>2011</u> P'000	<u>2010</u> P'000
Cash flow s from operating activities		
Net collections for the year	24,451	76,723
Movement in assets and liabilities		
Increase in accounts receivable	(19,086)	(12,380)
Increase in accounts payable	75,810	4,094
Net movement in assets and liabilities	56,724	(8,286)
Increase in cash and cash equivalents	81,175	68,437
Cash and cash equivalents at beginning of year	328,725	260,288
Cash and cash equivalents at end of year	<u>409,900</u>	<u>328,725</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

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Notes to the Annual Financial Statements

the year ended 31 March 2011

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 modified 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 modified cash basis of accounting since BURS took over the responsibility for revenue accounting and reporting from the Government's Department of the Accountant General in 2008.

BURS had previously reported that it took 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. BURS is still committed to converting to accrual accounting. However BURS will not meet the five year conversion period as it is re-engaging with the Ministry of Finance and Development Planning in order to develop detailed guidelines which will outline the procedures and timelines to be followed in Botswana for Government Owned Enterprises in converting to the accrual basis of accounting. Consequently, BURS has prepared the financial statements on a modified cash basis in line with the 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.

Notes to the annual financial statements for the year ended 31 March 2011 (continued)

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 annexures), which is reported in units of Pula.

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

(Continued)

the year ended 31 March 2011

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 from violators of the Customs and Excise Duty Act such as non-declaration or under-valuation 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.

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

(Continued)

the year ended 31 March 2011

	2011 P'000	2010 P'000
2. Income Tax		
Income tax revenue collected during the year was derived from the following sources:		
Withholding tax	1,320,967	1,288,566
Deducted tax (Pay As You Earn)	2,676,565	2,186,480
Assessed tax	5,168,896	4,709,202
Penalty interest	39,582	42,850
Capital transfer tax	2,328	1,728
	<u>9,208,338</u>	<u>8,228,826</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 2011 represent the actual cash paid out as VAT refunds. The net VAT revenue received during the year is analysed as follows:

	2011 P'000	2010 P'000
VAT import	3,459,037	2,632,324
VAT internal	2,705,327	2,177,312
VAT interest and penalties	39,422	32,337
Fuel levy	149,795	150,015
Gross receipts	<u>6,353,581</u>	<u>4,991,988</u>
Less: Refunds	1,705,200	1,147,040
Net VAT receipts	<u>4,648,381</u>	<u>3,844,948</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.

	2011 P'000	2010 P'000
Customs Union Receipts	<u>6,206,614</u>	<u>7,931,023</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

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Notes to the Annual Financial Statements

(Continued)

the year ended 31 March 2011

5. Other Tax Revenue

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

	2011	2010
	P'000	P'000
Received from the replacement of previous years dishonoured cheques	<u>109</u>	<u>450</u>

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:

	2011	2010
	P'000	P'000
Licence fees	24	23
Customs fines	<u>1,143</u>	<u>1,497</u>
	<u>1,167</u>	<u>1,520</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, the Department of Consumer Affairs and the Registrar of Companies. 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. The amount reported as revenue collected on behalf of other Government departments includes the following:

	2011	2010
	P'000	P'000
Copyright levy	3,896	2,500
Road safety tokens	4,011	3,705
Transport permits	84,615	76,798
Flour levy	7,097	7,537
Alcohol levy	315,326	209,556
	<u>414,945</u>	<u>300,096</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

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Notes to the Annual Financial Statements

the year ended 31 March 2011

8. Accounts Receivable

Accounts receivable represent debtors in respect of cheques dishonoured by banks, and payments due from BURS Own Accounts.

	2011	2010
	P'000	P'000
Dishonoured Cheques	33,108	23,235
Receivable from BURS Own Accounts (note 12)	<u>9,589</u>	<u>376</u>
	<u>42,697</u>	<u>23,611</u>

9. Cash and Cash Equivalents

Cash and cash equivalents 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.

	2011	2010
	P'000	P'000
Bank and cash balances	<u>409,900</u>	<u>328,725</u>

10. Accounts Payable

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

31 March 2011	Other payables	Unremitted collections	Refundable deposits	Total
	P'000	P'000	P'000	P'000
Temporary deposits	-	-	27,358	27,358
Customs and excise duties	-	94,174	-	94,174
Payable to BURS Own Accounts	-	13,523	-	13,523
Gross payments	-	-	13,572	13,572
Training levy (Botswana Training Authority)	-	68,027	-	68,027
Assurance Levy (Motor Vehicle Accident Fund)	-	2,115	-	2,115
Unallocated EFT transactions	-	128,079	-	128,079
Unpresented cheques	5,448	-	-	5,448
Cashbook Suspense Account	-	938	-	938
Bank clearing account	<u>136</u>	<u>-</u>	<u>-</u>	<u>136</u>
	<u>5,584</u>	<u>306,856</u>	<u>40,930</u>	<u>353,370</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

(Continued)

the year ended 31 March 2011

	Other payables P'000	Unremitted collections P'000	Refundable deposits P'000	Total P'000
31 March 2010				
Temporary deposits	-	-	14,795	14,795
Customs and excise duties	-	153,773	-	153,773
Payable to BURS Own	-	18,282	-	18,282
Accounts Gross payments	-	-	9,533	9,533
Advance received from Government Training levy (Botswana Training Authority)	1,000	-	-	1,000
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
	<u>3,389</u>	<u>249,843</u>	<u>24,328</u>	<u>277,560</u>

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, unpresented 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 were 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 has since been paid during the year. The amount in the bank clearing account represents funds erroneously transferred into BURS bank accounts by Bank of Botswana, which do not belong to BURS and are pending reversal by 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 unallocated EFT transactions, 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.

11. Amount Due to Government Remittance Account

The amount due to the Government Remittance Account represents collections not yet transferred to the Government as at year end.

	2011 P'000	2010 P'000
Amount due to Government Remittance Account	<u>99,227</u>	<u>74,776</u>

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Annual Financial Statements

31 March 2011

Notes to the Annual Financial Statements

the year ended 31 March 2011

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:

	2011	2010
	P'000	P'000
Amount due to Government Remittance Account	(99,227)	(74,776)
Amount payable to Government (Note 10)	-	(1,000)
Amount due to Government	(99,227)	(75,776)
Botswana Unified Revenue Service (Own Accounts)		
Accounts receivable (note 8)		
Point of sale and other bank charges	387	276
Fluctuation of foreign exchange rates	9,202	-
BURS advance overpaid	-	100
	9,589	376
Accounts payable (note 10)		
Commission payable	(1,255)	(11,546)
Development projects funds in transit	(12,268)	(6,600)
Overpayment of funds	-	(136)
	(13,523)	(18,282)
Net amount due to BURS Own Accounts	(3,934)	(17,906)
Total due to related parties	(103,161)	(93,682)

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Unaudited annexures to the annual financial statements

for the year ended 31 March 2011

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

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

ANNEXURE 1: SCHEDULE OF MOVEMENTS IN COLLECTIONS AND PAYMENTS TO SACU AND THIRD PARTIES

	SACU Pool Pula	Motor Vehicle Assurance Fund Pula	Botswana Training Authority Pula	TOTAL Pula
Balance at 01 April 2010	157,981,053	2,400,025	60,474,716	220,855,794
Collections	336,636,551	9,412,096	204,123,474	550,172,122
Adjustments	(157,977,107)	(2,664,396)	(62,051,353)	(222,692,856)
Payments to third party	(242,466,916)	(6,091,642)	(126,737,449)	(375,296,007)
Payments – BURS Commission	-	(676,849)	(6,670,392)	(7,347,241)
Balance at 31 March 2011	94,173,581	2,379,234	69,138,996	165,691,811
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	528,292,014
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	157,981,052	2,400,025	60,474,716	220,855,793

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 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.

Botswana Unified Revenue Service (Administered Government Revenue Accounts)

Unaudited annexures to the annual financial statements

for the year ended 31 March 2011

Annexure 2: Schedule of Arrears of Revenue

Description	Balance at 01	Collection	Abandonment,	Balance of	Arrears in	Balance at 31
	April 20 10	of previous	discharges,	prior ye ars'	respect of	March 2011
	Pula	years' arrears	remissions/ waivers & adjustments (see note below)	arrears outstanding	current year	Pula
VAT internal	227,070,870	(58,923,539)	-	168,147,332	68,473,243	236,620,575
VAT interest and penalties	193,211,122	(243,443)	(35,308,446)	155,468,239	90,267,869	245,736,108
Assessed tax	281,294,461	(66,364,102)	(11,393,089)	203,537,270	91,439,705	294,976,975
Assessed tax interest	313,120,518	(18,292,275)	(37,274,807)	257,553,436	89,057,877	346,611,313
TOTAL	1, 014,696,971	(143,823,359)	(83,976,342)	784,706,277	339,238,694	1,123,944,971

Description	Balance at 01	Collection	Abandonment,	Balance of	Arrears in	Balance at 31
	April 2009	of previous	dis charges,	prior years'	respect of	March 2010
	Pula	years' arrears	remissions/ waivers & adjustments (see note below)	arrears outstanding	current year	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)	-	117,143,882	76,067,239	193,211,121
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
TOTAL	1,097,302,995	(187,868,143)	(201,194,662)	708,240,190	306,456,780	1,014,696,970





Contacts

BURS Headquarters

Plot 53976
Kudumatse Road
P/Bag 0013
Gaborone

Tel: 363 8000 / 363 9000
Fax: 363 9999 / 395 3101

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 Centre number: 17649

www.burs.org.bw